

EXPENDITURE

Total expenditure for 2021 budget is \$1,895.0 billion (excluding donor funding activities of \$155.1 million and loans of \$70.7 million).

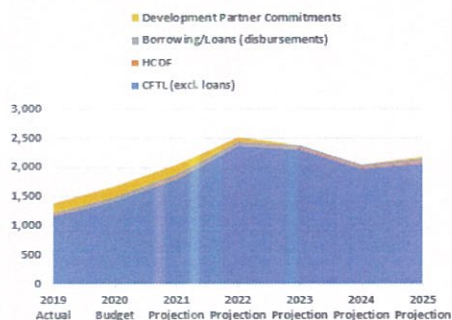
The total 2021 State Budget (excluding donor funding) is 22.0% higher than that allocated for 2020.

FISCAL DEFICIT/FINANCING

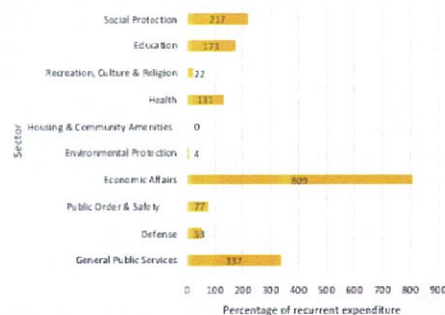
The fiscal deficit is equal to revenues minus expenditure. In 2021, this is estimated to be -\$1,156.5 million.

To finance the deficit, excess withdrawals from the PF are estimated to be \$829.7 million. This is higher than in 2020 because government expenditure is expected to be higher. The use of cash balances are estimated to be \$150 million and European Union Direct Budget Support is predicted to be \$9.1 million, both are lower than those in 2020.

Combined Sources of Budget 2019-2025



Recurrent expenditure by sector 2021



Other Information

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

Cover photograph: Nelson Lopes, Ministerio das Financas, Timor-Leste.

Data sources: Ministry of Finance and Directorate General Statistics, Timor-Leste.

LOANS

Loan disbursements (payments to the borrower) in 2021 is forecasts as \$70.7 million, an 18% increase compared to 2020.

\$12.5million of government expenditure in 2021 is assigned for payment of loans already disbursed.

What is the Petroleum Fund (PF)?

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

What is Estimated Sustainable Income (ESI)?

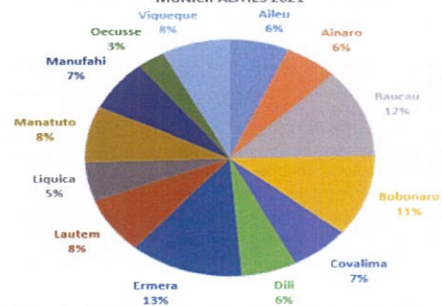
The ESI represents the maximum amount that can be withdrawn from the PF in a single fiscal year that does not reduce the long term sustainability of the PF. The ESI is currently set as 3% of the Fund's net wealth. Any withdrawal above this amount is called an "excess withdrawal".

FUNDING TO SUB-NATIONAL GOVERNMENT

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

\$8.0 million is allocated in 2020 for "Programa Desenvolvimento Suku" (PNDS) also included RAOA/ZEEMS contributed as well and \$10.7 million for Programa Desenvolvimento Integrada Munisipius (PDIM).

DISTRIBUTION OF PDIM AND PNDS FUNDS IN MUNICIPALITIES 2021



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

You can contact: National Director of Budget: Sr. Salomão Yaquim, email: syaquim@mof.gov.tl, Telephone no 77305809 for more information. Director General for Planning and Budgeting, Mr. Jose Alexandre de Carvalho, number telephone: 77304362, email: jcarvalho@mof.gov.tl, leads the budget initiative.

Rui Augusto Gomes
Minister of Finance

Citizens Budget 2021 Timor-Leste



Democratic Republic of Timor-Leste
Ministry of Finance



The 2021 State Budget

The government of Timor-Leste promises to publish a citizen's budget each year to ensure that citizens are informed of the state budget in an accessible format. It is designed by the General Directorate National of Planning and Budget and seeks to inform citizens of the relevant aspects of the state budget, revenue to be raised and details of expenditure to be made.

The Government of Timor-Leste's policies guided by the Strategic Development Plan are laid out in the Annual State Budget, with the objective to become an upper middle income country by 2030.



What is the State Budget?

The State Budget is a document which includes forecasts of revenue and fixes expenditure for the upcoming year. It is based on the government priorities for that year. The Ministry of Finance organizes the 'Jornada Orçamental' - a workshop with line ministries to discuss budget preparation for the year. After that line ministries submit their proposals to the Ministry of Finance which are compiled into documents called Pasta Verdes or Green Brief. These are agreed upon by the Budget Review Committee and are then sent to Parliament for discussion. Once the Parliament agrees upon the budget, it is 'enacted' - that is, it is the final budget for the upcoming year.

GOVERNMENT PRIORITIES FOR 2021

The proposed budget allocations aim to reflect the government's priorities which are described below:

INVESTING IN PEOPLE

The government is committed to strengthening the sectors relating to social capital.

Education

13% of the recurrent budget will target the Education Sector.

\$13.0 million to the Human Capital Development Fund for its programme on scholarship, technical training, vocational training and other training, for students abroad as well as in Timor-Leste.

\$6.4 million to Secretariat for Youth and Sport, to provide support for various sporting events and youth activities throughout the year, including a subsidy for the Football Federation and Liga Amadora.

\$22.8 million Ministry of Education, youth and sport for concessions for public and private school, payment of contractual teachers and operational costs for CAFÉ schools.

