

# Expenditure and Revenue

Quarterly Bulletin – Q4, 2021

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Democratic Republic of Timor-Leste  
Ministry of Finance



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# Abbreviations

Appropriation Category	AppCat
Anti-Corruption Commission	CAC
Archive and Museum Resistencia 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
Development Partnership Management Unit	DPMU
Directorate General of State Finance	DGFE
Direct Budget Support	DGS
East Timor National Police	ETNP
European Union	EU
Falintil- Defence 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
National Laboratory	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 Directorate of Economic Policy	DNPE
National Intelligence Agency	SNI
National Police of Timor-Leste	PNTL

Orgao Autonomia 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
Quarter 4	Q4
<i>Serviços e Entidades com Autonomia Financeira Alargada</i>	SEAFAs
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

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# 1 Introduction

## 1.1 Purpose

The Directorate General of Budget and Planning aims to produce three quarterly reports and one annual report on budget allocation, expenditure, and non-oil revenue collection in Timor-Leste. The reports aim to act as an information source for stakeholders in the public sector, technical and financial partners, the private sector, and the civil society in general.

## 1.2 Scope

The reports will detail expenditure and revenue trends for line ministries, municipalities and autonomous agencies in Timor-Leste, which are technically defined as “*Serviços e Entidades com Autonomia Financeira Alargada*” (SEAFAs). The reports will also aim to discuss one SEAFAs in detail to shed more light on planning and budgeting dynamics in the country. However due to time constraints, that ministry in details has not been included in this report.

Readers are cautioned that this report will not present a complete understanding of service delivery levels in each quarter, since this would require detailed non-financial information about SEAFAs performance in terms of outputs and activities, which is not currently available. Additionally data insights presented in this report are based on reported data. Any delays in reporting of financial information can affect the accuracy of the information herein provided. The data used to prepare this report has been generated by the Ministry of Finance as of December 31<sup>st</sup> 2021. The sources of information from which the data has been gathered are Government Resource Planning (GRP), Development Partnership Management Unit (DPMU) and National Directorate of Economic Policy (DNPE) databases owned by the Ministry of Finance. For more detailed information on service delivery, readers are requested to contact the individual spending agencies.

## 2 Expenditure trends in 2021

### 2.1 Aggregate expenditure vs budgeted expenditure

In 2021 the budget cycle followed the normal processes. On October 15<sup>th</sup>, 2020 the government presented an original budget of \$ 1,895,000,000 to the National Parliament, which approved it without further amends on December 2<sup>nd</sup>, 2020. However, the situation of uncertainty created by the COVID-19 pandemic impeded to realize the original budget plan and on May 4<sup>th</sup> 2021 a supplementary budget was approved. The supplementary budget increased appropriations for 2021 in \$ 135,300,000.

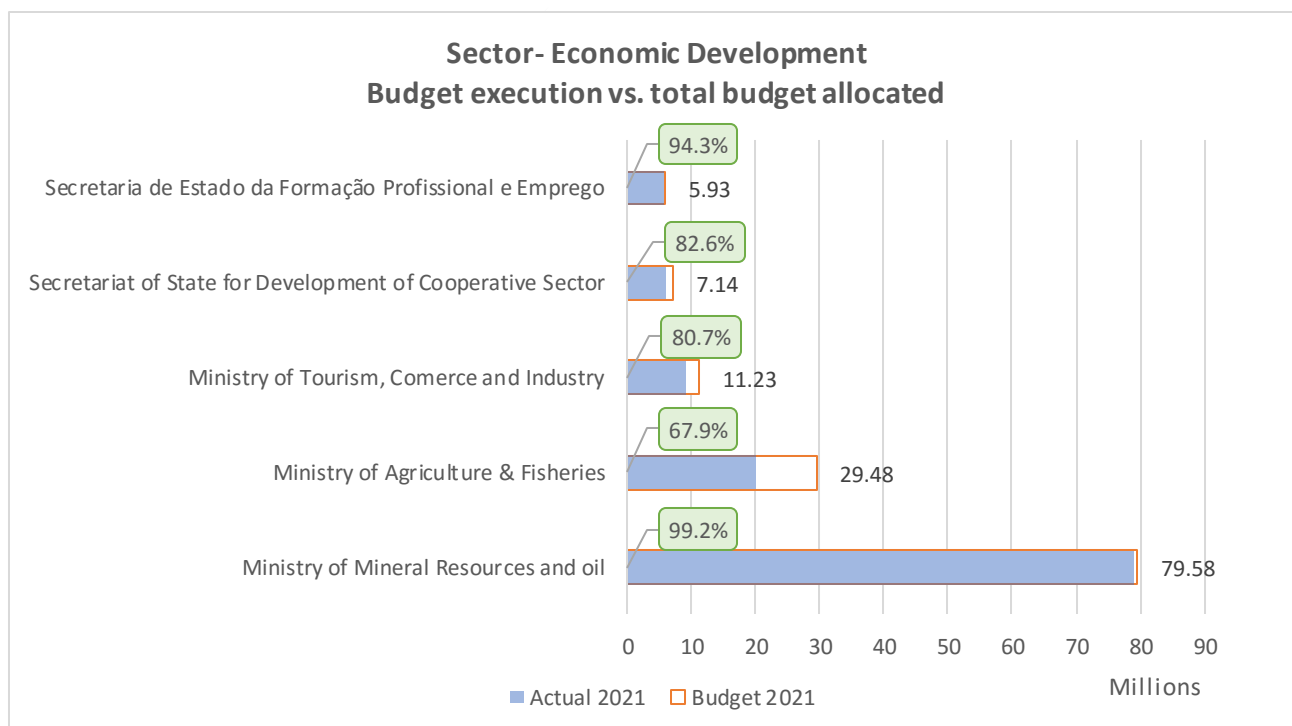
For a promulgated budget, we report on the basis of current budget (including virements and budget supplements). Budget execution is calculated as the ratio of cash expenditure over current budget. Cash expenditure does not include commitments and obligations, i.e. expenditure that has been processed by the Directorate General of Treasury but for which cash out-flows have not taken place yet.

The final state budget, after the approval of the supplementary budget in May 4<sup>th</sup> 2021, amounted a total value of \$ 2,030,300,000. Budget execution reached the 71.38% overall, with a total cash expenditure equal to \$ 1,449,270,057. By the end of Q4, 2021, execution of the Infrastructure Fund including loans (IF) reached at 26.13%, while the Human Capital Development Fund (FDCH) execution totalled 78.60%.

#### 2.1.1 Sector (SDP sector)

This section describes budget execution using the classification defined by the Timor-Leste's Strategic Development Plan 2011-2030 (SDP). The following graphs introduce the five ministries in each SDP sector with the highest budget allocations in 2021.

**Figure 1: 2021 execution for SDP Sector-Economic Development**

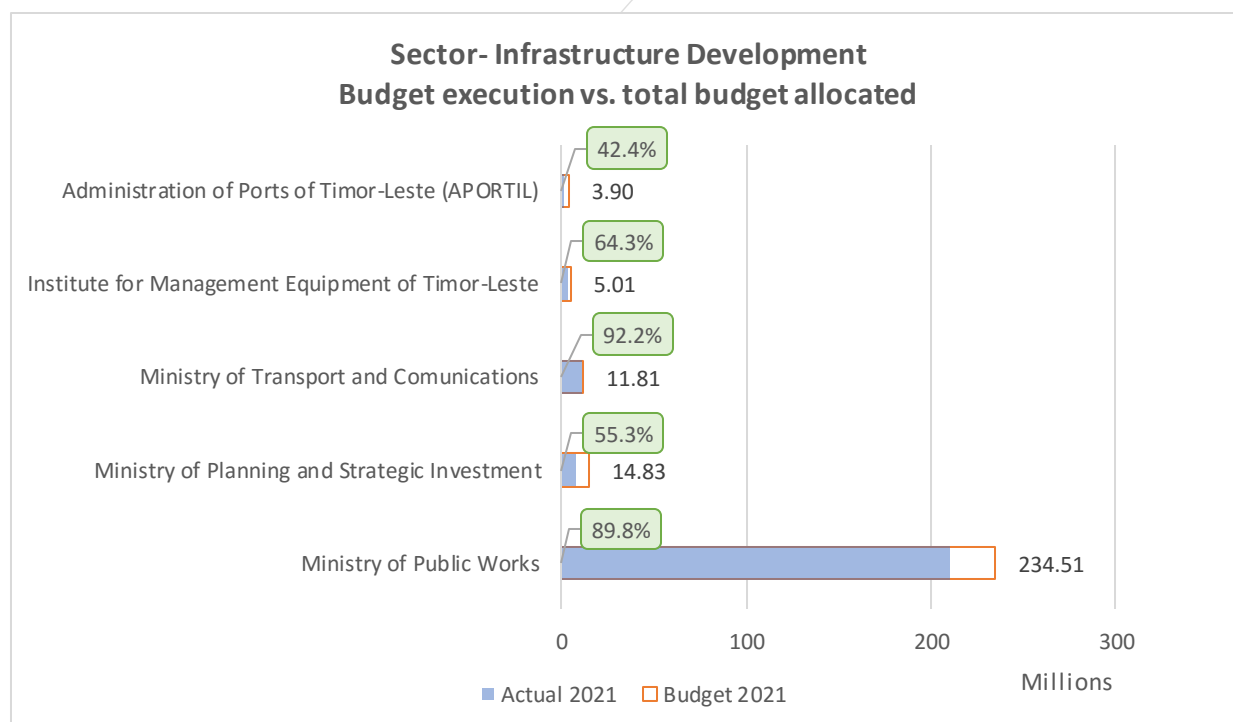


Source: Ministry of Finance, IFMISU, January 2022



In general, there is a large degree of variability in terms of execution rates of the SEAFAs with largest budgets in the Economic Development sector. The Ministry of Mineral Resources and Oil, the one with the highest budget within the sector (\$ 79.6 million), also presented the highest execution rate (99.2%). Most other SEAFAs struggled to reach an execution rate of 95% by the end of 2021. Although SEFOPE stayed close to this benchmark with a 94.3%, it should be noticed that its budget is rather small (\$ 5.9 million) when compared to the average budget of a SEAFAs in Timor-Leste (\$ 22.6 million)<sup>1</sup>. The Secretariat of State for Development of Cooperative Sector presents the third largest execution rate (82.6%) in the group while the second smallest budget (\$ 7.1 million), supporting the view that lower budgets come in general with higher execution rates. The Ministry of Tourism, Commerce and Industry which had the third highest budget allocation (\$ 11.2 million) executed up to 80.7% of it. The Ministry of Agriculture and Fisheries (MAP), the one with the second largest budget (\$ 29.5 million), only reached an execution rate of 67.9%, due to a low execution of capital development and minor capital budgets (21.0% -31.1%). Budget composition seems to be another driver of low execution rates. While the execution rates related to good and service (71.6% - 84.4%) and minor and development capital (21.0% - 96.2%) ranged in low values, public transfer (84.0% - 100%) and salary and wages (78.2% - 98.0%) saw higher execution rates ranges. Indeed, in the case of MTCI and SECOOP goods and services had the lowest execution rates, while they received the largest and second largest budget appropriations, respectively. Regarding MAP, the low execution rate is driven by weak expenditure in minor capital, the second largest budget appropriation.

**Figure 2: 2021 execution for SDP Sector-Infrastructure Development**

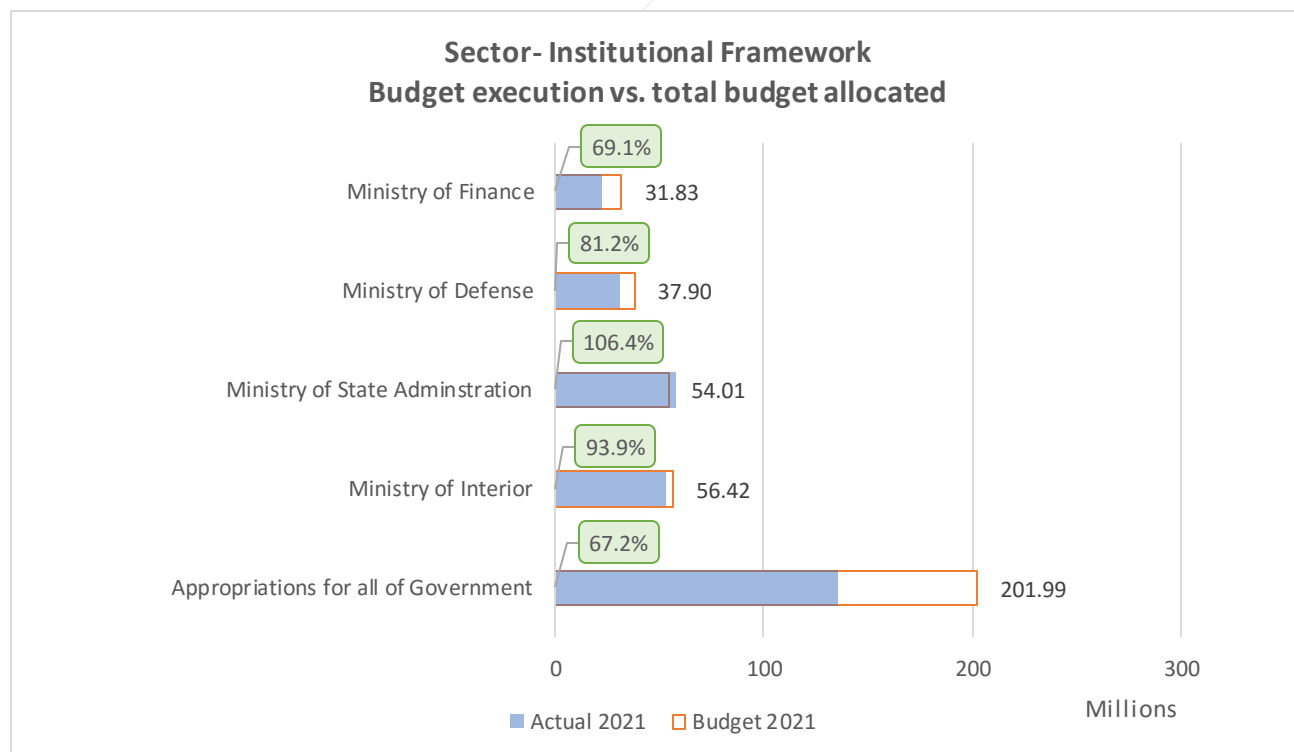


Source: Ministry of Finance, IFMISU, January 2022

<sup>1</sup> This must be put in perspective since the budget distribution is very skew to the left with a median value of \$ 4.1 million. Thus, SEFOPE has a medium-size budget if we compare to the median SEAFAs budget.

Ministry of Public Works (MOP) had the highest budget allocation within the Infrastructure Development sector in 2021, excluding the Infrastructure Fund. It received a total appropriation of \$234.5 million, although budget execution only reached the 89.82%. This was driven by low execution rates in goods and service (57.1%), minor capital (56.8%), and especially – and ironically - capital and development (17.1%). The relatively high average execution rate of MOP comes from executing 100% of its budget for public transfers, the largest appropriation category with \$ 193.5 million. The Ministry of Planning and Strategic Investment (MPO) received the second largest budget allocation in the sector, \$ 14.8 million, out of which it only executed 55.3%. Only goods and services, the second largest appropriation category with \$ 5.4 million budgeted, presented an execution rate over 50%, 70.89%. The other categories fell far under 50% execution. The fact that the largest budget appropriation went to capital and development, \$ 7.2 million, and that this category had an execution rate of 49.71%, drove the overall execution slightly over 50%. The Ministry of Transport and Communications (MTC) received the third highest budget allocation in the sector, \$ 11.8 million, and had the highest execution rate, 92.24%. All appropriation categories presented execution rates over 90%, except for capital and development, which stayed at 75.48%. The Institute for Equipment Management (IGE) and the Administration of Ports of Timor Leste (APORTIL), received the fourth and fifth largest budget appropriations in the sector, with \$ 5 and \$ 3.9 millions respectively, despite what their execution rates are very low, 64.3% and 42.4% respectively. This is the result of low execution rates in the categories with the largest budget appropriations, minor capital for IGE (\$ 2 million, 11.4%) and goods and services for APORTIL (\$ 3.4 million, 35.5%).

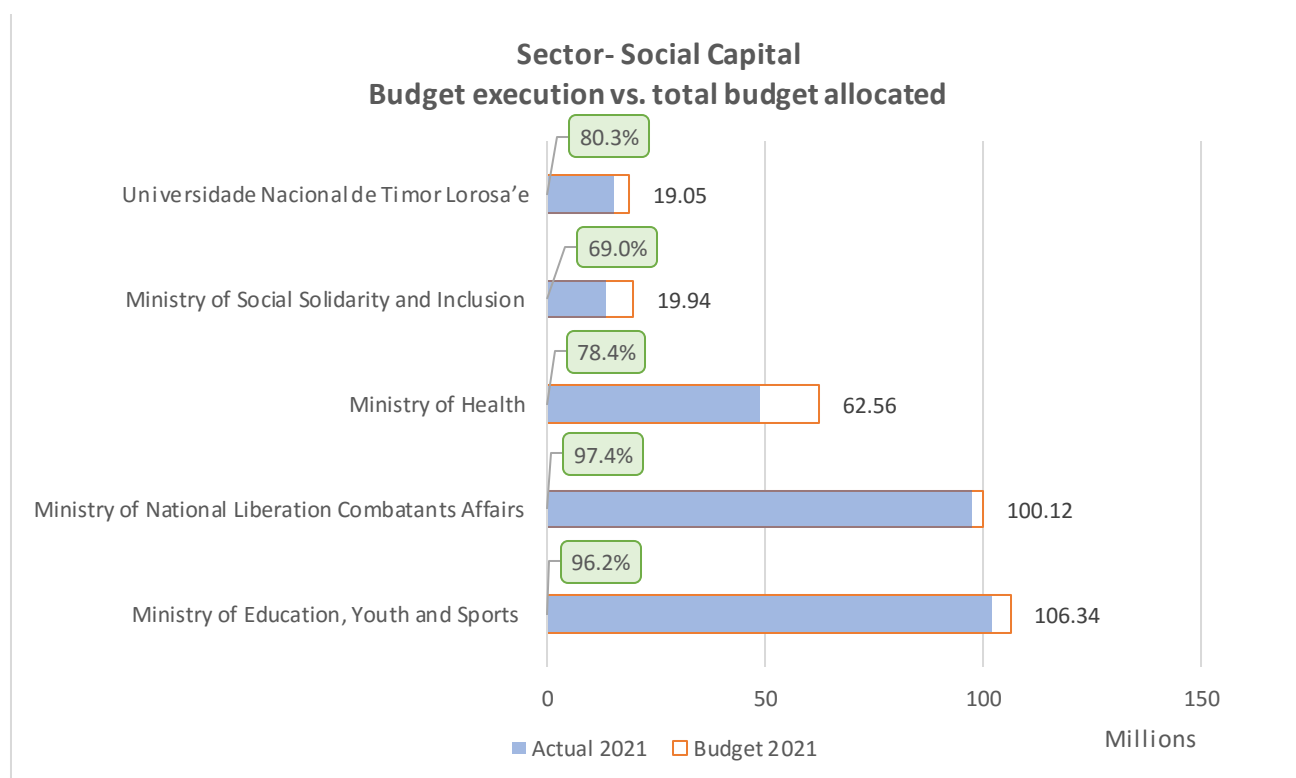
**Figure 3: 2021 execution for SDP Sector-Institutional Framework**



Source: Ministry of Finance, IFMISU, January 2022

In the Institutional Framework sector, Appropriations for all of Government (DTG) received the highest budget allocation in 2021, \$ 202 million, but only executed 67.2% of it. This was due to execution rates below 25% in all appropriation categories, except for the largest one, public transfers, which executed 93.8% of the \$ 126.3 million budgeted. Nevertheless, it should be bear in mind that many funds allocated to DTG have a contingency risk management purpose and, hence, their execution is dependent on the foreseen risk effectively materializing. The other SEAFAs in the sector presented medium to high execution rates, with the exception of the Ministry of Finance. Ministry of Interior (MI) had the second highest budget allocation, \$ 56.4 million, and managed to execute 93.9%. MI's appropriation categories presented execution rates over 90%, with capital and development being the exception and executing only 26.6%. Nevertheless, capital and development only received \$ 95,380 of the total Ministry's budget. The Ministry of State Administration had an annual budget of \$ 54 million, the third largest in the sector. It went over the 100% execution rate due to overspending in the public transfer category, which reached \$ 41.6 million and an execution rate of 121%. In the future, spending without the provision of budgetary credits should be avoided. Supplementary credits to SEAFAs and virements between programs require previous approval from the National Parliament. The Ministry of Defense (MD) had the fourth largest budget appropriation, 37.9 million, and an execution rate of 81.2%, resulting from the lack of spending in the capital and development category. Ministry of Finance (MF), with a budget of \$ 31.8 million, had the lowest execution rate of the 5 SEAFAs analysed in this sector, 69.1%. This is explained by the poor implementation of goods and services credits, the largest appropriation category with \$ 21 million and only 64.3% execution.

