



Democratic Republic of Timor-Leste

Aid Disbursement and Development Partner Portfolio Review

Semester 1, 2010

**Ministry of Finance
National Directorate of Aid Effectiveness
2 December 2010**

INTRODUCTION

The Ministry of Finance is pleased to release the Aid Disbursement and Development Partner Portfolio Review covering Semester 1 of 2010.

This report was compiled by the National Directorate for Aid Effectiveness (NDAE) within the Ministry of Finance in accordance with Budget and Financial Management Law No. 13/2009 Article 33.

The information contained in this report consists of data provided by individual development partner representatives.

Timor-Leste and many of our development partners are signatories to the Paris Declaration of Aid Effectiveness (2005) and subsequent Accra Agenda for Action in 2008. The two pacts stressed mutual accountability, i.e., development partners and Governments are accountable to each other and to citizens for development results.

Timor-Leste now requests its development partners to provide updates on their aid disbursements twice yearly. The most recent update was released on August 2010 and can be accessed via the Ministry of Finance website.

This report is produced in order to assist the Government of Timor-Leste and development partners to gain a comprehensive overview of the flow of development assistance extended to the country as well as to assist in policy development and decision making.

The Government of Timor-Leste acknowledges the efforts made by individual development partners who have provided updated figures to NDAE in a timely manner. The production of this report would not have been possible without their continual support.

Sr. Jose Antonio Fatima Abilio

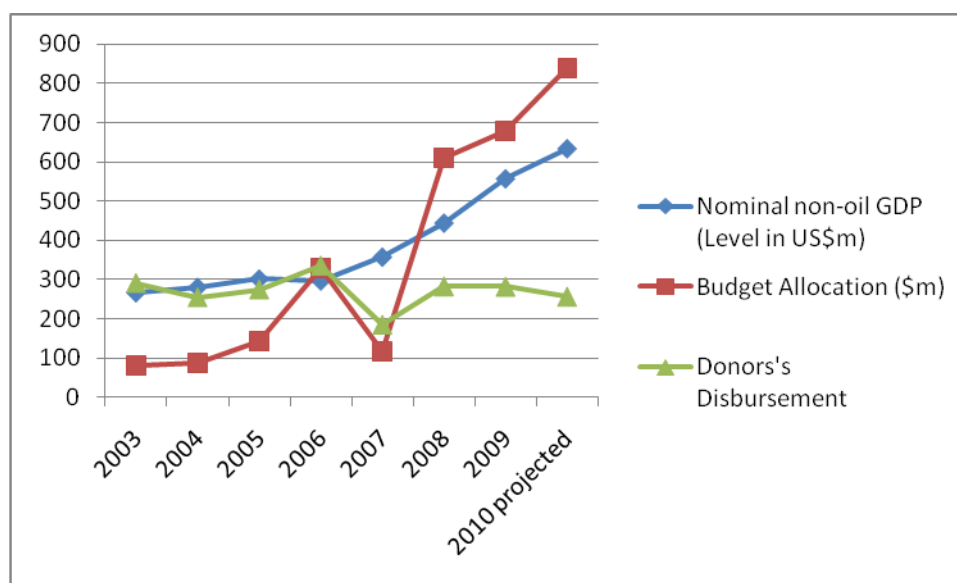
Director of NDAE

2 December 2010

1. TRENDS

In the past, non-oil GDP and development partners spending was almost the same volume. Non-oil GDP was US\$266.9 million while development partners spending was US\$291.2 million. This trend continued until 2006. This shows that the largest driver of non-oil GDP was development partner contributions. In 2006 the State Budget began increasing as a result of increasing oil revenues. The year 2007 was the transition period covering only a six month period (July to December) this is why we see a sharp decrease for 2007 in the table below for development partner disbursement and nominal non-oil GDP. In 2008, we see the state budget has become larger than nominal non-oil GDP, reflecting its increased importance in driving the economy.