\$0.6 million to the Ministry of Higher Education, Arts and Culture for supporting arts activities.

Social Security

Social Security is the second largest sector in the budget (with the largest being Economic Affairs with 24%) with 18% of the recurrent budget allocated to it.

\$93.6 million to Ministry for National Liberation Combatants Affairs for veteran pensions, scholarships for family members and health treatment.

\$15.5 million to the Whole of Government for the provision of pensions for permanent civil servants under the contributory regime.

\$42.7 million to the Whole of Government for the Contributory and Non-Contributory Regime. This will be transferred to Institute of National Social Security for implementation.

Health Care

9% of the recurrent budget will target the Healthcare Sector.

\$23.9 million to the COVID-19 Fund for the continuation of the prevention and mitigation program.

\$11.6 million to the Ministry of Health for treatments abroad, primary healthcare and the subsidy for Cuban Doctors in Timor-Leste.

\$7.9 million to SAMES for acquisition of medications and pharmaceutical goods to help improve the quality of health services provided throughout the country.

\$1.9 million to the Ministry of Health for the purchase of multi-functional ambulances, medical equipment for referral hospitals and health centres.

INVESTING IN INFRASTRUCTURE AND ECONOMIC DEVELOPMENT

26.0% of the recurrent and capital budget will target the Infrastructure Development Sector.

\$194.5 million to the Ministry of Public Works (EDTL, public enterprise and BE Timor) towards fuel and maintenance of electricity generators in Hera and Betano.

\$13.8 million to Ministry of Public Works for the maintenance of roads and for a flood control programme to protect against possible damage caused by floods on the coast and inland.

\$6.9 million to Ministry of Public Works for maintenance of equipment and edifices.

STRENGTHENING INSTITUTIONS

\$8.9 million to the Ministry of Social Solidarity and Inclusion for a social assistance programmed at the community level.

\$5.9 million to the Office of the Prime Minister for civic welfare. This includes support for NGOs, the construction of Ai-Mutin and Becora Churches and activities of various civil societies.

Macroeconomic Assumptions of the State Budget

Timor-Leste economy is expected to contract by -7.6% (real GDP non-oil) in 2020 due to the effects of a delayed budget, political uncertainty, the COVID-19 pandemic and the State of Emergency (SOE). But is expected to return to positive growth of 3.5% in 2021.

Inflation is expected to remain low and stable at 0.1% in 2020, rising slightly to 0.5% in 2021. This is good for consumers when they buy goods and food and for Timorese companies exporting their products overseas as their products are more competitive.

In 2021, non-oil domestic revenues are expected to be \$190.6 million; a 10.6% rise compared to forecasts for 2020, as the economy bounces back from the COVID-19 induced recession. However total domestic revenues are still forecast to be 0.5% lower than collections in 2019. The amount of Estimated Sustainable Income is forecast to rise 0.6% to \$547.9 million due to a rise in Petroleum Fund wealth.

Between September 2019 and September 2020 the US dollar appreciated (is worth more) by

1.5% against a weighted basket of currencies of Timor-Leste's trading partners. There has been a small overall appreciation in the last few years which has reduced the price of imports e.g. food, placing downward pressure on domestic inflation, benefiting Timorese consumers. However, this appreciation also makes Timorese non-oil exports e.g. coffee more expensive in international markets.

Petroleum fund for the 2021 is estimated to be \$18,262.4 million in 1 January 2021. Accordingly, the 3% ESI is estimated at \$547.9 million for 2021.

%	Forecast 2020	Forecast 2021	Forecast 2022
Real GDP (non-oil) *	-7.6	3.5	3.1
Inflation CPI**	0.1	0.5	1.1

*Real gross domestic product is a measurement of economic output that accounts for the effects of inflation. Non oil GDP refers to all GDP that is not derived from the Petroleum Fund. 2020-2022 are forecasts.

**A consumer price index (CPI) measures changes in the average price level of a basket of consumer goods and services purchased by households. 2020-2022 are forecasts.

ECONOMIC RECOVERY PACKAGE (ERP)

The Government approved an Economic Recovery Package with the objective of aiding the recuperation of the economy post COVID-19 between 2021 and 2023.

The plan had 3 clear objectives:

- reduce the internal unemployed by ensuring all jobs are productive and dignified
- social investment programmes (Education, Health, Housing and Social Protection)

c) Review productive sectors and promote areas that contribute to economic growth.

The final Economic Recovery Package is \$123.9 million. This includes both ongoing activities as well as additional economic recovery measures for LM/SFA/MS if they provide essential services/contribute to essential activities.

REVENUE

Total revenue in Timor-Leste comprises of domestic revenues and petroleum revenues (excluding investment returns). Historically petroleum revenues are larger than domestic revenues. However they are forecast to fall 78% in 2021, due to the declines in Bayu-Undan's reserves (the only oil field currently in operation). Therefore while domestic revenues are forecast to rise 10.6% compared with 2020, petroleum revenues are forecast to fall 78%, meaning total revenues are forecast to decline 46%.

Total domestic revenues are forecast to reach \$190.6 million by the end of 2021. Tax revenues consistently comprise the largest source of domestic revenue, estimated to total 67% (including RAEOA-ZEESM) in 2021. Fees and Charges are predicted to contribute 28%, with the rest made up by interest and Autonomous Agencies revenues.

2021 tax revenues are expected to rise significantly, with an estimated 11.8% rise on 2020. This is expected to be driven by increases Excise and Sales taxes, those that are predicted to fall the most in 2020. Despite these large increases, tax revenues are forecast to be just 1% higher than those in 2019.