**Figure 4: 2021 execution for SDP Sector-Social Capital**



Source: Ministry of Finance, IFMISU, January 2022

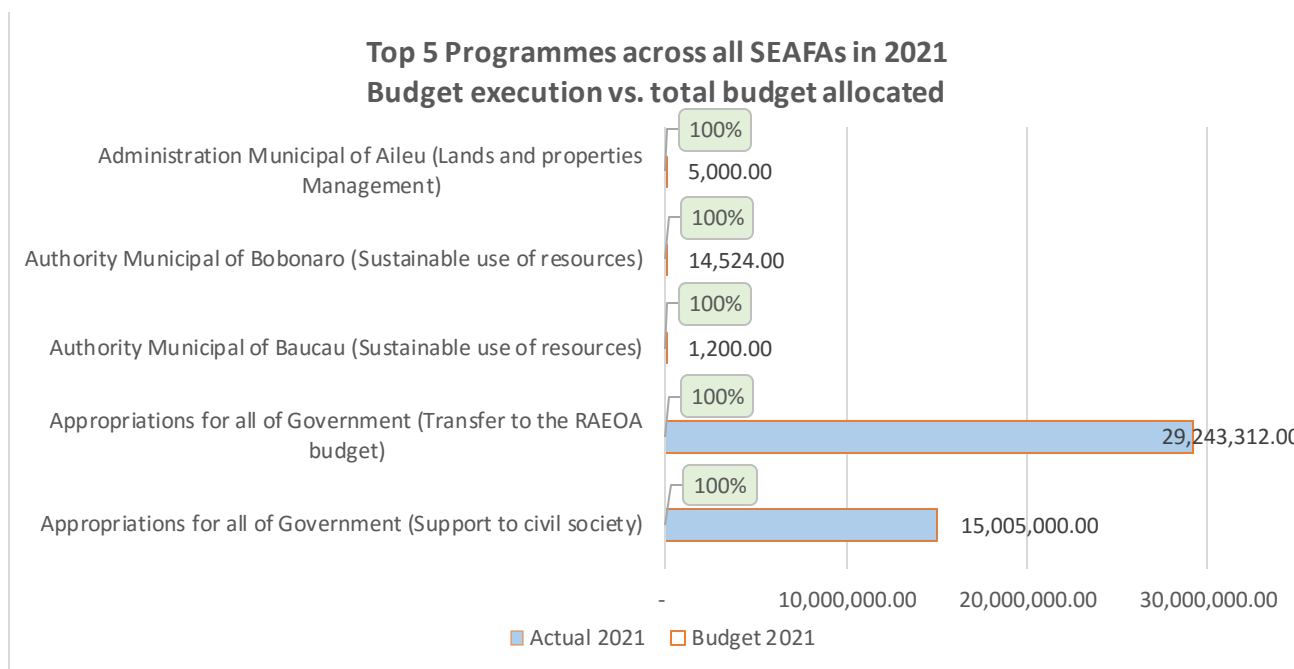
In the Social Capital sector the five SEAFAs with largest budget allocations presented execution rates over 75%, with the exception of the Ministry of Social Solidarity and Inclusion (MSSI). The Ministry of Education, Youth, and Sport (MEJD) received the highest budget allocation in 2021, \$ 106 million, out

of which it executed 96.2%. Execution rates reached 99.9% for salary and wages and 99.8% for public transfers, the two largest appropriation categories with \$ 64.9 and \$ 23 millions respectively, while they stayed at 89.8% for goods and services, 86.6% for minor capital, and 17.7% for capital development. The Ministry of National Liberation Combatant Affairs (MACLAN) received the second highest budget allocation in 2021, \$ 100 million, executing 97.4%, the highest rate among the 5 SEAFAs analysed here. Again, salary and wages and public transfers, the largest appropriation categories with \$ 91 million, presented high execution rates, 95.4% and 99.8% respectively, while rates were lower for goods and services, the second largest appropriation category with \$ 6.4 million, and capital development, 85.2% and 12.0% respectively. The execution rate for minor capital reached 96.9%. Ministry of Health (MS) had a budget allocation of \$ 62.5 million, and the second lowest annual execution rate among the SEAFAs under analysis, 78.4%, mainly explained by the low execution rate in goods and services, 44.1%, which was the second largest appropriation category with \$ 16.6 million. The execution rates in minor capital and capital development were also weak, 40.1% and 66.6% respectively. Nevertheless, salary and wages and public transfers, the first and third largest appropriation categories, had high execution rates, 93.5%, and 96.7% respectively. Ministry of Social Solidarity and Inclusion (MSSI), with a total budget of \$ 19.9 million, had its execution rate, 69%, driven down by weak expenditure in goods and services, 54.7%, and capital development, 0%. Nevertheless, the other categories presented much higher execution rates, with salary and wages at 98.3%, minor capital at 83.9%, and public transfers at 86.2%. The National University Timor Lorosa'e executed 80.3% of its total budget, \$ 19 million, due to execution rates between 83.9% and 86.9% in goods and services, salary and wages, and minor capital. Execution was much lower in capital development, 49.8%, but this category appropriation was small compared to salary and wages and goods and services.

### **2.1.2 Execution by Programme**

This section describes budget execution based on Timor-Leste's Planning Programming Budgeting system. The programs with the 5 highest/lowest annual execution rates are displayed in the following graphs. For analytical purposes, programs are clustered among all SEAFAs, Line Ministries, Autonomous Agencies, and Municipalities.

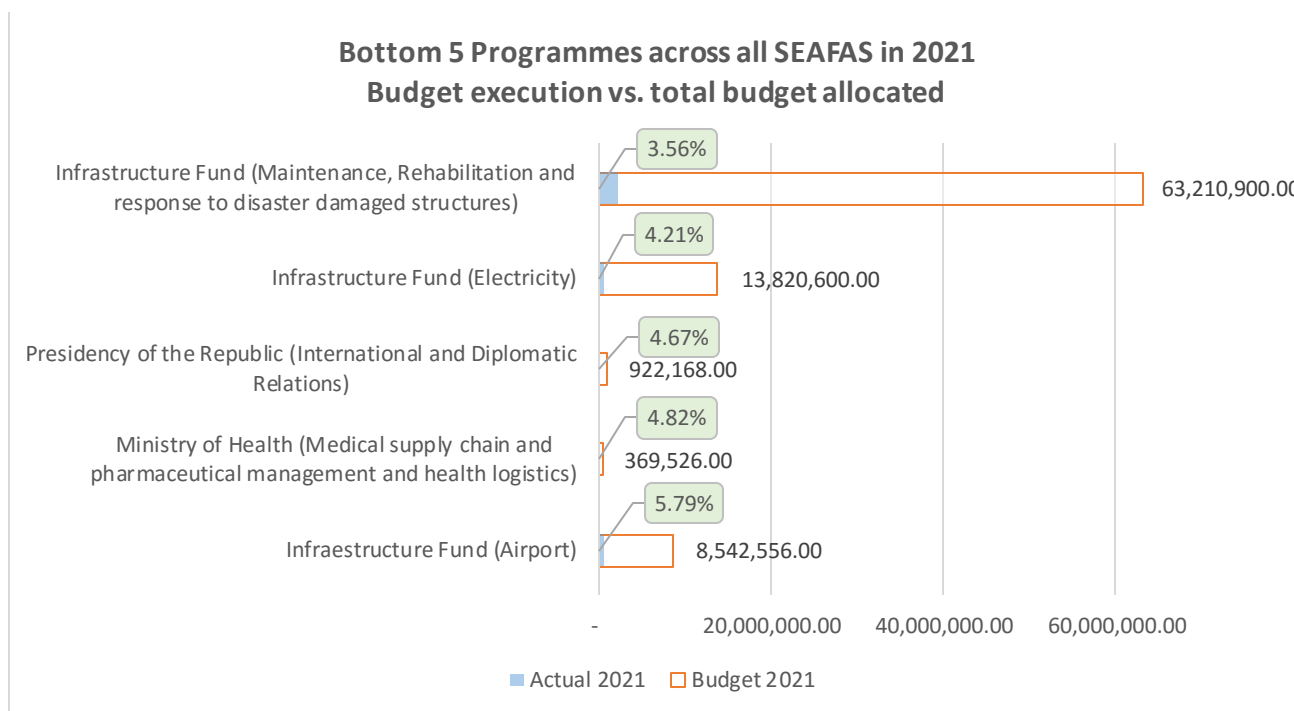
**Figure 5: Top 5 Programmes across all SEAFAs in 2021**



Source: Ministry of Finance, IFMISU, January 2022

The graph above shows the five programmes with the highest execution rates across all SEAFAs until the end of Q4, 2021. DTG presented two programmes with 100% execution rates, the support to civil society program and the transfer to RAEOA program. Actual expenditure in both programmes was \$ 15 and \$ 29 millions respectively. The Municipal Authorities of Baucau and of Bobonaro achieved a 100% execution rate in the sustainable use of resources program, with actual expenditures equalling \$ 1,200 and \$ 14,524 respectively. Finally, the Municipal Administration of Aileu also implemented 100% of the budget credits for one programme, the lands and properties management programme, for which actual expenditure equalled \$ 5,000.

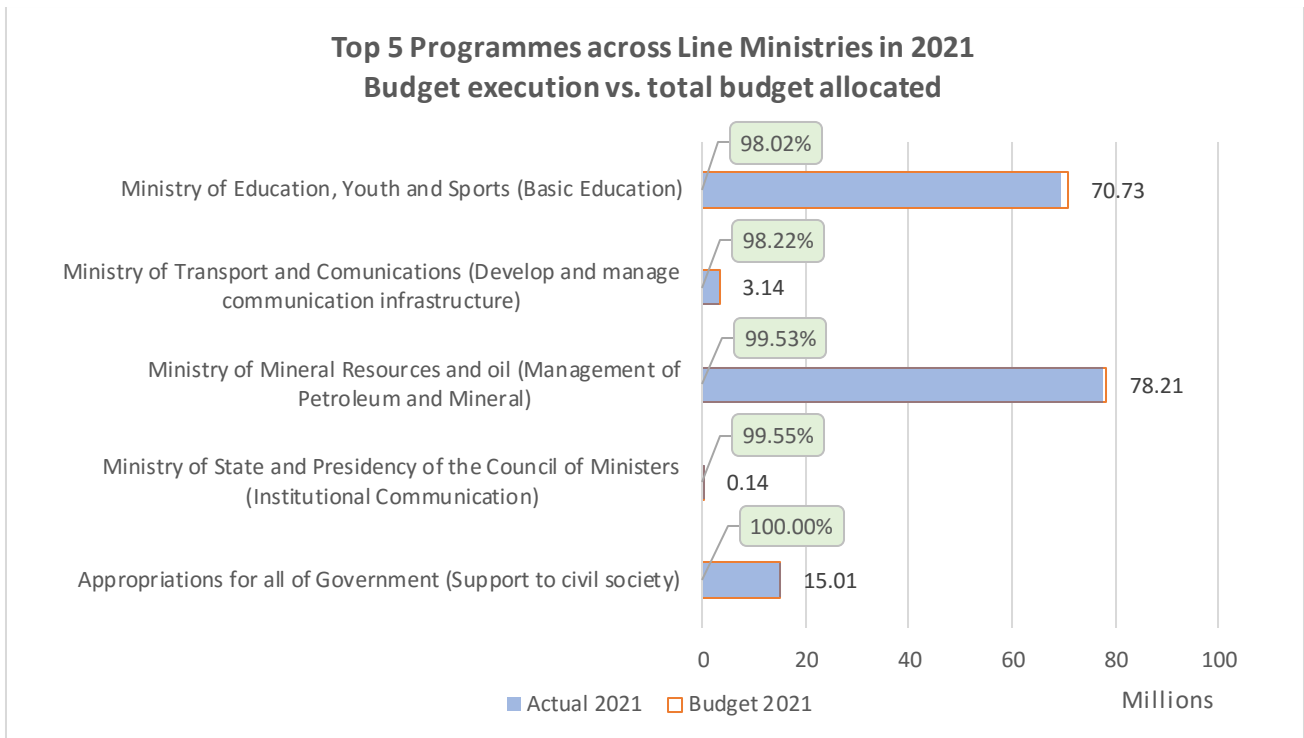
**Figure 6: Bottom 5 Programmes across all SEAFAS in 2021**



Sources: Ministry of Finance, IFMISU, January 2022

On the other hand, in 2021 there were 14 programmes with no execution at all by the end of Q4, 2021. Among those with some implementation, the bottom five are displayed in the graph above. The Commission for Administration of the Infrastructure Fund (FI) owns three out of the five programs with the lowest positive execution rates. The programme for Maintenance, Rehabilitation, and Response to Disaster Damaged Structures only executed 3.6% of the \$ 63 million allocated to it. On the same line, the Electricity programme only executed 4.2% of its \$ 13 million budget and the Airport program 5.8% of \$ 8.5 million. The Presidency of the Republic and the Ministry of Health own the other two programmes with the lowest positive execution rates. The former executed only 4.7% of the credits allocated to the International and Diplomatic Relations programme, which total budget was \$ 922,168, and the latter 4.8% of the credits allocated to the Medical Supply Chain and Pharmaceutical Management and Health Logistic programme, which total budget was \$ 370,000.

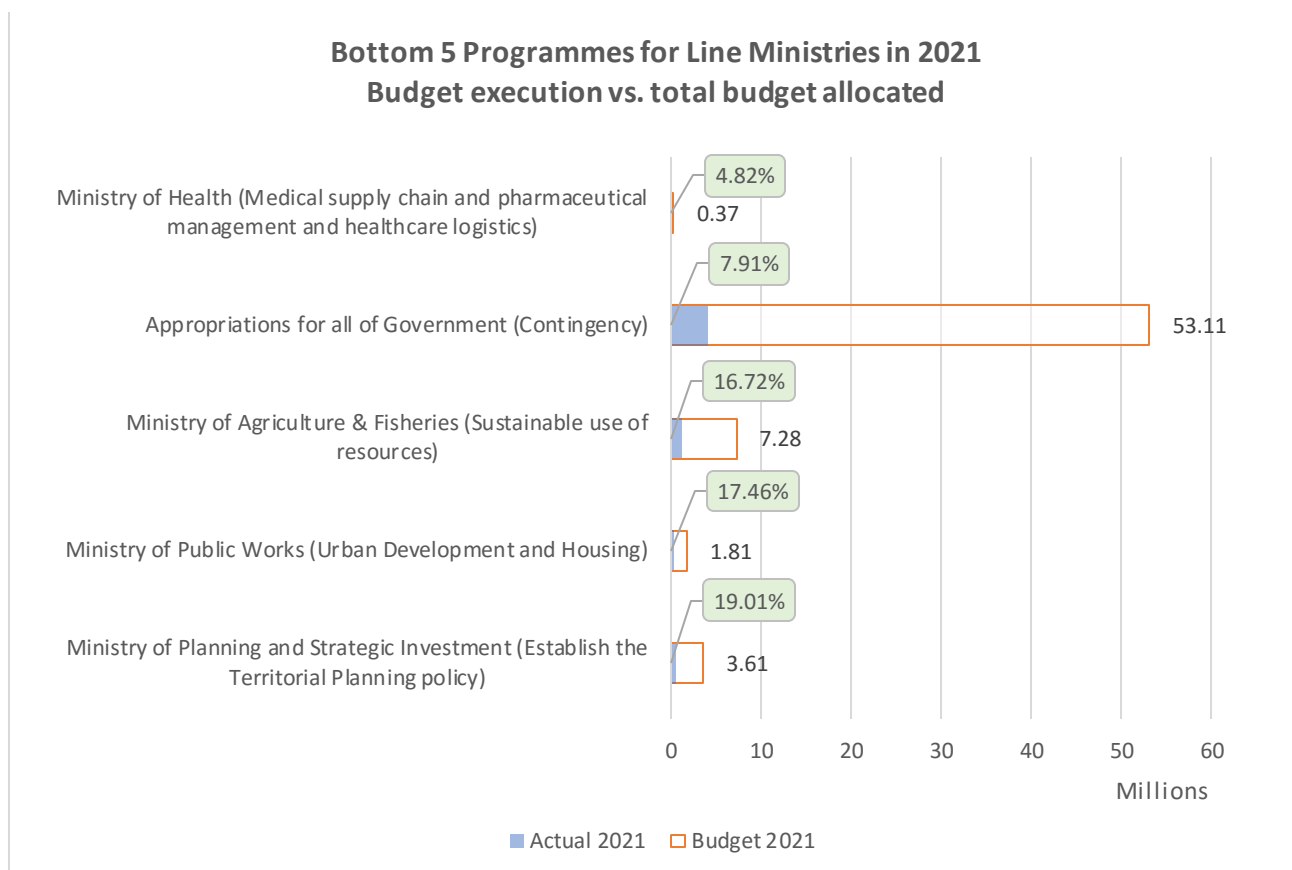
**Figure 7: Top 5 Programme across Line Ministries in 2021**



Sources: Ministry of Finance, IFMISU, January 2022

This graph presents the programmes with the highest execution rates, restricting the analysis only to Line Ministries. The Ministry of Mineral Resources and Oil (MPM) owned in 2021 the largest programme with an execution rate close to 100%. This program called Management of Petroleum and Mineral received \$ 78 million of budget allocation and had an execution rate of 99.5%. The MEJD received a budget of \$ 71 million to implement the basic education programme, the second largest among the 5 programmes with the highest execution rates. The basic education programme had an execution rate of 98% in 2021. The DTG programme, Support to Civil Society, received a budget of \$15 million and, as previously noted, implemented 100% of the credits. The Ministry of Transport and Communication (MTC) received \$ 3 million to implement a programme to develop and manage communication infrastructure, achieving a 98.2% execution rate. Finally, the Ministry of State and Presidency of Council Ministers (MPCM) implemented 99.6% of the \$ 143,000 allocated to the Institutional Communication programme.