Chart 1: Non-oil GDP - State Budget and Development Partner Spending



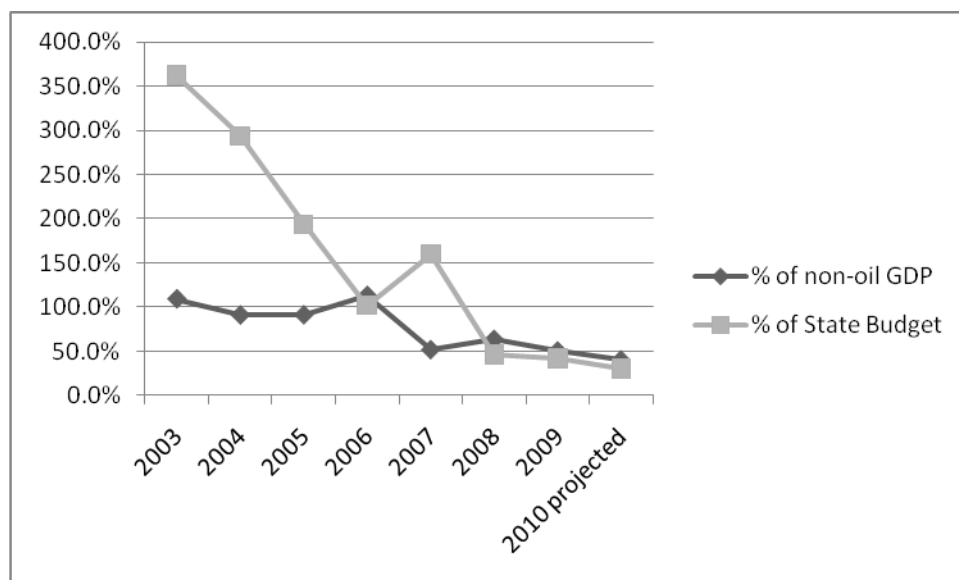
DEVELOPMENT ASSISTANCE TO NON-OIL GDP AND STATE BUDGET

Development partner spending (US\$291.2 million) has clearly been a strong determinant of the level of nominal non-oil GDP (US\$266.9 million). In fact, we can see that it reached 109% of nominal non-oil GDP in 2003. Also, development partner spending was 367.2% of the State Budget (US\$80.3 million) in that same year. However, after 2008, the ratio of development partner spending becomes smaller than non-oil GDP as well as the State Budget to less than 50% in 2009 (see the Chart 2). An average

increasing ratio of non-oil GDP 2002 – 2010 is 12.3% and a ratio of State Budget is 85.3%, while an average increasing ratio of development partners spending is only 2.5% (around US\$270 million in average).

We have seen relatively stability in development partner funding, along with a significant expansion in the State Budget which has led to the natural replacement of development partner funding as the predominant determinant of nominal Non-oil GDP. As long as foreign assistance to Timor-Leste remains stable, while at the same time nominal Non-oil GDP grows, aid will become a smaller component of the this GDP.

Chart 2: Ratio of Development Partners Spending to non-oil GDP and State Budgets¹



2. Overview of Development Partners Spending in 2010

As the part of Combined Sources Budget, development partner disbursement plan for Fiscal Year 2010 was approved on 23 December 2009 vide Law No.15/II/2010.

Development partners planned total disbursement for 2010 was US\$198.9 million in