**Figure 8: Bottom 5 Programmes across Line Ministries in 2021**



Sources: Ministry of Finance, IFMISU, January 2022

Figure 8 shows the Line Ministries’ programme with the lowest positive execution rates. There were other six programmes that did not incur any expenditure in 2021. The Contingency Fund included in DTG has the largest budget among the five programs displayed above, \$ 53.108 million, and the second lowest execution rate, 7.9%. Only the Ministry of Health (MS) owned a programme with a lower execution rate of 4.8%, the medical supply chain and pharmaceutical management and healthcare logistics programme, although its budget was the lowest among the five presented above, \$ 369,526. The Sustainable Use of Resources Programme implemented by the Ministry of Agriculture & Fisheries (MAP) had a budget allocation of \$ 7.3 million, out of which executed 16.7%; the Programme for Urban Development and Housing implemented by MOP executed 17.5% out of a \$ 1.8 million budget; and the Establish the Territorial Planning policy programme of the Ministry of Planning and Strategic Investment (MPO) implemented 19% of its \$ 3.6 million budget.

### COVID-19 Fund

The Government of Timor-Leste proposed another supplementary budget to the National Parliament in May of 2021 requesting the approval of \$ 219.610 million for the Covid-19 fund, since the \$ 68 million of the original were already exhausted before the end of the second quarter. The supplementary credits supported the prevention and mitigation response to Covid-19, as well as economic recovery. Nevertheless, by the end of the year the Prevention and Mitigation Programme had only executed \$ 201.2 million (70%) of the final budget. Some of the measures implemented with

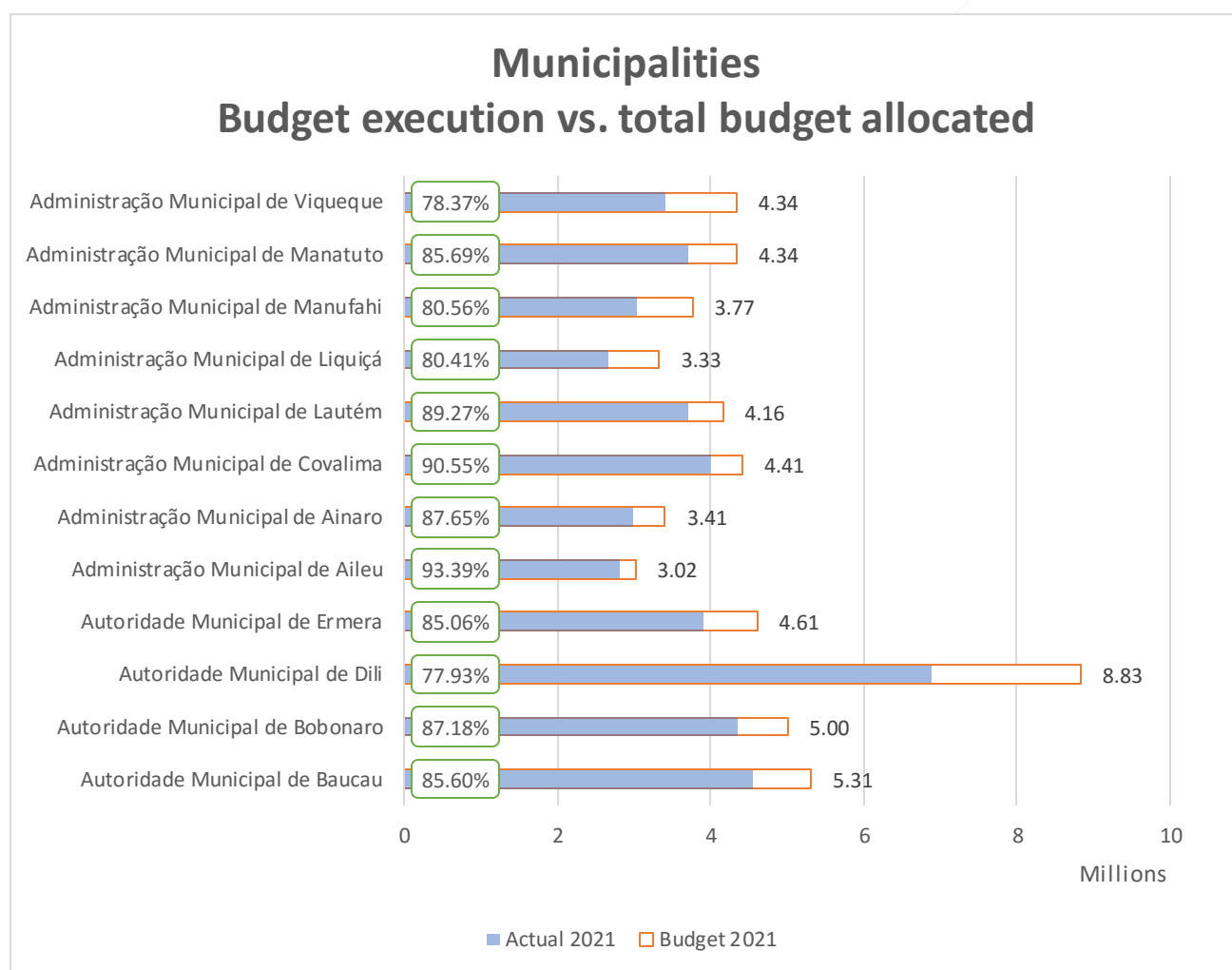


charge to those credits included i) state of emergency, ii) social distancing, iii) labour productivity, iv) change in supply chains, v) market performance, and vi) social transfers (front line staff welfare, microbusiness loans, worker wage subsidy).

### 2.1.3 Municipalities

Municipalities’ budget execution stood in the 77.9% – 93.4% range in 2021. Dili had the largest budget allocation, \$ 8.8 million, but the lowest execution rate 77.93%. Although the execution rates for salary and wages, good and service, and minor capital ranged from 90.10% to 99.55%, public transfers and development capital only spent 31.36% and 50.63% of their respective appropriations. On the other hand, the Municipality Aileu, which received the lowest budget allocation in 2021, \$ 3 million, had the highest execution rate, 93.4%, with only the salary and wages (84%) and development capital (87.7%) categories falling under it.

**Figure 9: 2021 execution for Municipalities**

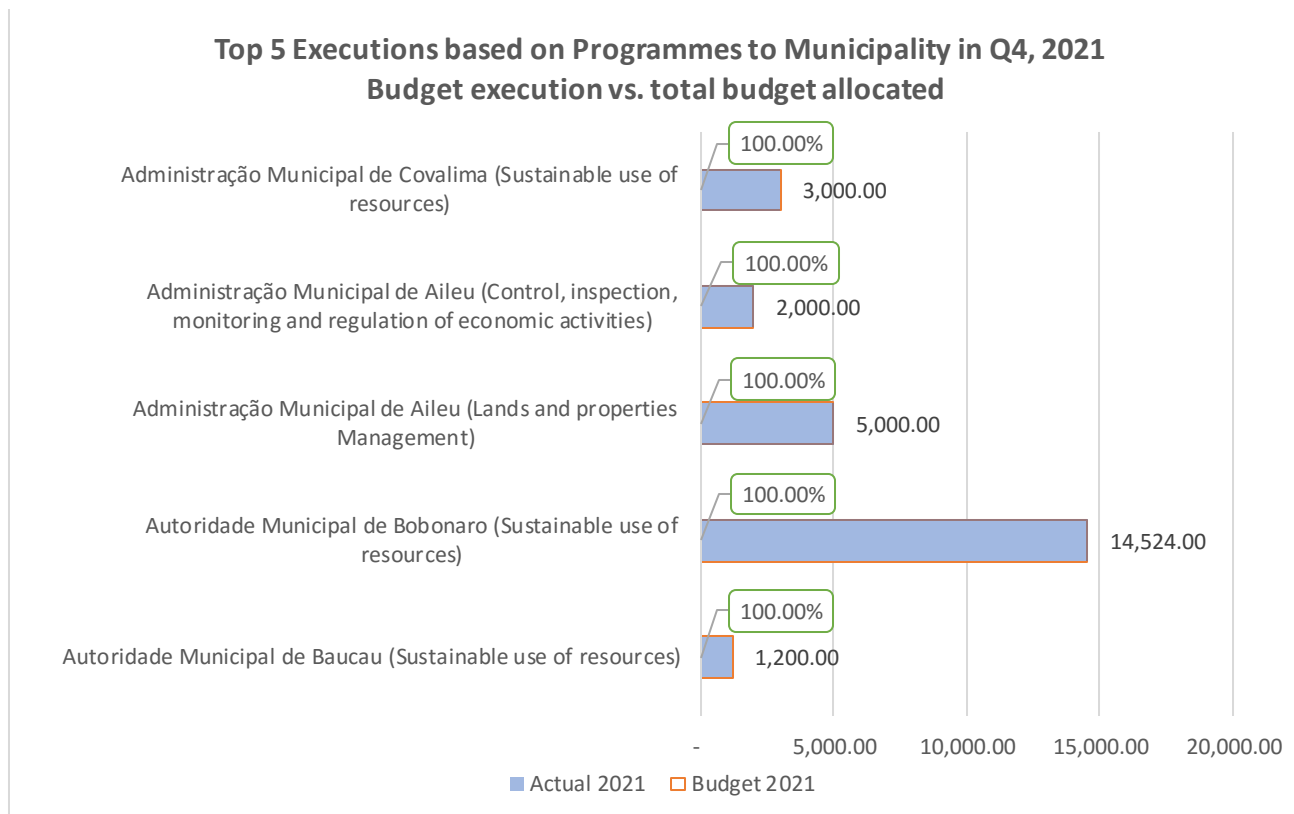


Source: Ministry of Finance, IFMISU, January 2022

Baucau had the second highest budget allocation, while its execution rate (85.60%) was in the midpoint of the municipalities range. Executions rates were relatively high for salary and wages (91.7%), minor capital (93.7%), and development capital (89%), while lower for goods and services (81.5%) and public transfers (81%). On the other hand, Covalima had the second highest execution

rate (90.6%), for total budget allocation of \$ 4.4 million. Development capital, with an execution rate of only 44.7%, drove Covalima’s financial performance down, while expenditure in all the other categories was above 90% of their final allocation.

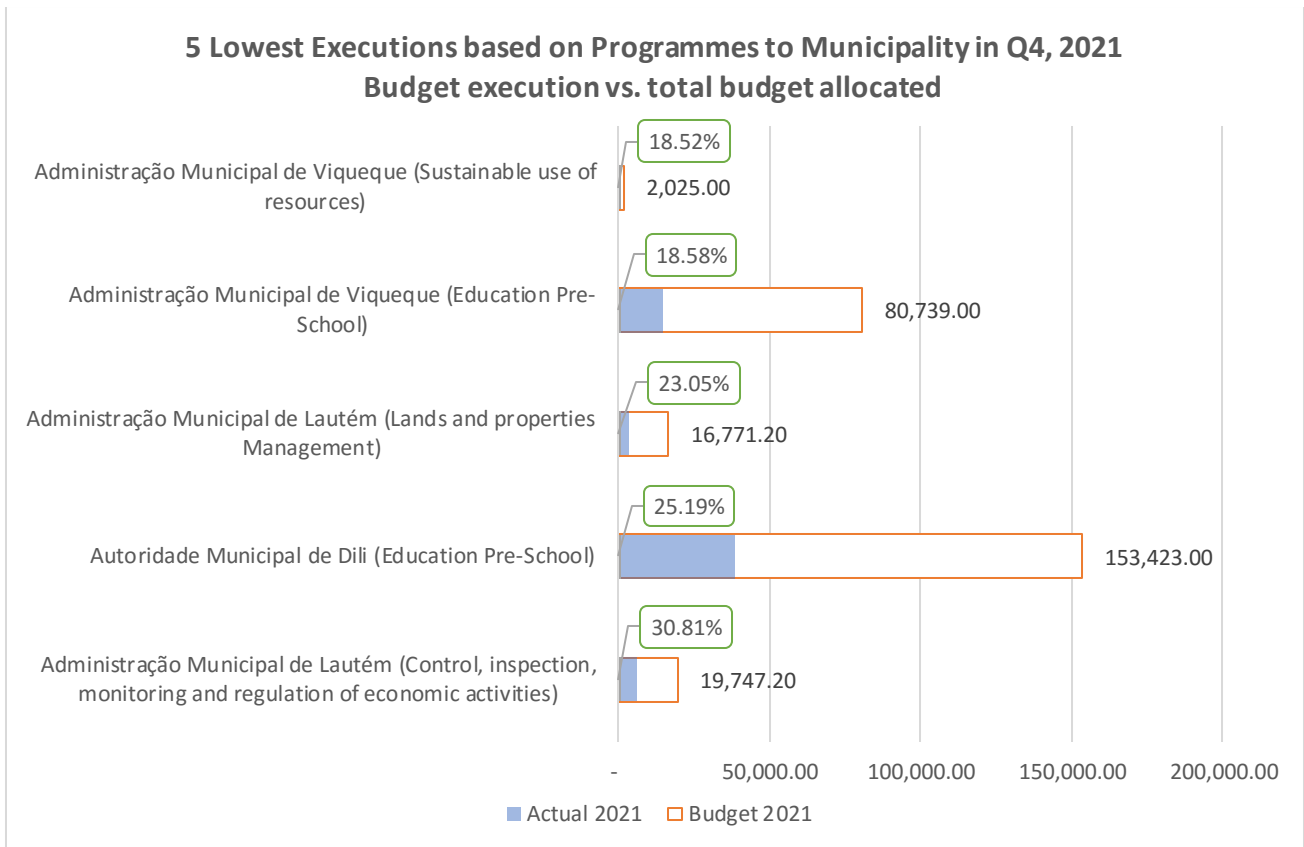
**Figure 10: Top 5 Programmes across Municipalities in 2021**



Sources: Ministry of Finance, IFMISU, January 2022

Regarding the Municipalities’ programmes with the highest execution rates, figure 10 shows that in three Municipalities the Sustainable use of Resource programme had a 100% execution rate. However, in general, we can see that these programmes were small, even for Municipalities’ standards, with budgets of \$ 1,200 in Baucau, \$ 3,000 in Covalima, and \$ 14,524 in Bobonaro. On the other hand, Aileu presented two programs with 100% executions rates. The first one was the Lands and Properties Management programme, which had the second largest budget allocation out of the five presented in the graph, \$ 5,000. The second one, the programme for control, inspection, monitoring and regulation of economic activities, had the second lowest budget among the five displayed in the graph, \$ 2,000.

**Figure 11: Bottom 5 Programmes across Municipalities in 2021**



Sources: Ministry of Finance, IFMISU, January 2022

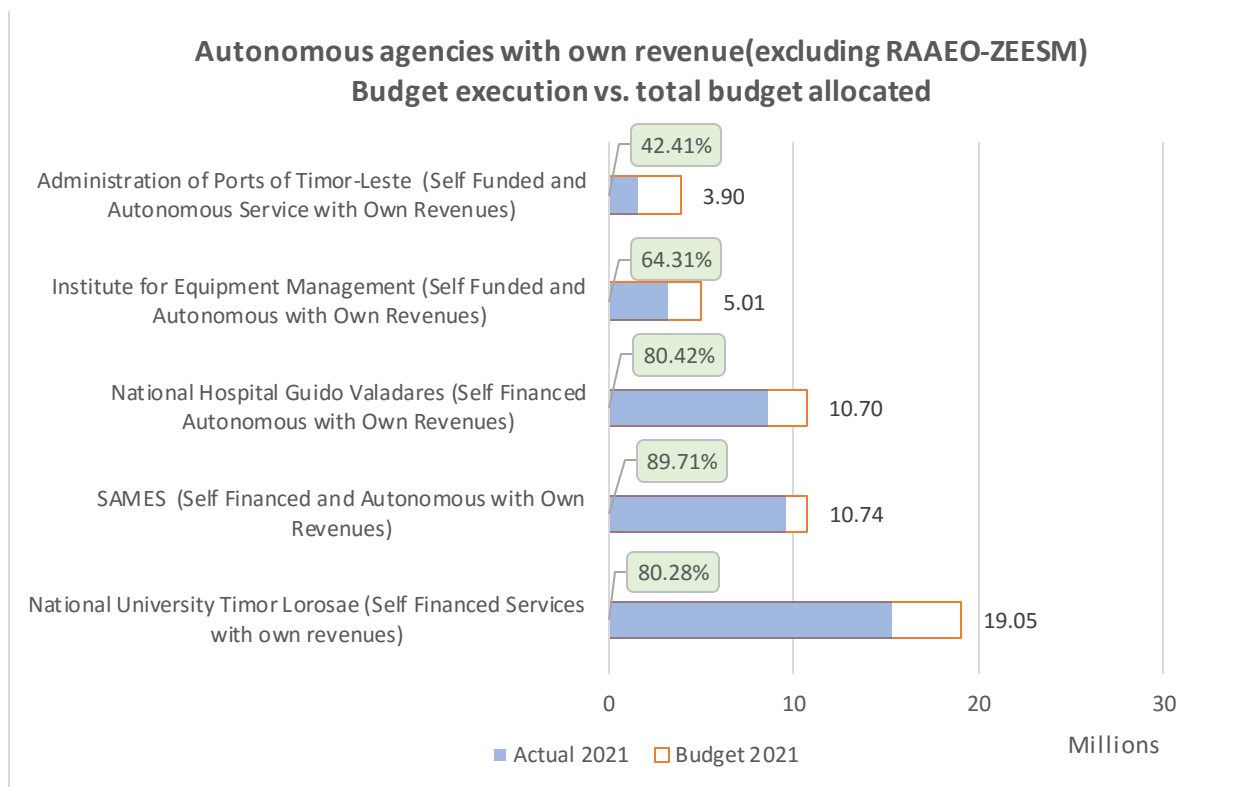
We can see in figure 11 that municipal programmes with the lowest positive execution rates typically had higher budget allocations. Viqueque owned the two programmes with the lowest positive execution rates. The Pre-School Education program with the second highest budget allocation out of the five programmes above, \$ 80,739, had an execution rate of 18.6%. The Sustainable use of Resource programme, with an execution rate 18.5%, had the lowest budget allocation out of the five, \$ 2,025. Lautem also implemented two of the programmes with the lowest positive execution rates, the Lands and properties Management programme, with a budget of \$ 16,771.2 and execution rate of 23.1%, and the Control, inspection, monitoring and regulation of economic activities programme, with a budget of \$ 19,747.2 and execution rate of 30.8%. Finally, Dili’s Pre-School Education programme only executed 25.2% of a \$ 153,423 budget. Apart from this, there were 4 municipal programmes with 0% execution rate in 2021.

### 2.1.4 Autonomous agencies

Figure 12 shows the overall execution rate of the autonomous agencies with the largest budget allocation in 2021. The National University Timor Lorosa'e received the highest budget allocation, \$ 19 million. The execution rate was driven down by much lower-than-expected expenditure in capital development (49.82%), while salary and wages, goods and services, and minor capital had execution rates over 80%, leading to an overall rate of 80.3%. The Autonomous Service of Medicine and Health Equipment (SAMES), with the second largest budget, \$ 10.7 million, had, nevertheless, the highest execution rate among the autonomous agencies, 89.7%. While expenditure in goods and services,

minor capital, and public transfers stayed over 85%, the execution rates for capital development (46.53%), and salaries and wages (60.57%) were very low. The National Hospital Guido Valadares, with a similar budget of \$ 10.7 million, only executed 80.4%. Finally, the Institute for Equipment Management and the Administration of Ports of Timor-Leste, despite having much smaller budgets, \$ 5 and \$ 3.9 millions respectively, only achieved execution rates of 64.3% and 42.4%.

**Figure 12: 2021 execution for autonomous agencies**

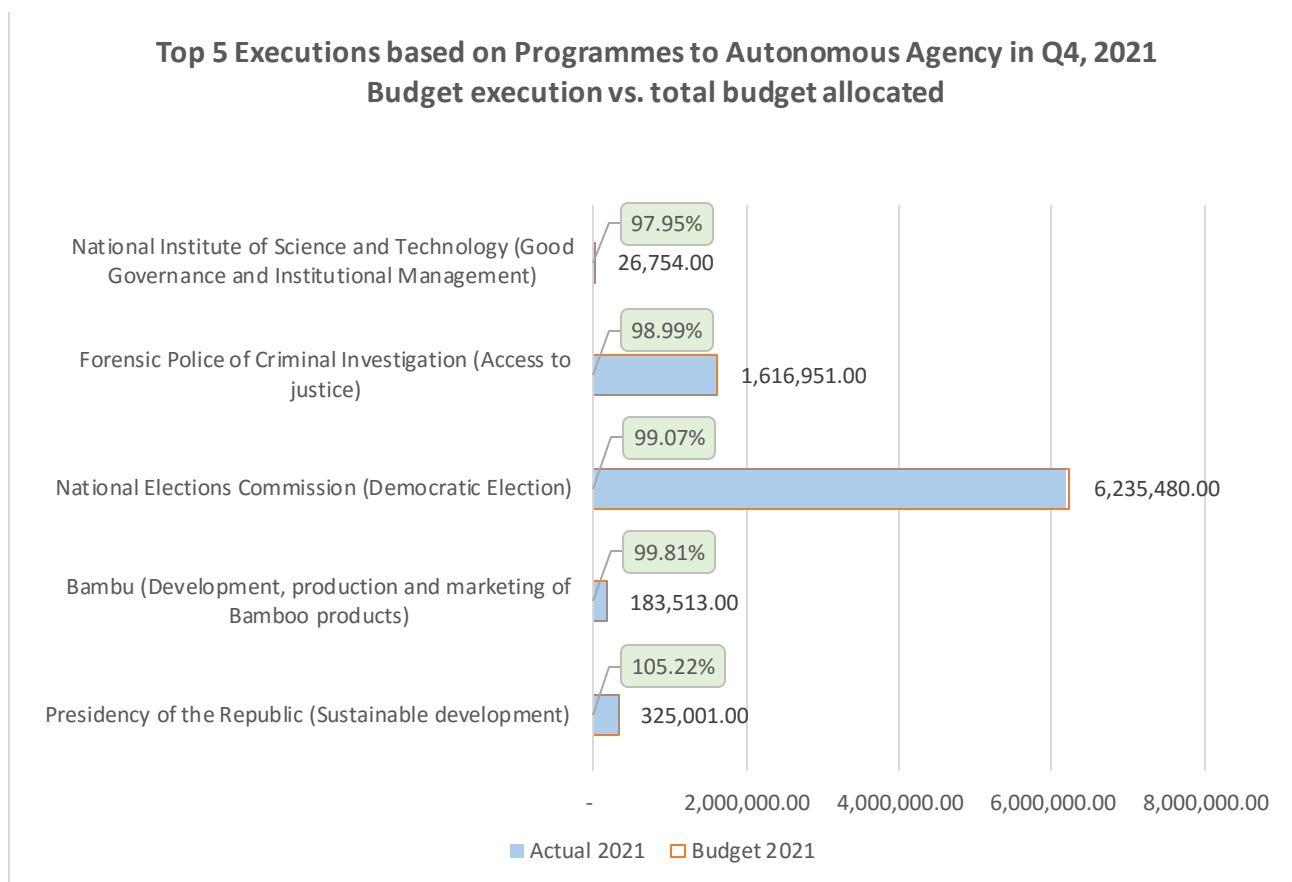


Source: Ministry of Finance, IFMISU, January 2022.

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

Figure 13 shows the top five programmes by execution rate across all autonomous agencies in 2021. We can see that most of them had very small budgets. For example, the Presidency of the Republic (PR) implemented the Sustainable Development program, with a budget allocation of \$ 325,001, which execution rate went over 100%, probably due to the lack of register of a virement between the entity's programs. The Institute for Research, Development, Training and Promotion of Bamboo, implemented 99.8% of the \$ 183,513 allocated to the Development, production, and marketing of Bamboo products programme. Another small programme with a high execution rate, 98%, was the Good Governance and Institutional Management Programme, with a budget of \$ 26,754, implemented by the National Institute of Science and Technology (INCT). The largest programme among the five displayed in figure 13 was the Democratic Election programme implemented by the National Elections Commission (CNE), which received a budget allocation of \$6.2 million and had an execution rate of 99%. The other relatively large program displayed in figure 13 is Access to Justice, \$ 1.6 million budget, implemented by the Forensic Police of Criminal Investigation (PCIC), also achieving a 99% execution rate in 2021.

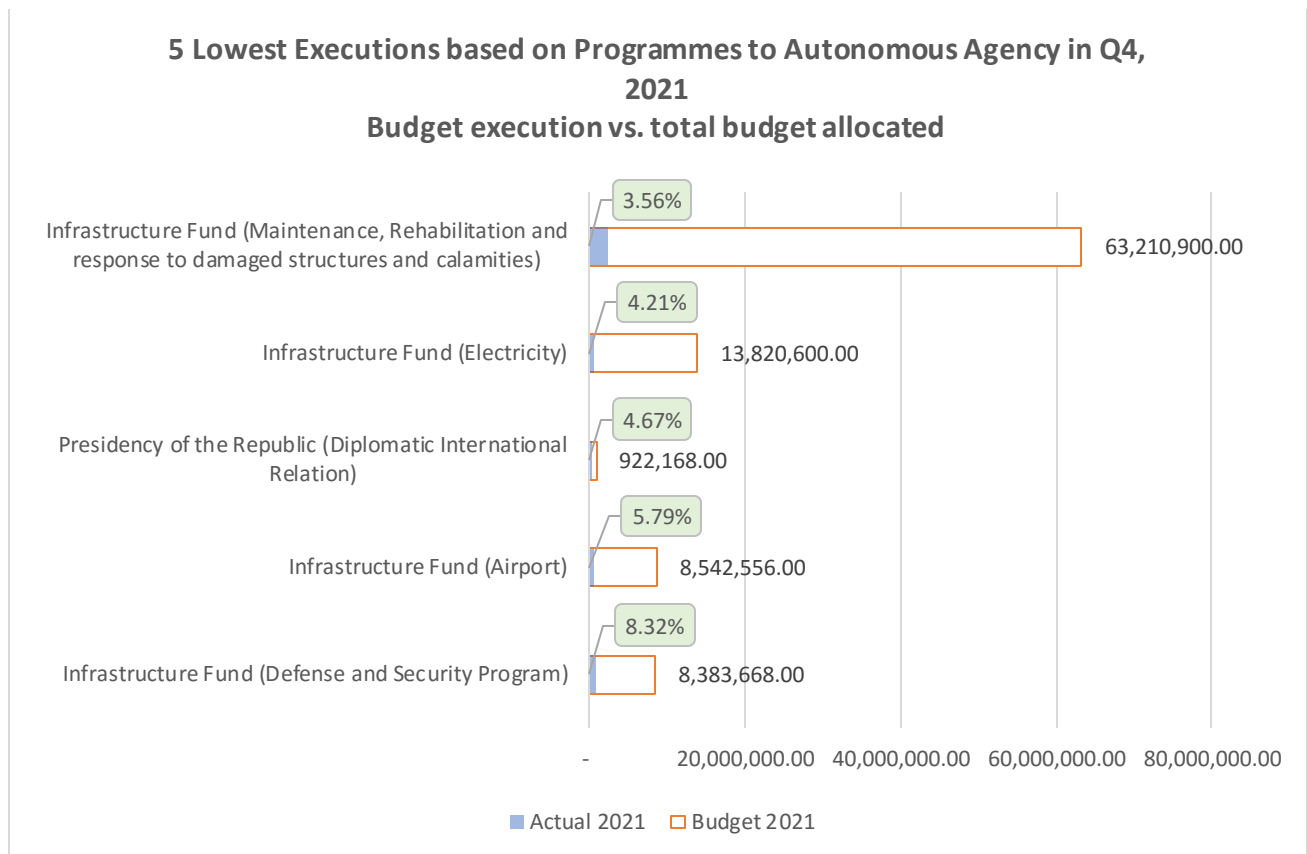
**Figure 13: Top 5 executions based on Programmes by Autonomous Agencies, Q4 2021**



Source: Ministry of Finance, IFMISU, January 2022.  
 Note: RAAEO-ZEESM is not included in quarterly reporting.

Figure 14 presents the bottom five programmes with positive execution rates implemented by autonomous agencies in 2021. We can see that, except for one, all these programmes had much larger budgets than those presented in figure 13. The Commission for the Administration of the Infrastructure Fund (FI) owned four of the programmes displayed. The Maintenance, Rehabilitation and Response to damaged structures and calamities programme had the largest budget, \$ 63.2 million, and the lowest execution rate, 3.6%. It was closely followed by the Electricity Program with a budget allocation of \$ 13.8 million and execution rate of 4.2%. The Defense and Security and the Airport Programmes received similar budgets, \$ 8.3 and \$ 8.5 millions respectively, and achieved execution rates of only 8.3% and 5.8% by the end of 2021. The Presidency of the Republic Diplomatic International Relation programme is the only one with a budget below the top 5 introduced by figure 13. The programme had a budget allocation of \$ 922,168, out of which only executed the 4.7% in 2021. Apart from this, there were 4 programmes with 0% execution rates owned by autonomous agencies in 2021.

**Figure 14: Bottom 5 executions based on Programmes by Autonomous Agencies Q4 2021**



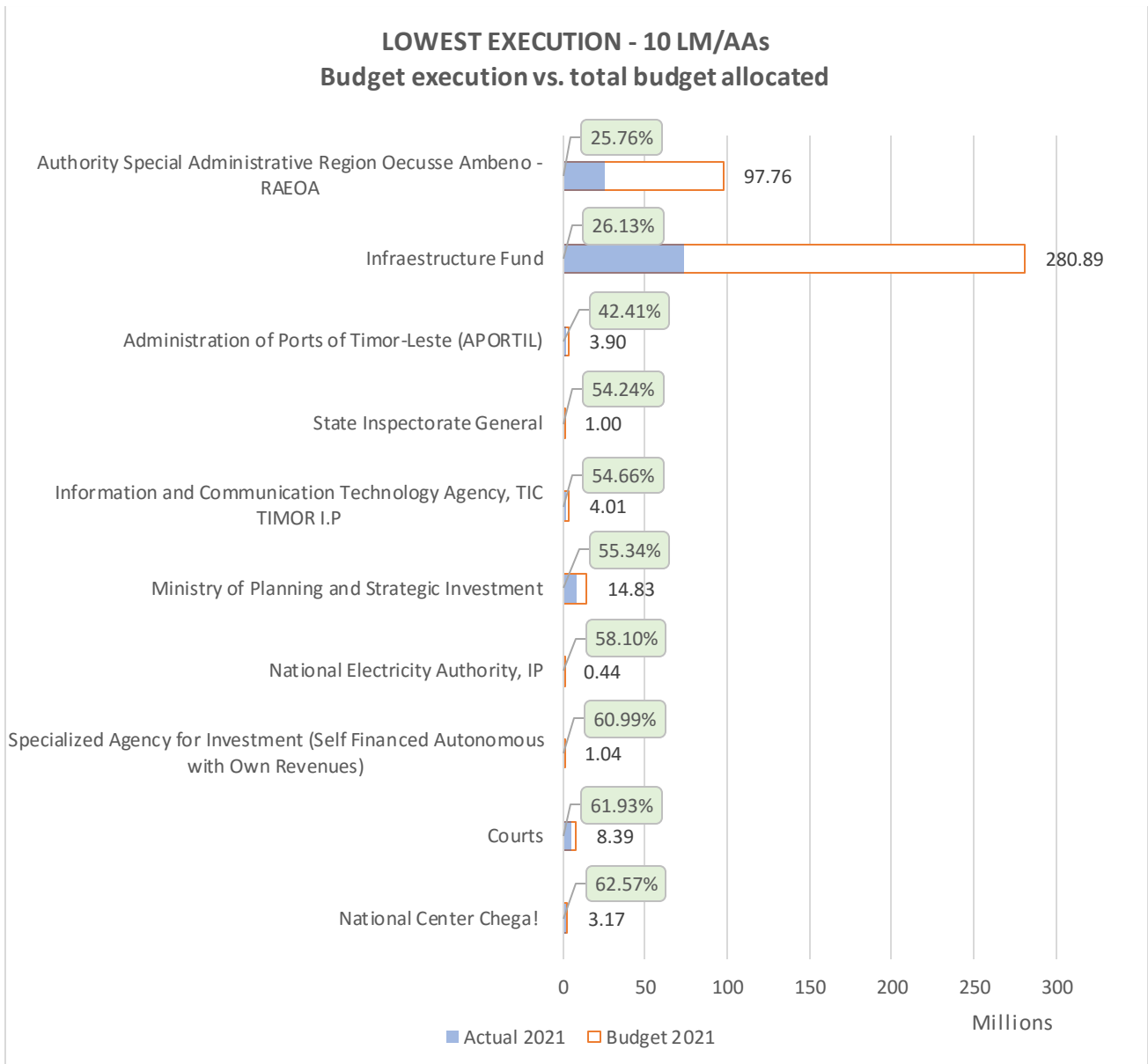
Source: Ministry of Finance, IFMISU, January 2022.

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

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

Public Financial Management legislation in Timor-Leste mandates that all SEAFAs must aim to execute 25% of their budget cumulatively in each quarter, reaching 100% by the years' closure. In box 1, we explain the process that budget execution must follow to produce cash expenditure.

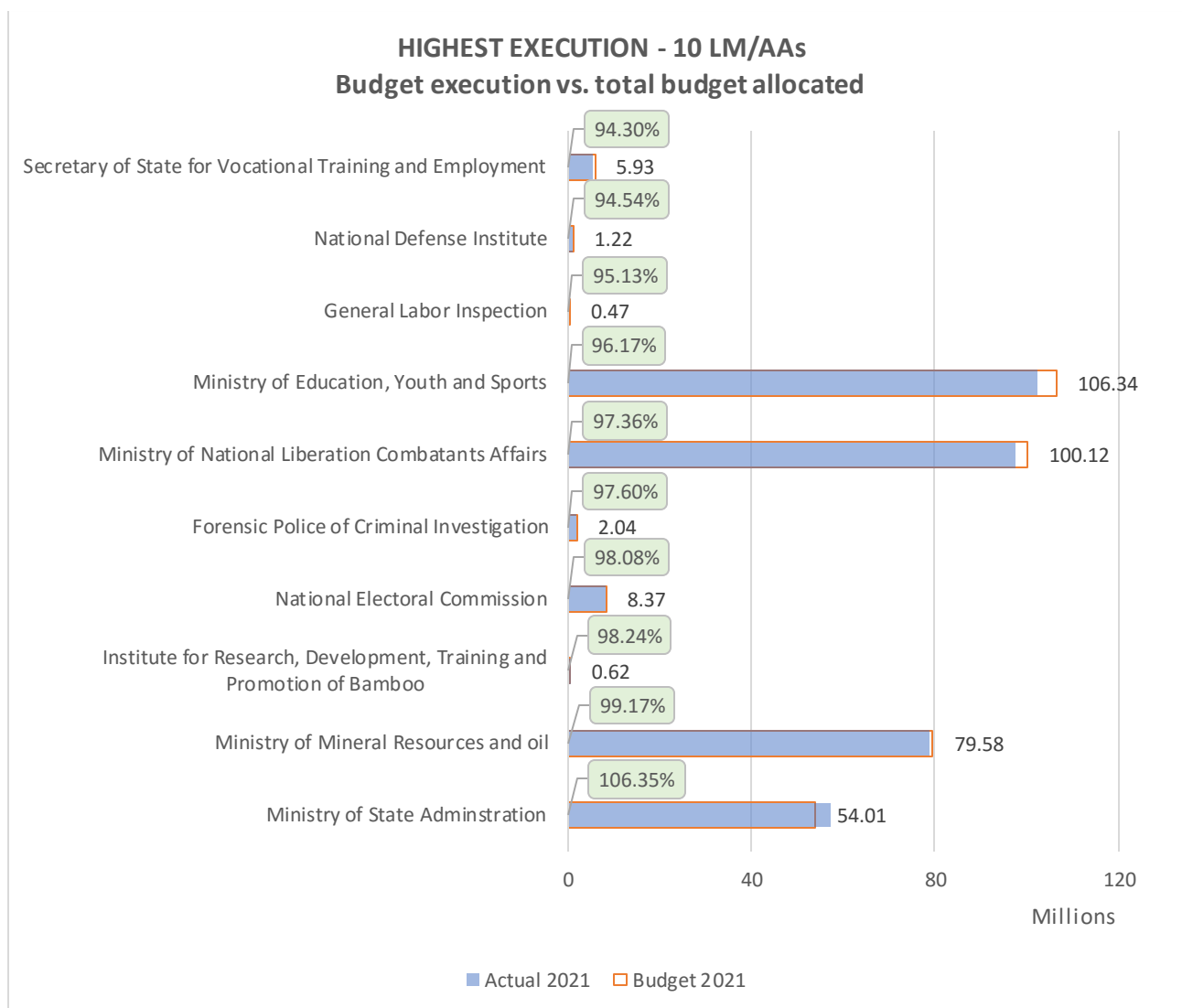
**Figure 15: Bottom 10 SEAFAs by execution rate.**



Source: Ministry of Finance, IFMISU, January 2022.