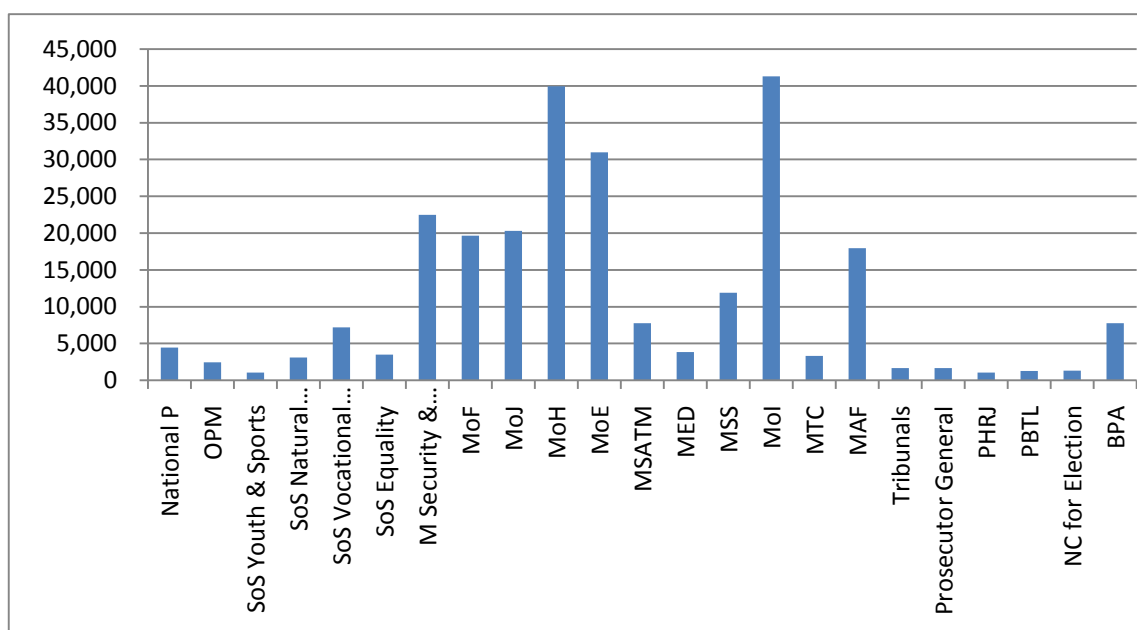
¹ Note: 1) Non-oil GDP is nominal. 2) The amount of spending by Multilateral and UN Agency include funding from bilateral donors. 3) Figures in 2010 are projected.

August 2009. However, as of NDAEs most recent update based on data provided in August 2010, planned disbursements reported for 2010 increased to US\$256.8 million, an increase of US\$66.9 or 29.1%.

Of the US\$256.8 million planned development partner disbursement for 2010, the three largest recipients are the Ministry of Infrastructure (MoI) with US\$41.3 million, Ministry of Health (MoH) with US\$40.0 million and Ministry of Education (MoE) with US\$31.0 million. It will be followed by the Ministry of Security and Defence's US\$ 22.5 million and US\$ 20.3 million for the Ministry of Justice.

Chart 3: Development Partners Spending by Ministry/Secretary of State in the Semester 1 2010²