Among the bottom performance institutions, we can see that the Infrastructure Fund (IF) was the second with the lowest execution rate, 26.1%, while receiving the highest budget allocation, \$ 280.9 million. In particular, and ironically, IF’s appropriation category with the lowest execution rate, a 25.9%, was capital development, followed by salaries and wages with 33.2%. RAEOA, the institution with the second largest budget, \$ 97.8 million, had the lowest execution rate among all SEAFAs, a 25.8%. This is explained by the large portion of its budget allocated to capital development, \$ 56.3 million, where execution rate was as low as 9.3%. Minor capital also had a low execution rate in RAEOA, 10.2%, while the highest rate corresponded to salaries and wages, 76.5%. The rest of the bottom performance institutions had much lower budgets, except for Courts and MPO that had budgets over the median of all SEAFAs. The budgets of these other bottom implementers – excluding FI and RAEOA – ranged from \$ 0.4 to \$ 14.8 millions, while execution rates from 42.4% to 62.6%. It is remarkable that between the 10 bottom SEAFAs by execution rates, there was only one Line Ministry, MPO.

**Figure 16: Top 10 SEAFAs by execution rate**



Source: Ministry of Finance, IFMISU, January 2022.

On the other hand, among the top 10 implementer institutions there were 5 Line Ministries and Secretaries of State. It is worth noting that the Ministry of State Administration went over its total budget allocation, \$ 54 million, resulting in an execution rate of 106.4%. This was due to higher than budgeted expenditure in the public transfers' appropriation category. Budget in this category was \$ 41.6 million but the execution rate went up to 120.6%. It is worth noting that budget virements across SEAFAs and/or programmes must be approved by the National Parliament. The Ministry of Mineral Resources and Oil (MPM) had the third largest budget, \$ 79.6 million, and the second highest execution rate, 99.2%. In this case, although execution rate of public transfers was high, 99.7%, it did not go above the budgeted amount, \$ 77.7 million. The execution rates of the other appropriation categories were under 85%, but they represented only 2% of MPM's budget. The MEJD and the Ministry of National Liberation Combatants Affairs (MACLN) had respectively the first and second largest budgets among the top implementers, \$ 106.3 and \$ 100.1 millions, while still very high execution rates, 96.2% and 97.4% respectively. The rest of SEAFAs among the top implementers had budgets ranging between \$ 0.5 and \$ 8.4 millions, while their execution rates were between 94.3 and 98.2%. Only 4 of them had a budget below the median of the public sector, which was \$ 4.2 million in 2021.



## Box 1: Steps to turn a commitment into cash expenditure

**Commitment:** A commitment is an amount of money put aside to pay for a particular expenditure so that the amount is not spent on something else. The amount will always be available for future payment of the items it is intended for when required during the fiscal year. However, at the moment of the commitment, the likelihood of payment and the exact amount to be paid are not certain yet. Therefore, the amount of commitment may be subject to change and/or cancellation later during the year if no longer required.

The steps needed for a commitment to become an obligation are the following:

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 an obligation to pay if the goods/services to which the commitment refers have been delivered or a contract have been signed. Nevertheless, the payment is subject to confirmation/verification and approval to ensure the goods/services have been delivered in accordance with the contract. Until the payment is made, the delivery of goods/services or the signature of the contract have no effect on the Government's actual cash expenditure.

The steps needed for an obligation to become cash expenditure are the following:

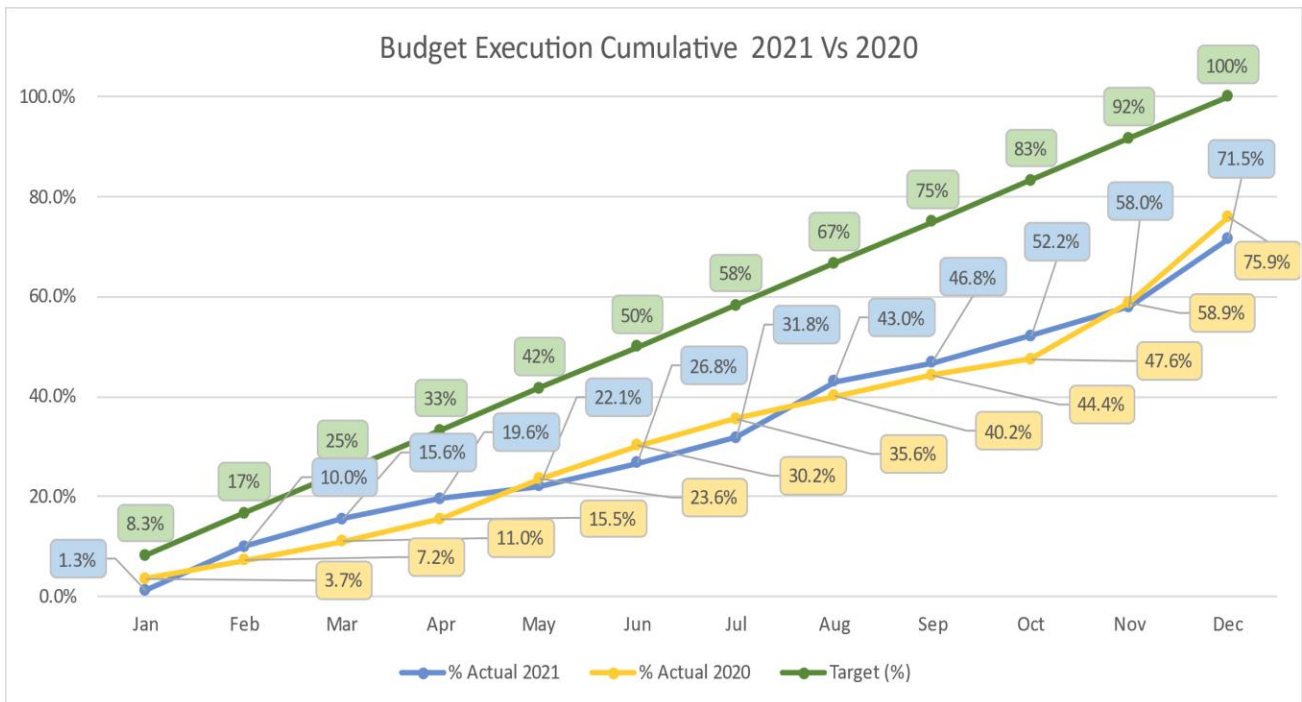
1. Monitoring of the implementation of the project activities
2. Evaluation and mapping of progress
3. Submission of request for payment
4. Payment and conversion of obligation into cash expenditure after verification of the delivery of goods/services as per contractual obligation.

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, the quarterly budget execution is the amount of cash expenditure vs the final annual budget. Public Financial Management legislation in Timor-Leste states that 100% of the budget must be spent by the closure of the financial year. But 2021 and 2020 are not comparable years. In 2020 the budget cycle was based on the DOT system, until the end of the third quarter, when the final budget was approved by the National Parliament and promulgated by the President of Republic. This left only 3 months to execute the annual state budget while the budget during the first 9 months of the years was approved on a monthly basis extending the validity of the 2019 budget monthly allocations.

**Figure 17: Budget execution 2021 vs 2020**



Source: Ministry of Finance, National Directorate of Budget, January 2022.

Despite the constraints imposed by the DOT regime, the final execution rate in 2020 was higher than in 2021, 75.9% vs 71.5%. This was due to the large increase in the final budget between 2020 and 2021, from \$ 1.5 to \$ 2 billion, or 35.6% percentage increase. Thus, although actual expenditure raised from \$ 1.1 to \$ 1.5 billion, a 27.8%, this was not enough to match the substantial increase in the final budget. It must be noted in any case that both years had a poor implementation of budget appropriations.

### 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 Line Ministries and Autonomous Agencies to make transfers or virements out of the Salary and Wages and the Capital Development categories to other recurrent categories. However, adjustments can be made within the Salary and Wages and the Capital Development categories themselves. To comply with the PFM law, all Line Ministries and Autonomous Agencies should submit their virements / transfers proposal

to the Ministry of Finance. UPMA reviews the implication of the adjustment to their programmes and activities.

The table below shows the Line Ministries and Autonomous Agencies that made the largest virements between appropriation categories in 2021.

**Table 1: Selected top 5 Line Ministries and Autonomous Agencies by virement size in 2021**

Name of Ministry	Appropriation category	Virement
<b>National Hospital Guido Valadares</b>	Salary & Wages	220,750.00
	Goods & Services	(257,250.00)
	Minor Capital	36,500.00
<b>Institute Polytechnic of Betano</b>	Goods & Services	(131,455.00)
	Minor Capital	131,455.00
<b>Ministry of Agriculture &amp; Fisheries</b>	Salary & Wages	192,840.00
	Goods & Services	(232,991.20)
	Minor Capital	(1,807,964.80)
	Capital & Development	-
	Transfers	75,000.00
<b>Covid-19 Fund</b>	Transfers	1,773,116.00
<b>Ministry of State and Presidency of the Council of Ministers</b>	Goods & Services	9,000.00
	Minor Capital	(9,000.00)
<b>Municipal Authority of Ermera</b>	Salary & Wages	58,000.00
	Goods & Services	138,601.00

	Minor Capital	206,980.00
	Transfers	(403,581.00)
<b>Information and Communication Technologies -TIC TIMOR</b>	Goods & Services	(29,900.00)
	Minor Capital	29,900.00

Source: Ministry of Finance, National Directorate of Budget, January 2022.

The reasons behind the virements presented in the Table 1 were:

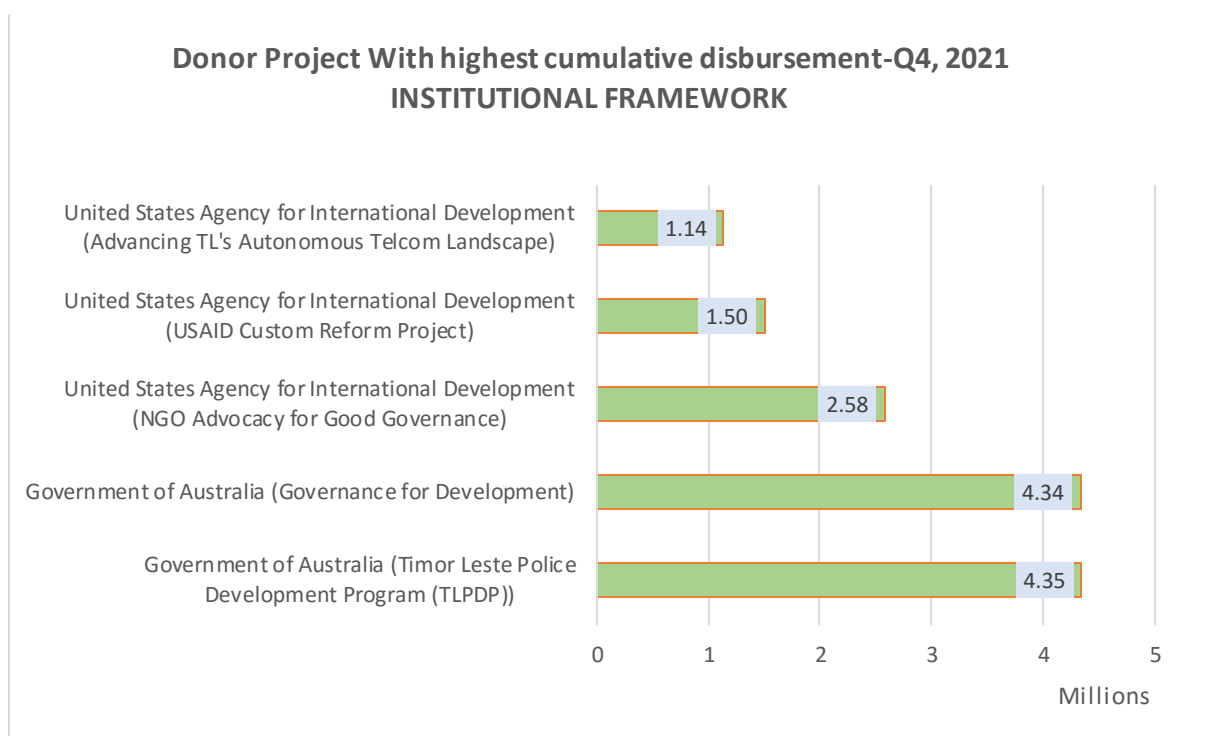
- **National Hospital Guido Valadares:** transferred \$ 257,250 from goods and services to salary and wages to pay for staff overtime, \$ 220,750, and purchase minor capital related to air conditioner equipment, \$ 36,500.
- **Information and Communication Technologies Agency -TIC TIMOR:** transferred \$ 29,900 from goods and services to pay outstanding 2020 invoices related to minor capital purchases.
- **Institute Polytechnic of Betano:** transferred \$ 131,455 from goods and services to minor capital to purchase equipment and support the activities of the national directorate for procurement.
- **Ministry of Agriculture & Fisheries:** transferred \$ 1,807,964.80 from minor capital and \$ 232,991.20 from goods and services to salary and wages, public transfer, and the Covid-19 fund. The \$ 192,840.00 transferred to salary and wages were used to pay permanent civil servants' salaries and thirteen-month bonuses. Other \$ 75,000.00 were transferred to the public transfers category. The rest of the Ministry's transfers went to the Covid-19 Fund to pay for the "Cesta Basica" program.
- **Ministry of State and Presidency of the Council of Ministers:** Transferred \$ 9,000 from minor capital to salary and wages to support the good governance and institutional management program.
- **Municipal Authority of Ermera:** transferred \$ 403,581 from public transfers to salary and wages, \$ 58,000, goods and services, \$ 138,601, and minor capital, \$ 206,980. The purpose of the transfers was to pay the thirteen month bonus and other staff allowances, purchases of vehicles, IT material, and office furniture, electricity bills and photocopies.

## 2.5 Development Partner Disbursements

In 2021 donors made cumulative disbursements for a total value of \$ 199.8 million in Timor-Leste. Often, actual disbursements are higher than planned as development partners' plans change over the course of the year. Hence, only actual disbursement has been shown in the graphs. Some projects contribute to several sectors included in the Strategic Development Plan (SDP). Since the database does not allow to identify the projects' amount directed to each sector in multi-sector projects, their full amount is counted in each SDP sector. 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.*

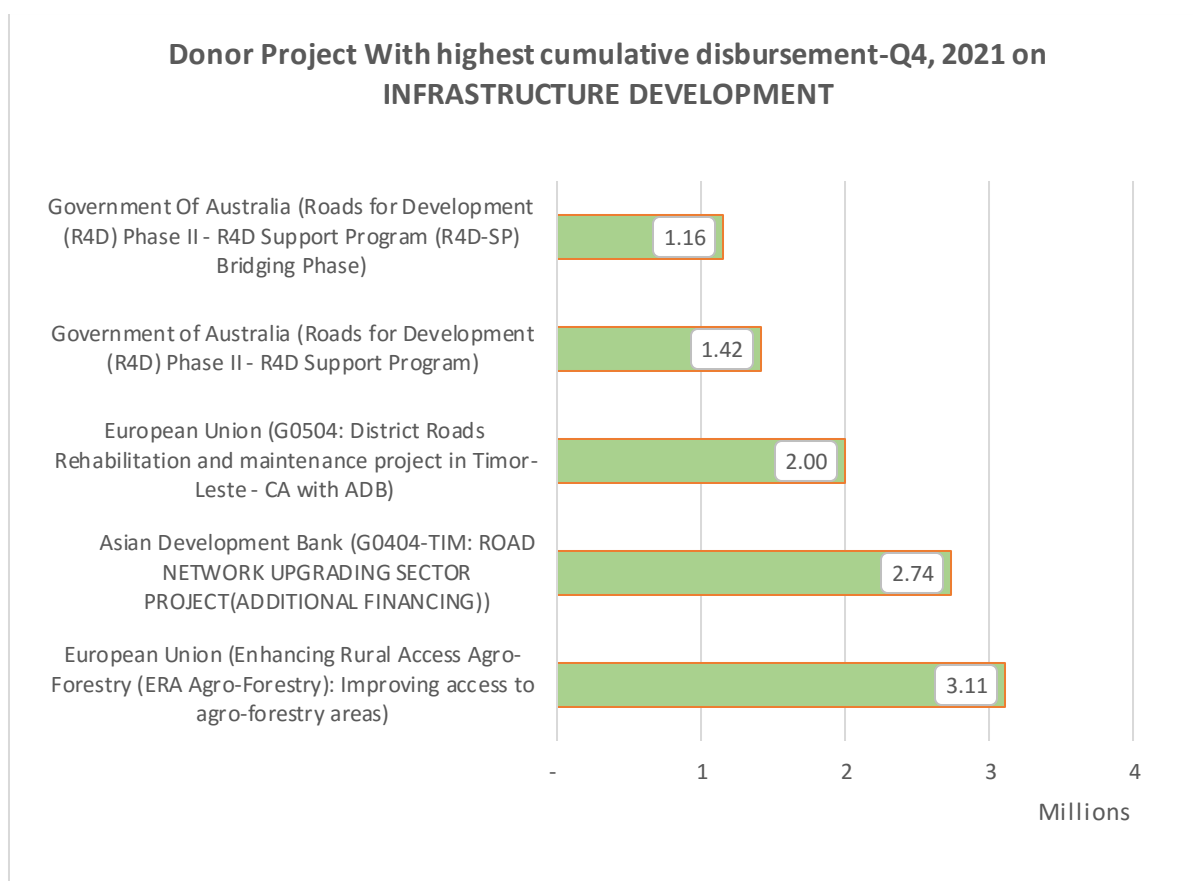
**Figure 18: 2021 Top Donor project disbursement in Institutional Framework sector**



Source: Ministry of Finance, National Directorate for Aid Management, Mobilization, and Effectiveness, January 2022.