US\$, 000

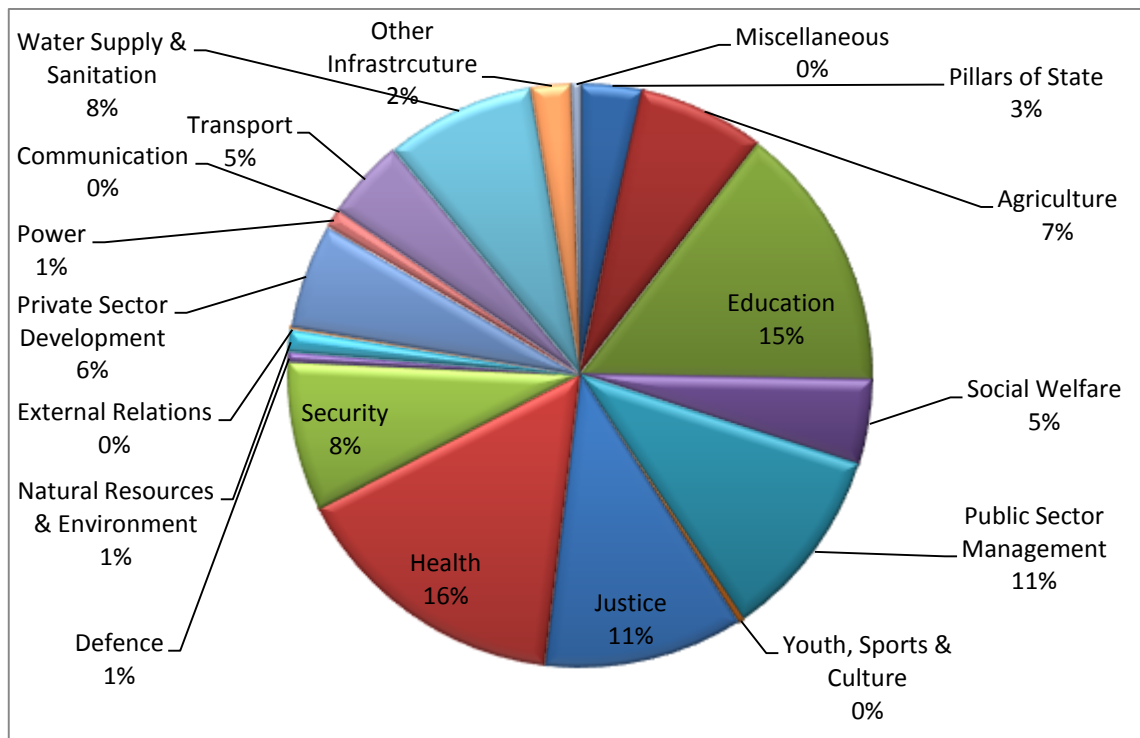


Development partner spending by sector in 2010 can be seen in Chart 4. The majority of Development partner spending is attributed to six main sectors being health US\$40.0 million (16%), education US 38.1 million (15%), justice US\$28.1 million (11%), public sector management US\$27.4 million (11%), water supply and sanitation US\$21.2 million (8%), and security US\$21.0 million (8%). Development partner policy appears

² Note: Only Ministries receiving more than US\$1 million are listed

to generally be in accordance with the 2010 National Priorities.

Chart 4: Development Partners Spending by Sector in the First Semester 2010³



3. DEVELOPMENT PARTNER SPENDING UP TO THE FIRST SEMESTER OF 2010

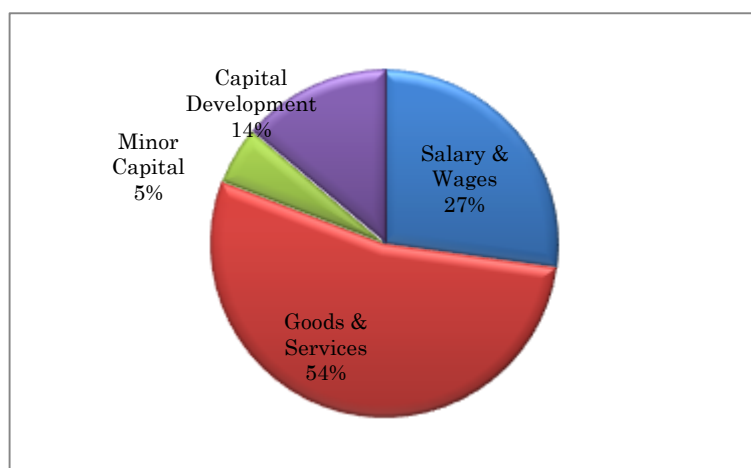
In the August 2010 update, the NDAE received first semester disbursement for 2010 from 12 bilateral development partners, three multilateral agencies and 10 UN agencies. The ratio of response was 61%. Out of the 12 bilateral development partners, six could provide details using CSB categories of their expenditure (i.e., salary & wages, goods & services, minor capital, and capital development). Two multilateral agencies out of three agencies, and seven UN agencies out of the 10 provided the breakdown.

As part of the Combined Sources Budget, US\$ 115.3 million was spent during the first

³ Note: 1) Public Sector Management includes support to the Ministry of Finance and Ministry of State Administration and Territorial Management. 2) Pillars of State include support to Office of the President, National Parliament, Office of the Prime Minister and Council of Ministers. 3) Support to SoS for Vocational Training and Employment is included in Education sector.

semester representing US\$ 52.4 million (45%) of the planned US\$256.8 million. Because some development partners experience difficulties in disaggregating their spending, the NDAE thus can only present information as given.

Chart 5: Development Partners Disbursement by Appropriation Categories



The proportion of appropriation categories was 54% for goods & services, 27% for salary and wages, 14% for capital development and 5% for minor capital. The portion of funds categorized as goods & Services is rather large if compared to the State Budget.

Table 1: Development Partners Spending up to the First Semester 2010 by Agencies

US\$, 000

Agency	Planned Disbursement in 2010	First Semester disbursement	% First Semester dis. to planned dis. 2010	Salary/ Wages	Goods & Services	Minor Capital	Capital development
Australia	91,237	60,230	66%				
Brazil	4,009	846	21%	513	181	152	
Canada		150					
China							
Cuba							
EC	19,913	5,856	29%				
Finland	722	348	48%				
France							
Germany							