This sector received a total disbursement of \$ 38 million by the end of 2021. The Government of Australia is the largest donor in this sector, having disbursed \$ 22.7 million, followed by the US, New Zealand, Japan, and the EU and its member states, with \$ 5.5, \$ 3.4, \$ 2.3, and \$2.3 millions respectively. However, the largest disbursements were related to Timor-Leste Police Development Program (Australia, \$ 4.4 million), the Governance for Development (Australia, \$ 4.4million), NGO Advocacy for Good Governance (US, \$ 2.6 million), USAID Custom Reform Project (US, \$ 2.6 million), and Advancing TL’s Autonomous Telcom Landscape (US, \$ 1.1 million). The median project disbursement was however very low, \$ 23,000, and the standard deviation equalled \$ 1.6 million, signalling the existence of many small-scale development projects and a large variation among donors contribution. It is difficult that project below the \$ 0.5 million disbursement a year can have a catalytic impact in the enhancement of the institutional framework in Timor-Leste.

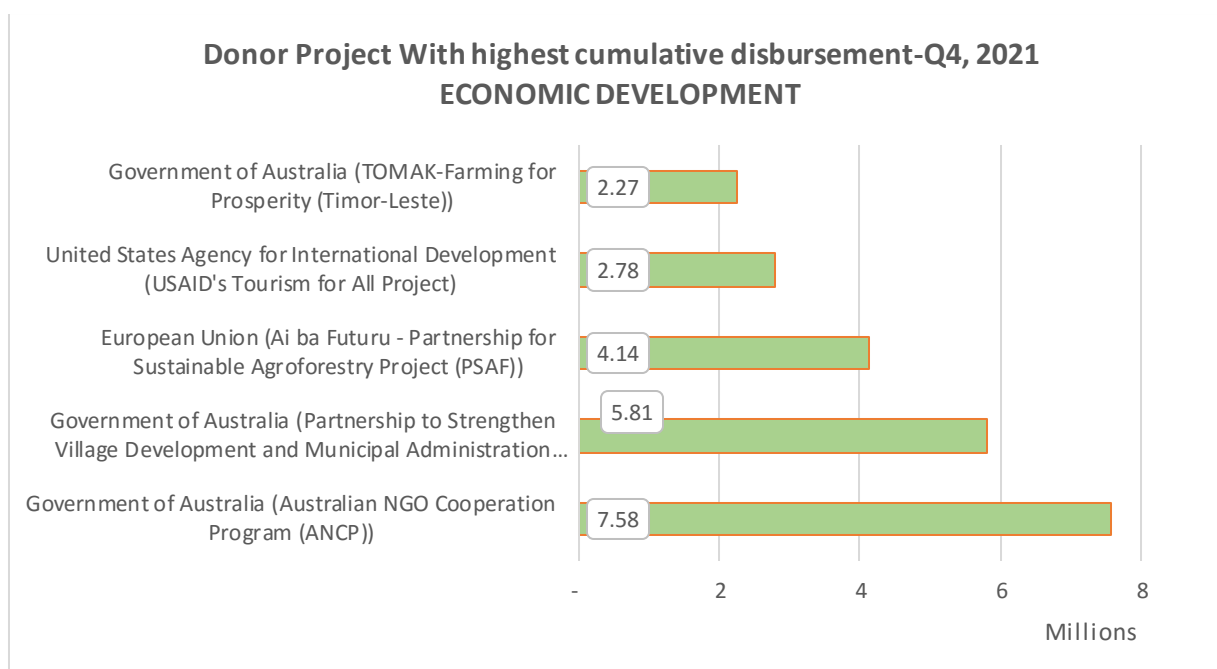
**Figure 19: 2021 Donor Top project disbursement in Infrastructure Development sector**



Source: Ministry of Finance, National Directorate for Aid Management, Mobilization, and Effectiveness, January 2022.

The Infrastructure Development sector received a total disbursement of \$ 13.3 million in 2021. Infrastructure Development donor disbursements focused on road and bridges, and water and sanitation. The EU and its member states were the largest donor in this sector, having disbursed \$ 6.2 million, followed by the Asian Development Bank (ADB), \$ 3 million, and Australia, \$ 2.6 million. However, the largest disbursements were related to the projects Enhancing Rural Access Agro-Forestry (EU, \$ 3.1 million), Road Network Upgrading Sector (ADB, \$ 2.7 million), District Roads Rehabilitation and Maintenance (EU, \$ 2 million), Roads for Development (Australia, \$ 2.5 million). The median project disbursement was however low, \$ 149,000, and the standard deviation equalled \$ 0.9 million, signalling the existence of many small-scale development projects and a large variation among donors contribution also in this sector, although less extreme than in the Institutional Framework one. It is difficult that projects below the \$ 2 million disbursement a year can have a catalytic impact in bridging the infrastructure gap in Timor-Leste.

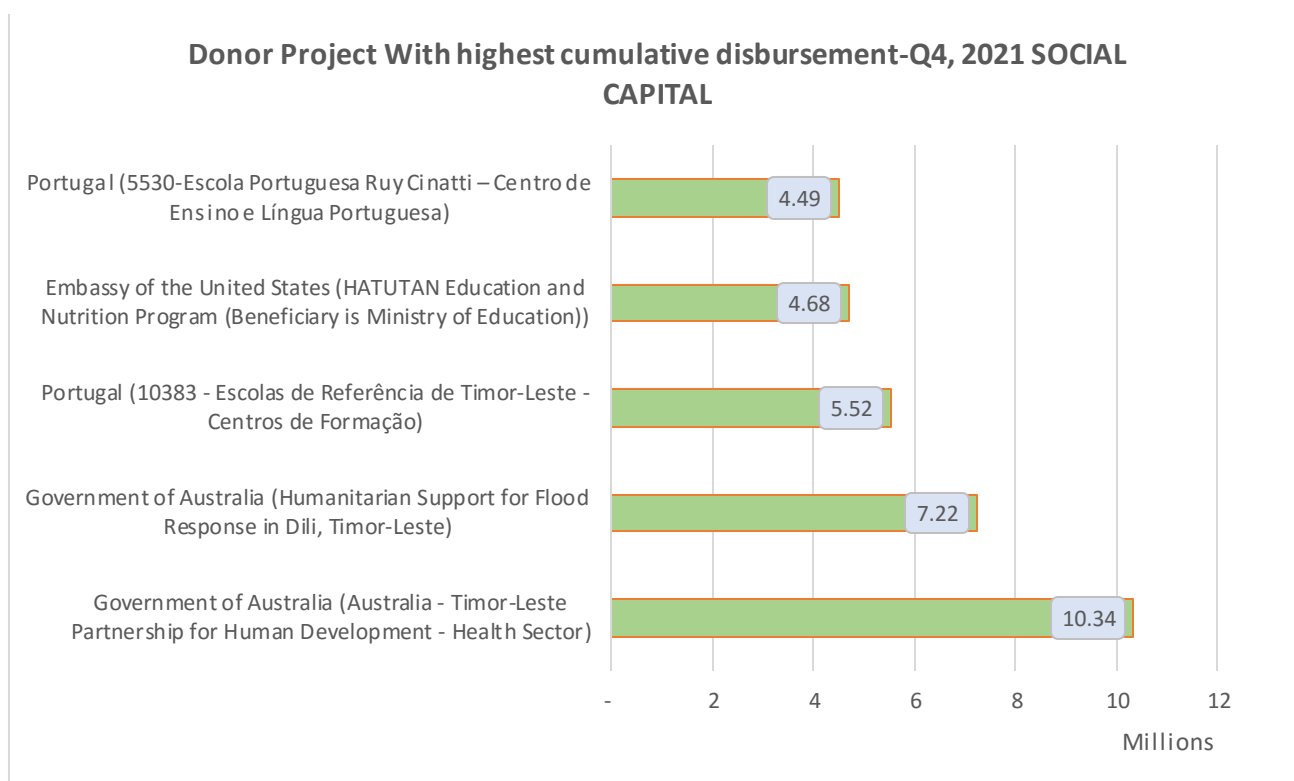
**Figure 20: 2021 Top Donor project disbursements in Economic Development sector**



Source: Ministry of Finance, National Directorate for Aid Management, Mobilization, and Effectiveness, January 2022.

The Economic Development sector received a total disbursement of \$40.9 million in 2021. Economic Development donor disbursements focused on road and bridges, and water and sanitation. Australia was the largest donor in this sector, having disbursed \$ 13.5 million, followed by the EU and its member States, \$ 2.8 million, and the US, \$ 2.2 million. However, the largest disbursements were related to the projects Australian NGO Cooperation Program (Australia, \$ 7.6 million), PARTISIPA (Australia, \$ 5.8 million), Ai ba futuro (EU, \$ 4.1 million), Tourism for All (US, \$ 2.8 million), and TOMAK (Australia, \$ 2.3 million). The median project disbursement was however relatively low, \$ 260,751, and the standard deviation equalled \$ 1.5 million, signalling the existence of many small-scale development projects and a large variation among donors contribution in the sector. It is difficult that projects below the \$ 0.5 million disbursement a year can have a catalytic impact in fostering economic development in Timor-Leste.

**Figure 21: 2021 Top Donor project disbursements in Social Capital sector**



Source: Ministry of Finance, National Directorate for Aid Management, Mobilization, and Effectiveness, January 2022.

This sector received the largest amount of donor funding, \$ 106.4 million, in 2021. Donor disbursements focused on health, social inclusion, and education and training. Australia was the largest donor in this sector, having disbursed \$ 33.5 million, followed by the EU and its member States, \$ 17.8 million, and Korea, \$ 11.2 million. However, the largest disbursements were related to the projects Australian – Timor-Leste Partnership for Human Development (Australia, \$ 10.3 million), Humanitarian Support for Flood Response in Dili (Australia, \$ 7.2 million), Escolas de Referência de Timor-Leste (Portugal, \$ 5.5 million), HATUTAN Education and Nutrition Program (US, \$ 4.7 million), and Escola Portuguesa Ruy Cinatti (Portugal, \$ 4.5 million). The median project disbursement has a medium size, \$ 170,000, and the standard deviation equalled \$ 1.3 million. This indicates a more optimal scale of social projects compared to others sector, although there is still a large variation among donors’ contribution in the sector. Efficiently managed social project with annual disbursements above \$ 0.1 million can have a catalytic impact in reducing social inequalities in in Timor-Leste.

## 2.6 Direct Budget Support

Timor-Leste has been receiving direct budget support (DBS) 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.

As of 2021, funds provided through direct budget support will become part of the General State Budget (on budget support) based on the program/sector of the Government that the EU and the Government of Australia



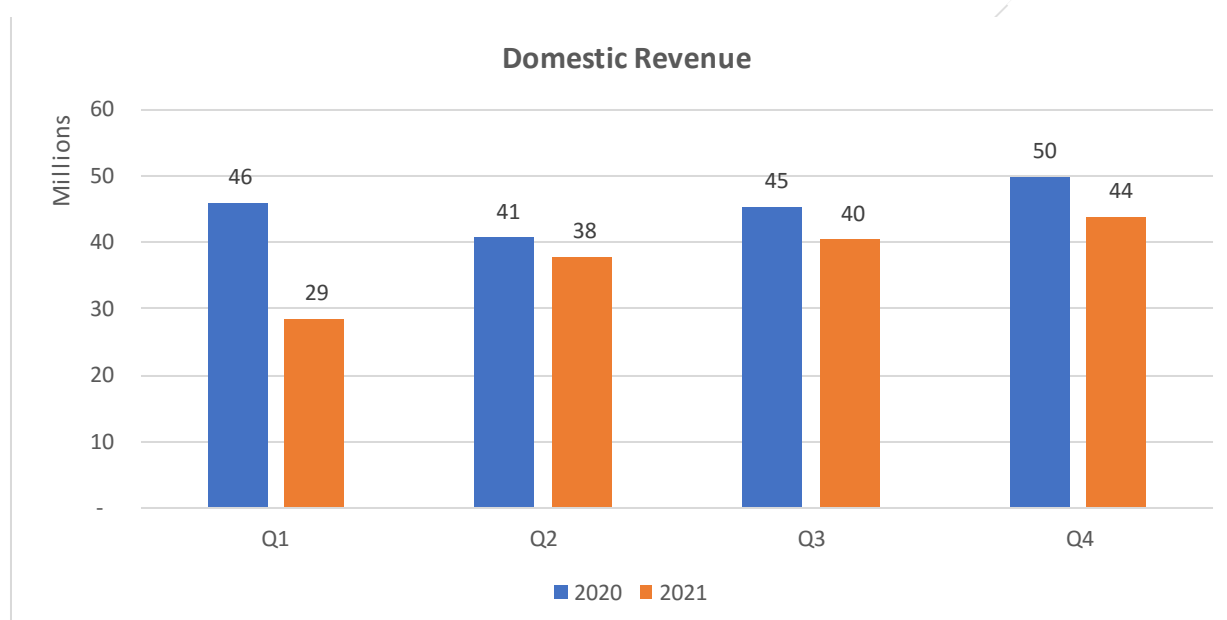
are interested in supporting, and funds received from the EU and the Government of Australia classified as direct budget support income. However, in 2021 no money was received compared to the year 2020 where a total of US\$ 10.5 million was received

## 3 Revenue trends in 2021

### 3.1 Revenue Trends in 2021

In all quarters of 2021 domestic revenue was lower than compared to the equivalent quarter of 2020. Total domestic revenue fell by \$ 31.4 million, or 17.23%, respect to 2020. Especially, collection performance was much worse in Q1 2021 than in Q1 2020, \$ 17 million less, a fall of 37.9%. Nevertheless, we can see that revenue collection efforts linearly increased along 2021, raising from 29 million in Q1 to 44 in Q4. Collected amounts in fees and charges were lower in all 2021 quarters than in their equivalent 2020 quarter, while the opposite happens with autonomous agencies revenues. Tax receipts were lower for 2021 Q1 and Q3 compared to the equivalent quarter of 2020, while higher for the other two quarters. Please note, Direct Budget Support is classified as an additional form of revenue since 2020, separate to domestic revenues and petroleum returns, and therefore is no longer included in this section of the report.

Figure 22: Domestic Revenues 2020 and 2021

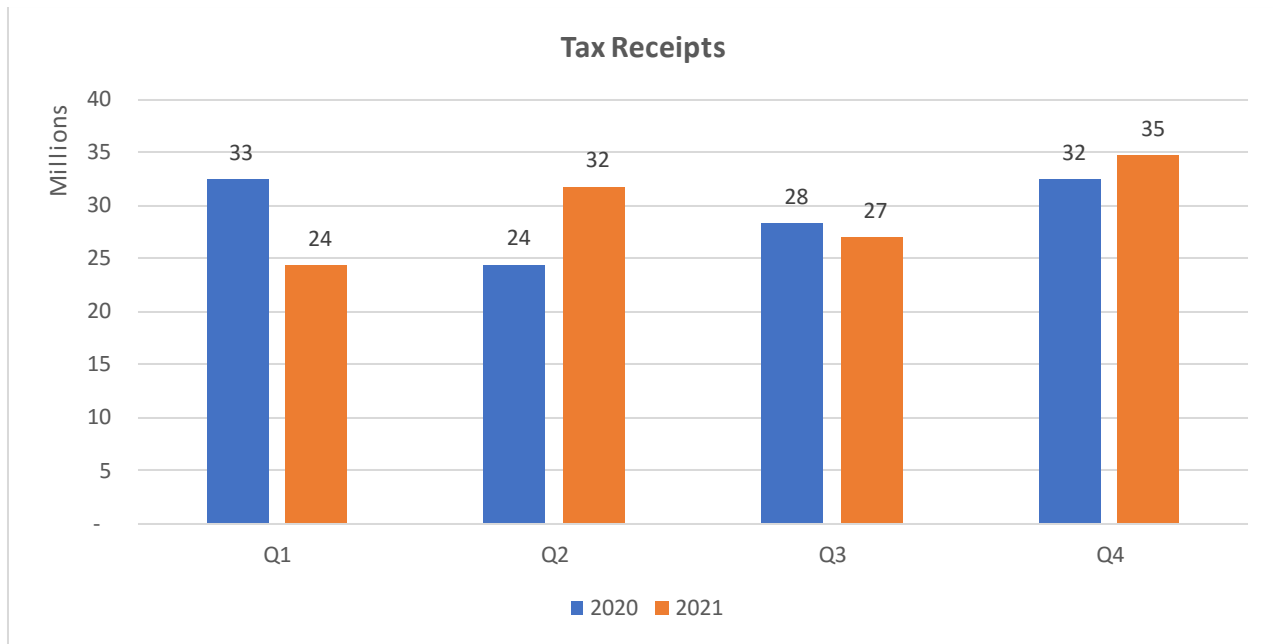


Source: National Directorate of Economic Policy, Ministry of Finance, January 2022.

### 3.2 Tax Revenues in 2021

Tax revenues in 2021 slightly raise in comparison to the previous year by \$ 0.3 million, a 0.2% increase. Nevertheless, the increase between 2021 Q3 and Q4 was more significant, \$ 7.7 million or 28.5%. Mirroring the situation affecting overall domestic revenue mobilization, there was an important fall in tax collection in Q1 of 2021 compared to Q1 2020, although in this case it was partially compensated by a better performance in Q2 2021 compared to Q2 2020.

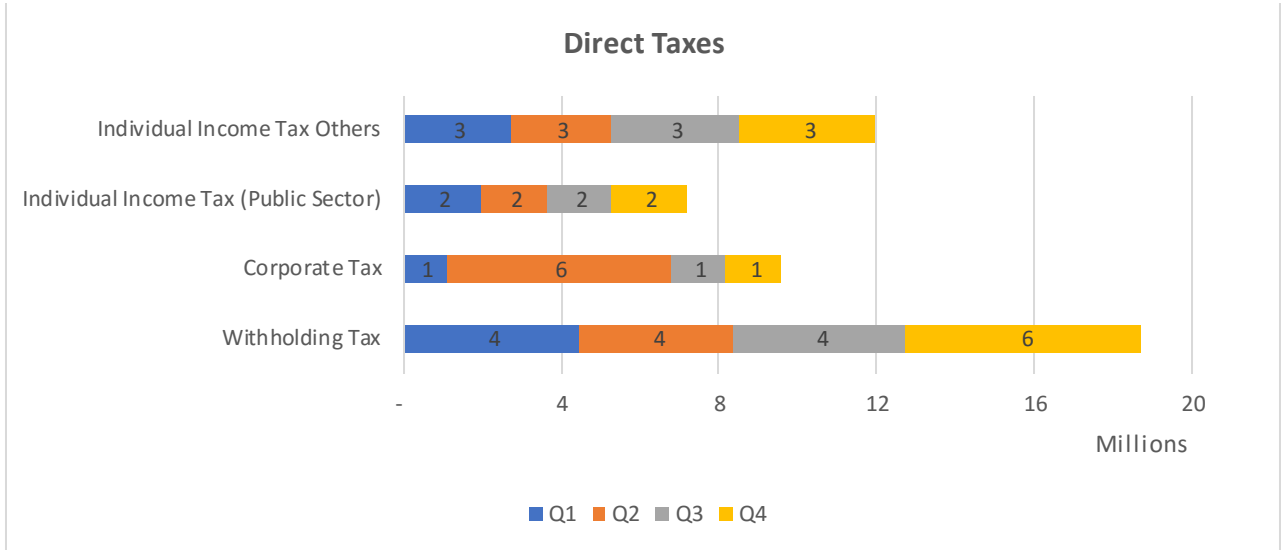
**Figure 23: Tax Revenues in 2020 and 2021**



Source: National Directorate of Economic Policy, Ministry of Finance, January 2022.

**Direct taxes contributed a 40.2% to total tax revenue, collecting \$47.5 million.** Withholding taxes amounted up to 39.5% out of the total direct tax revenue, with \$18.7 millions collected in 2021 and being the first direct taxation source of income. They also saw the largest increase between 2021 Q3 and Q4, with a 36.5% raise. Withholding taxes are often linked to the amount of capital spending in the economy as they are levied on both building and construction consulting services. There is often a significant rise in its collection in Q4 because many capital projects are commissioned by the end of the financial year, to ensure their inclusion before closure. Withholding tax can also often have a delay in collection respect to the moment when a project is commissioned. This, together with the increase in commissioned projects by the end of financial years, explains that 2021 Q1 had the second highest collection for this tax source, with \$4.5 million. Individual income taxes not collected on public sector employees were the second largest source of direct tax revenue in 2021, with \$12 million or 25.2% out of total direct taxes, followed by corporate taxes, which amounted up to \$9.6 million and represented 20.2% of total direct taxes. Individual income taxes collected on public employees represented \$7.2 million or 15.1% out of total direct taxes.

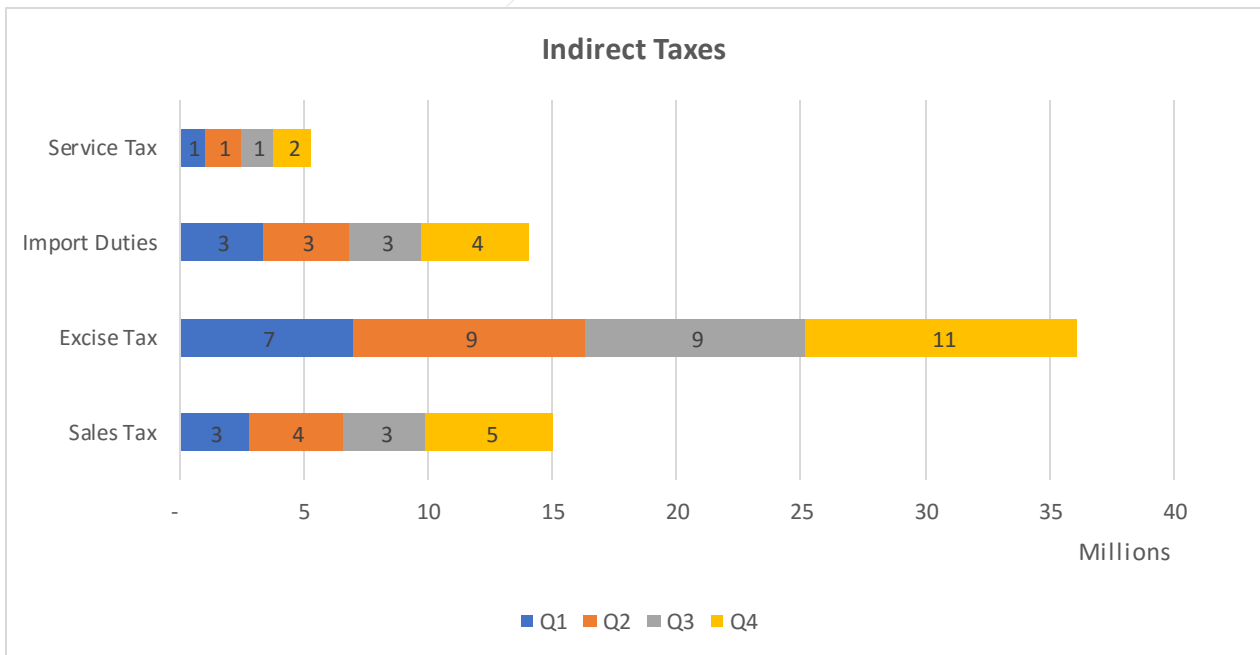
**Figure 24: Direct Taxes by quarter in 2021**



Source: National Directorate of Economic Policy, Ministry of Finance, January 2022.

**Indirect taxes represented the bulk of tax receipts in 2021, amounting up to \$ 70.5 million or 59.8% of total tax revenue.** Excise taxes were more than half of all indirect tax collection, 51.2%, amounting up to \$ 36.1 million, followed by sales taxes, which collected \$ 15.1 million or 21.3% of the total indirect taxes, and import duties, with 14 million or 19.9% out of the total. Far below there were service taxes, with only 5.3 million or 7.6% of total collected indirect tax. This is not unusual given the low level of tertiarization of Timor-Leste economy, which mainly relies on public sector and agriculture. On the other hand, all indirect tax sources grew along the year, despite a minor fall in Q3, and especially in Q4. Sales taxes saw the largest quarterly increase between Q3 and Q4 which we can associate with the beginning of the festive period and the reopening of the economy following the fade away of the Covid-19 crisis.

**Figure 25: Indirect Taxes by quarter in 2021**

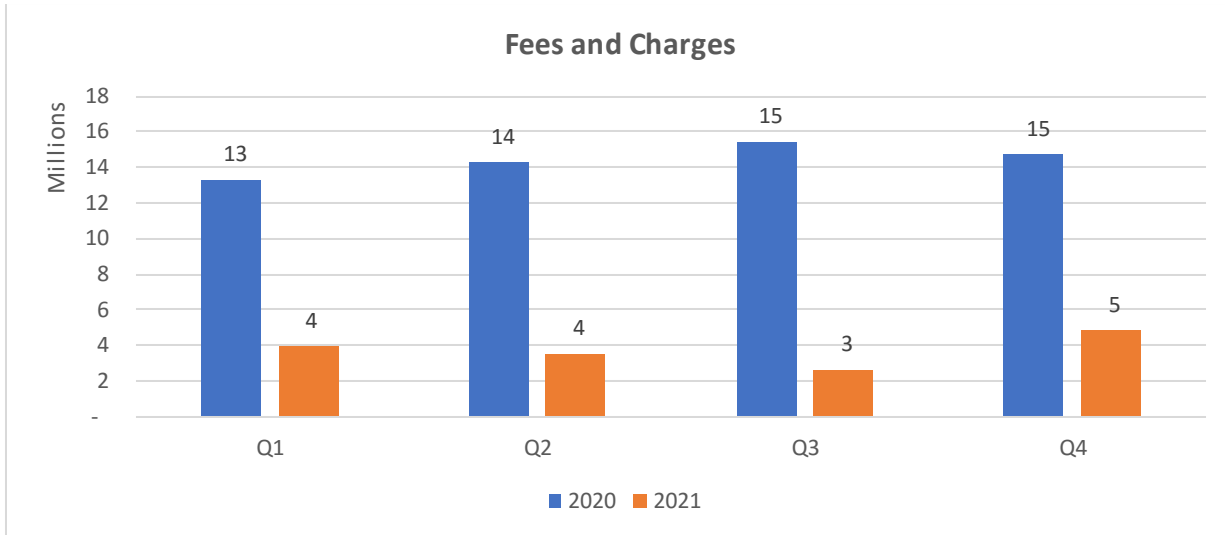


Source: National Directorate of Economic Policy, Ministry of Finance, January 2022.

### 3.3 Fees and Charges Revenues in 2021

In 2021 fees and charges saw a sharp decline compared to 2020, falling from \$ 57.7 million to \$ 14.9 million. This is probably related to the social distancing and other Covid-19 contention measures that restricted economic activity, as well as policy measures temporary lifting the obligation to pay some fees and charges to counteract the fall in households' income. Indeed, it can be observed that between Q3 and Q4 there is sharp increase, 84.1%, in collected fees and charges, corresponding with the fade away of the Covid-19 crisis and the retrenchment of the policy measures to counteract the health crisis.

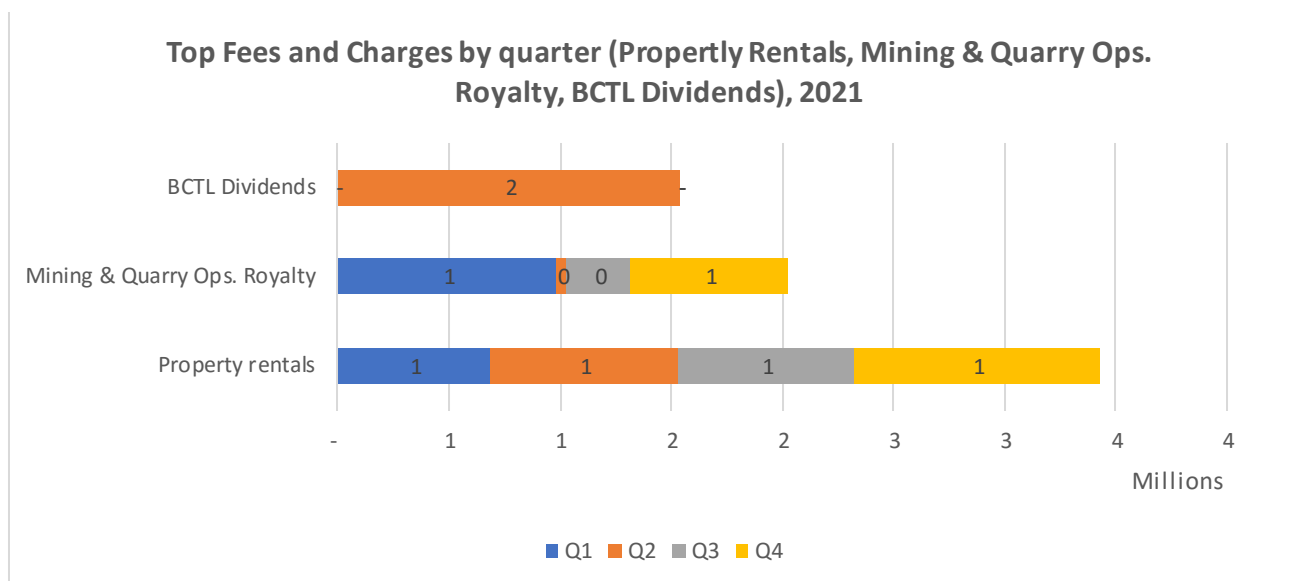
Figure 26: Fees and Charges Revenues in 2020 and 2021



Source: National Directorate of Economic Policy, Ministry of Finance, January 2022.

Indeed, supporting this analysis, it is worthy to note that the recovery in fees and charges collection mainly comes from activities related to the comeback of trade and travelling. For example, between Q3 and Q4 Passport and IDs fees increased by 1,132.6%, non-tax revenue customs duties by 453.7%, and bid documents receipts associated with the reopening of public procurement processes by 366.3%. Nevertheless, only three fees and charges collected annual amounts over the million dollars, property rentals (\$3.5 million), royalties from mining and quarry (\$ 2 million), and vehicle registration fees (\$ 1 million). These three categories represented 43.2% of the total revenue collected on fees and charges, while there are a total of 56 fees and charges collected by Timor-Leste's government.

**Figure 27: Top Fees and Charges by quarter in 2021**

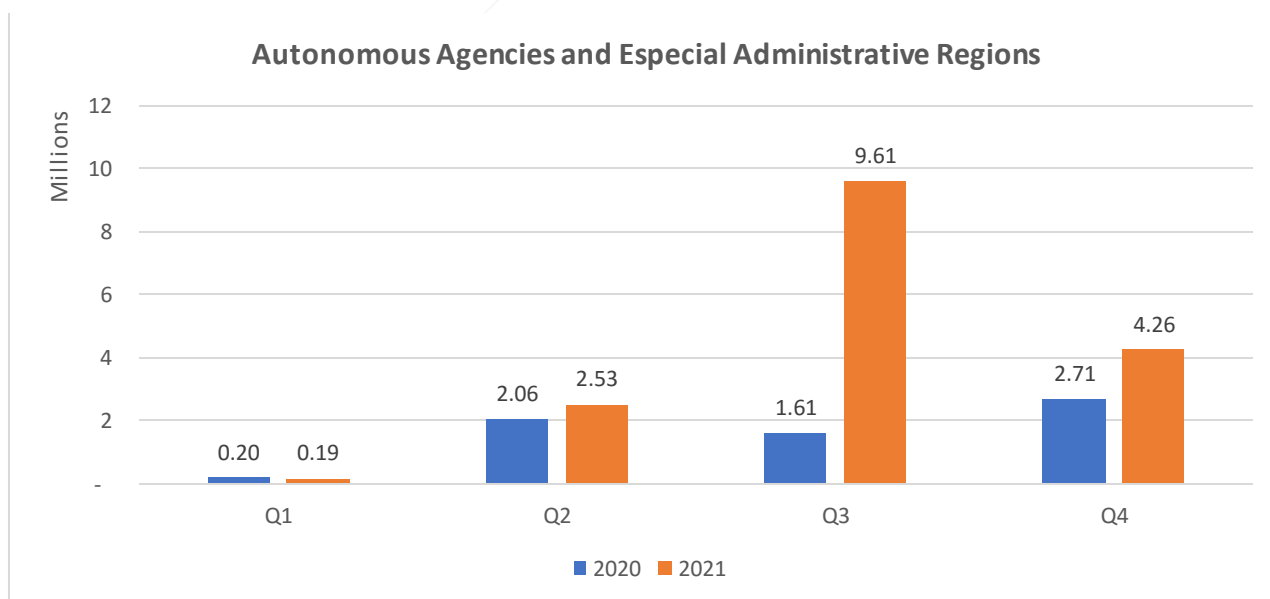


Source: National Directorate of Economic Policy, Ministry of Finance, January 2022.

### 3.4 Autonomous Agencies Revenues in 2021

Autonomous Agencies saw a substantial rise in revenues year on year between 2020 and 2021 passing from \$ 6.6 million to \$ 16.6 million. This supposed an annual percentage increase of 151.5%. As the graph below shows most of their revenue, 9.6 million or 57.8% of the total, was collected in the Q3. This extraordinary windfall was due to the exceptional rice sales that were done by National Logistic Centre (CLN) to stabilize the market following the break in stocks produced by the floods that affected the country in Q2. Nevertheless, also the National Communication Authority (ANC) collected unexpected revenues from licences in Q3 2021.

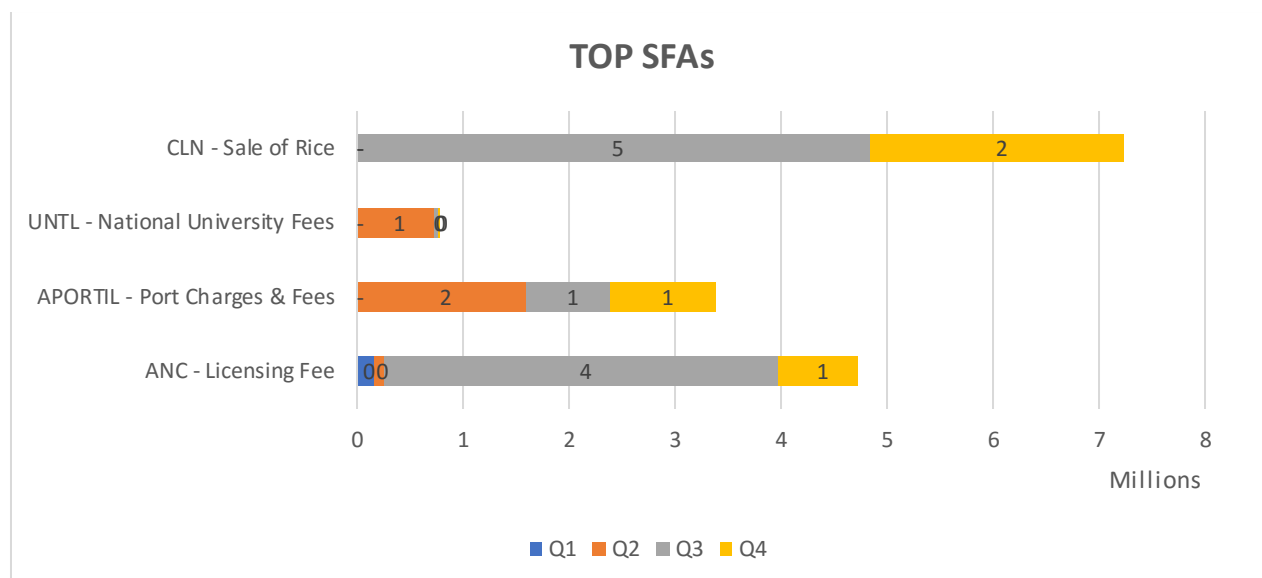
**Figure 28: Autonomous Agencies and Special Administrative Regions Revenues in 2020 and 2021**



Source: National Directorate of Economic Policy, Ministry of Finance, January 2022.

Indeed, four entities accounted for 97.3% of the revenue coming from Autonomous Agencies in 2021. Rice sales by the CLN made 43.7% out of it for a total of \$ 7.2 million. License fees collected by the ANC amounted \$ 3.4 million and they represented 28.5% of the total revenue collected by Autonomous Agencies. APORTIL collected 20.4% of Autonomous Agencies total revenue, making a total of \$ 3.4 million in 2021. Finally, UNTL collected \$ 0.8 million in student fees, which represented 4.6% of Autonomous Agencies' revenue. Nevertheless, something important about Autonomous Agencies' revenue is their lack of regularity affecting their collection, as figures 28 and 29 show. They do not collect revenue every quarter and the amount of revenue collected each quarter largely varies. This impedes to use such revenue to finance their recurrent expenditure without an active cash management approach.

**Figure 29: Top Revenue generating Autonomous Agencies by quarter in 2021**



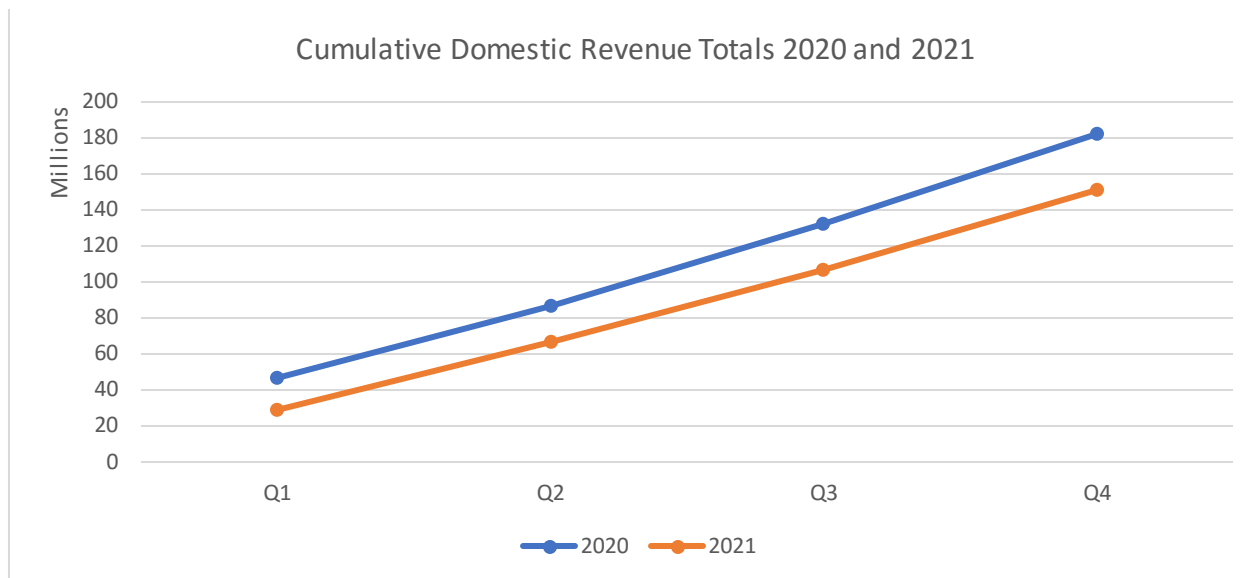
Source: National Directorate of Economic Policy, Ministry of Finance, January 2022.

### 3.5 Revenue Trends in 2021

**Revenues in 2021 ended the year 17.2% lower than those collected in 2020.**

This was somehow expected given that the COVID-19 crisis and related global economic crisis shaped the economic situation for most of the year. The protracted effects of the crisis can be observed in the graph below. In 2021 revenue follows closely the same trend than in 2020, just that the collection shifted down for all quarters. The largest concern arising from such behaviour is weather the shock will have longstanding negative impact on domestic revenue mobilization so that the fade off the crisis will not automatically bring revenue collection level to pre-pandemic times. Observing this data we can expect some hysteresis, with revenue collection requiring one or two years after the end of the crisis to come back to pre-pandemic levels.

**Figure 30: Cumulative Domestic Revenue Totals 2020 and 2021**

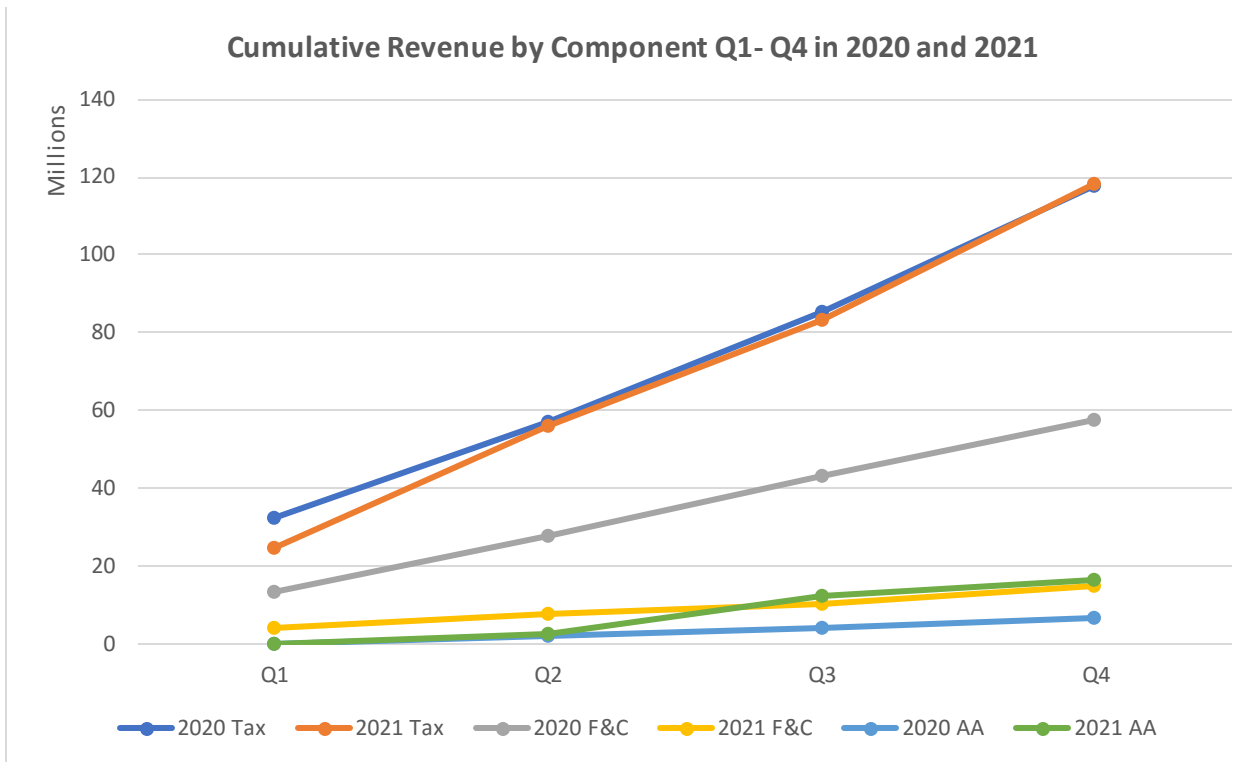


Source: Source: National Directorate of Economic Policy, Ministry of Finance, January 2022.

When looking at the breakdown of revenues, driver of this downward shift are clear. **In 2021 fees and charges have been systematically below the levels they reached in 2020 and their growth rate has gone down sharply, as the lower slope of 2021 F&C line shows respect to the 2020 one.** The downward shift of the fees and charges line is explained by the fact that electricity fees and charges, its largest single contributor in 2020, representing 50.8% of the total, are not included any more under this category anymore. This is the consequence of the transformation of EDTL into a public company and the exclusion of its revenue from the State Budget. Nevertheless, the slower rate of growth of fees and charges revenue was more likely associated with the slowdown of economic activity caused by the Covid-19 pandemic and the maintenance of temporary exemptions to compensate the fall in enterprises and households' income.



**Figure 31: Cumulative Revenue by Component Q1- Q4 in 2020 and 2021**



Source: National Directorate of Economic Policy, Ministry of Finance, January 2022.

**On the other hand, tax collection ends the year on the same levels as in 2020.** Taxes in 2021 started the year lower than in 2020 but caught up as the year advanced. The biggest year on year fall was seen by withholding taxes which fell 18.2%. Excise taxes also saw a mild decrease of 0.4% year on year. All the other tax sources increased on a year on year basis, from 0.9% for private sector individual income taxes to 34.6% for service taxes. It is important to note that direct taxes as a group fell by 4.1% while indirect taxes rose by 3.3%, which surely would make the tax system less progressive and pro-poor.

**Revenues from autonomous agencies in 2021 even exceeded the levels reached by the end of 2020, although they did not differ substantially along the two first quarters of both years.** Nevertheless, in 2021 there were 5 Autonomous Agencies that collected revenue more than in 2020. These were the National Hospital Guido Valadares, Courts, AIFAESA, SERVE, and CLN for rice sales. Apart from that ANC increased its revenue collection by 282.9% and APORTIL by 1.9%, while IGE, UNTL, AMRT and CLN sales of local products decreased between a 52% and a 94.5%.

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## 4 Other Matters of Interest

### 4.1 Procurement

**Timor-Leste has instituted a 10% limit on sole source procurement<sup>2</sup>.** However, this rule does not apply to the DOT regime. Many line ministries and autonomous agencies were unable to execute minor capital and capital development expenditures until the last quarter of 2020. This is partially an explanation for the low execution rate in 2020, since only during Q4 capital expenditures could be implemented following the standard procurement procedure. In 2021 procurement was not affected by this situation.

### 4.2 Staff costs

**The following graph presents expenditure on salary and wages through Payroll in Treasury for casual<sup>3</sup> employees, ex-Titular's<sup>4</sup> and regular payroll (Members of Parliament, Government, PNTL, FDTL and civil servants).** The cumulative net expenditure by employee category in 2021 is displayed on the horizontal axis. We can see that the bulk of the staff cost relates to permanent civil servants, \$ 164.3 million, although they are also the largest employment category, with 34,634 workers. Casual workers, were the second largest category in terms of number of staff and labour cost, with 7,554 employees and a total net cost of \$ 26.7 million, followed by PNTL, 4,133 workers and total labour cost of \$ 15.8 million, and F-FDTL, 2,295 workers and \$ 8.1 million. Members of parliament and government included 65 and 43 people, respectively, and represented a net labour cost of \$ 3.1 and \$ 1.5 millions. Finally, in 2021 for the first time the 194 former members of Parliament or Government received a public compensation that amounted up to \$ 4 million.

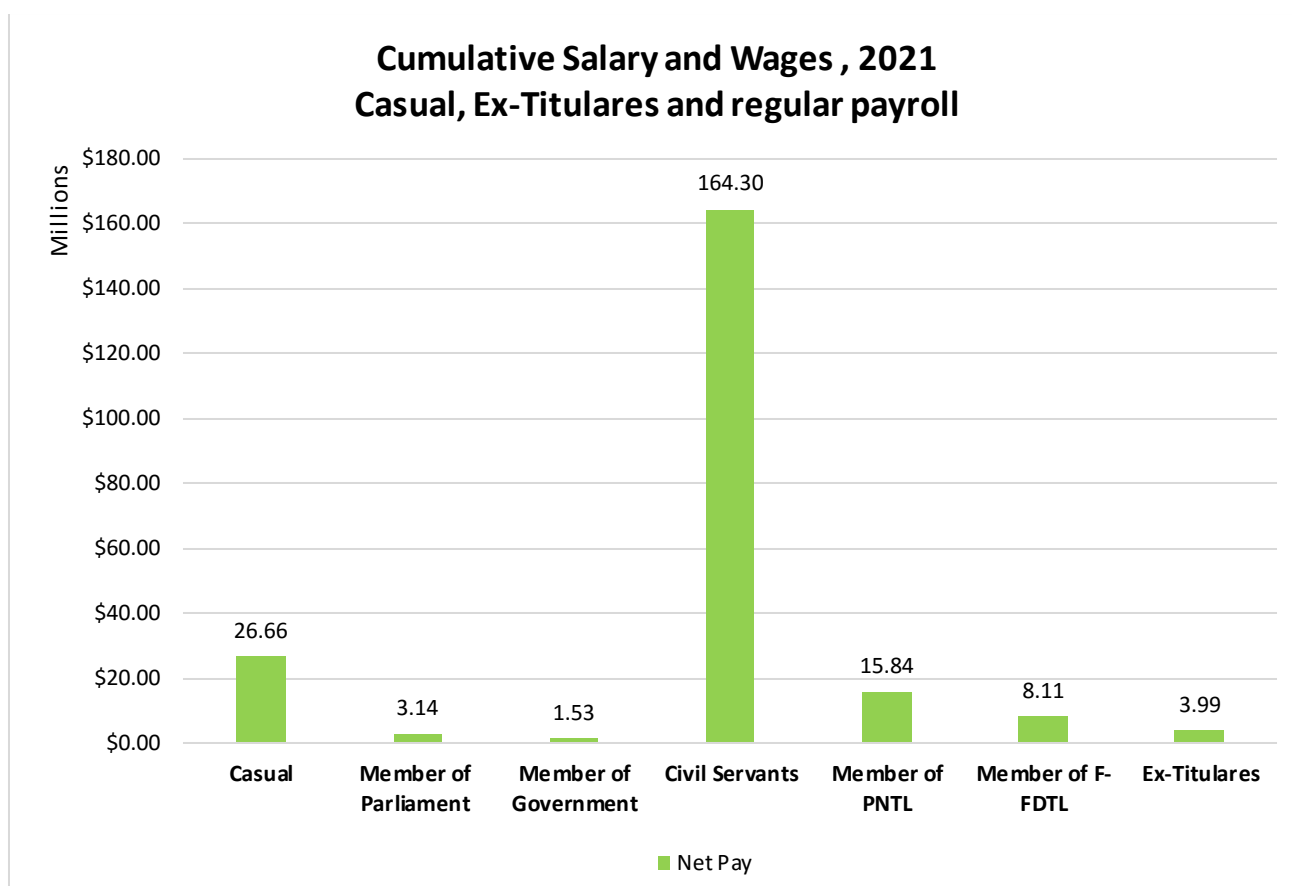
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<sup>2</sup> Legal Regime for Procurement, No 10/2005 amended by 38/2011

<sup>3</sup> 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". These salaries are paid from the line-items salary of national and international contractors, defined by Government Decree No. 6/2015, of 18 November, or with equivalent contracts.

<sup>4</sup> Ex-Titular's are Former members of the Government and Parliament and their pension is paid from the Current Transfer Category, Transfers to Households item, Pension for Former Holders of Political Offices line-item.

**Figure 32: 2021 Salary and wages**



Source: National Directorate of Payment – General Directorate of Treasury, Ministry of Finance, January 2022.

### 4.3 Loans

The following graph shows the ongoing and disbursed loan projects in Timor-Leste as of December 31, 2021. The loan disbursement must be utilised six months before the closing date of the loan. This has been shown on the disbursement progress until the end of Q4, 2021.

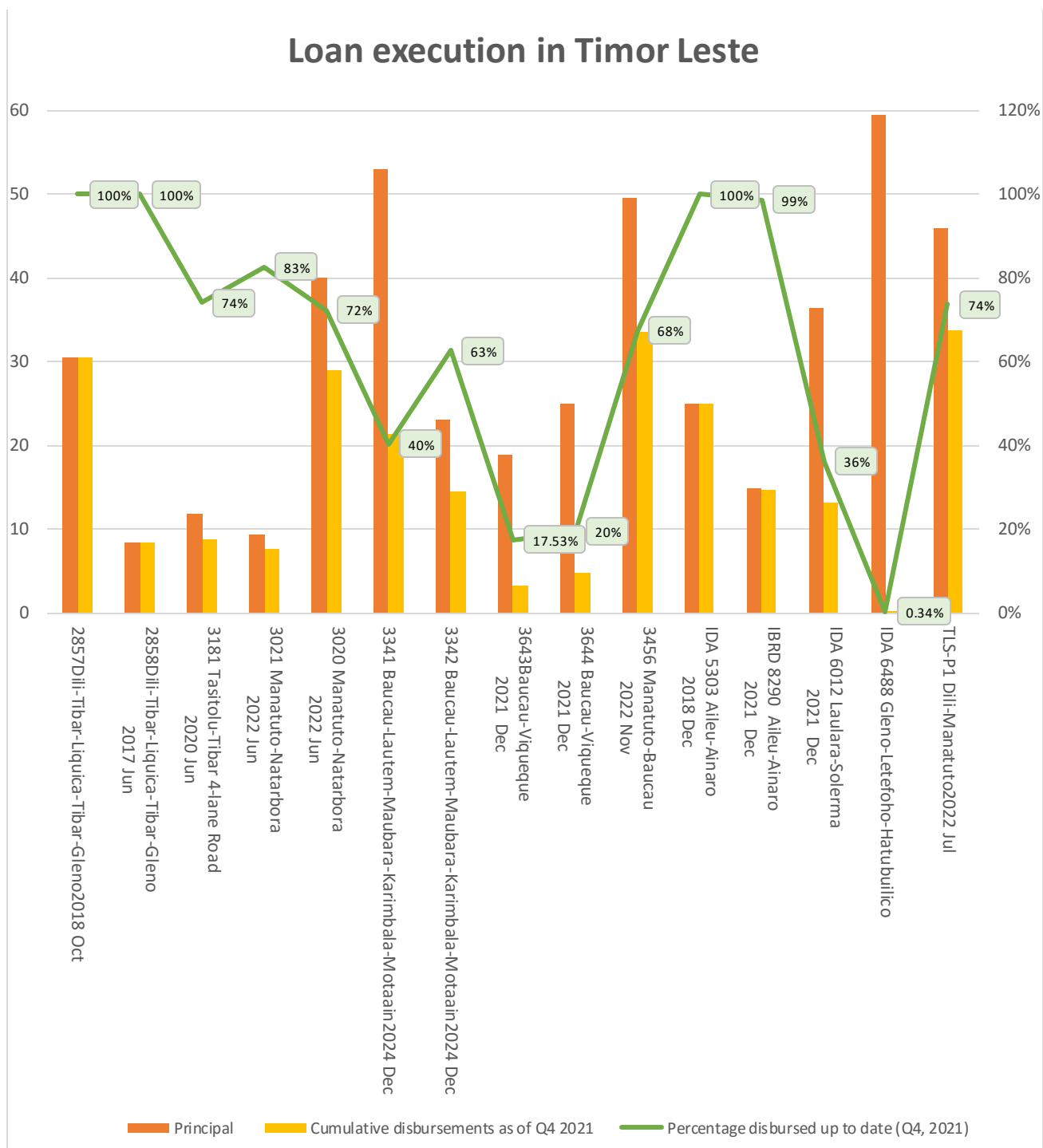
As of date, three loans have been completed. Loans 2857 and 2858 for the construction of the road between Tibar-Liquica-Tibar-Gleno have completed 100% disbursement. Loan IDA 5303 for the construction of Aileu-Ainaro road has also been 100% disbursed. Loan TLS-P1 for the construction of roads between Dili-Manatuto has been closed in July 2022 at an execution of 74%. Loan IBRD 8290 for the construction of Aileu-Ainaro is also near completion at 99% as of Q4, 2021.

For the Loans 3181, 3020, and 3021 – which have been extended until 31st December 2023 - the disbursements stands between 70-85% by the end of Q4, 2021. The execution of loan 3181, which was due to close on September 2020 but has also been extended, moved from 62% in Q4, 2019 to 74% in Q4, 2021.

The ADB loans for Baucau-Viqueque (3643 and 3644) have the lowest disbursement among all those whose projects are being implemented, between 17% - 20% by the end of Q4, 2021. The extremely low disbursement of IDA loan for Gleno-Letefoho-Hatubulico (6488), 0.34%, is attributed to delays in the procurement process, since it was already approved in 2019.

**To summarize, out of the 15 loans included in the portfolio, three have an execution rate below the 25%, two between 25% - 50%, five between 50% - 70%, and five over 75%. Among the latter 3 have been already closed and their project completed.**

Figure 33: Loan execution until Q4, 2021



Source: Loan Unit, Ministry of Finance, January 2022.