Indonesia							
Ireland	5,125	529	10%	712	45		
Italy							
Japan	24,927	7,361	30%		2,536		4,826
Korea							
Malaysia							
New Zealand	6,522	3,450	53%	776	2,643	23	9
Norway	8,210	3,348	41%				
Portugal	22,152	7,376	33%	3,921	2,133	127	197
Spain							
Sweden	4,470	0	0%				
Switzerland							
Thailand							
UK							
USA	31,036	17,168	55%		16,796		
ADB	7,790	1,254	16%				
WB	26,814	7,282	27%	5,087	2,125	2,270	478
IFC							
Global Fund	8,287	1,884	23%	436	1,334	113	
FAO	3,816	1,632	43%	688	858	86	
ILO	7,191	3,306	46%	1,061	216	241	1,787
IOM	4,308	2,141	63%	1,349	579	71	141
UNCDF			%				
UNDP	17,634	11,429	65%				
UNHCR							
UNICEF	11,815	2,385	20%		2,385		
UNFPA	2,836	1,113	39%	400	707	6	
UNIFEM	1,972	371	19%	244	123	4	
UNIDO	152	34	%				
UNESCO	205	35	17%		20	11	
WFP		3,487					
WHO							

Table 2 - Development Partners Spending up to the First Semester 2010 by Ministries/SoS

US\$, 000

Ministry/Sos	Planned Disbursement in 2010	First Semester disbursement	% First Semester dis. to planned dis. 2010	Salary/Wages	Goods & Services	Minor Capital	Capital development
Office of President	305	65	21%	62	3		
National Parliament	4,662	3,022	65%		2,000		
OPM	2,440	1,099	45%				
SoS CoM	77	15	20%	15			
SoS Youth & Sports	1,045	614	59%		614		
SoS Natural Resources	3,107	1,183	38%		7		
SoS Vocational Training	7,191	3,306	46%	1,061	216	241	1,787
SoS Promotion of Equality	3,475	936	27%	629	123	4	
M Defence and Security	22,481	11,897	53%	145	2,023		
MFA	430	177	41%	313	72		
MoF	19,640	3,802	20%	2,436	3,259	6	
MoJ	20,327	12,392	61%	117	3,486		
MoH	39,955	19,018	48%	1,636	9,037	221	253
MoE	30,979	13,521	44%	5,996	2,595	2,116	226
MSATM	7,749	2,574	33%	58	35		
MED	3,848	988	26%	34	75		
MSS	11,909	6,917	58%	753	331		141
MoI	41,289	12,914	31%	74	314	118	4,826

MTCI	3,321	1,735	52%		1,481		
MAF	17,954	7,448	41%	815	2,284	115	
Tribunals	1,651	1,354	82%				
Prosecutor General	1,651	1,354	82%				
PDHJ	1,028	246	24%				
Public Broadcast	1,245	189	15%	55	134		
CNE	1,323	836	63%	39	8		
Banking Payment Authority	7,738	7,651	99%				
TOTAL	256,819	115,252	45%	14,239	28,096	2,821	7,233

ANNEX1: STATUS OF UPDATE

Name of DPs	Last Update	Remarks
Bilateral Donors		
Australia	27 Aug. 2010	Confirmed
Brazil	23 Aug. 2010	Confirmed
Canada	23 Aug. 2010	Confirmed
China	9 Jun.2010	No response to request for update in Jun 2010
Cuba	9 Jun.2010	No response to request for update in Jun 2010
European Community	24 Aug. 2010	Confirmed
Finland	25 Aug. 2010	Confirmed
France	17 Aug. 2010	Responded with no update
Germany	9 Jun.2010	No response to request for update in Jun 2010
Indonesia	9 Jun.2010	No response to request for update in Jun 2010
Ireland	23 Aug. 2010	Confirmed with some change
Italy	9 Jun.2010	No response to request for update in Jun 2010
Japan	23 Aug. 2010	Confirmed
Korea	9 Jun.2010	No response to request for update in Jun 2010
Malaysia	9 Jun.2010	No response to request for update in Jun 2010
New Zealand	24 Aug. 2010	Confirmed
Norway	23 Aug. 2010	Confirmed
Portugal	24 Aug. 2010	Confirmed
Spain	6 Aug. 2010	Responded with no update
Sweden	25 Aug. 2010	Confirmed
Switzerland	9 Jun.2010	No response to request for update in Jun 2010
Thailand	9 Jun.2010	No response to request for update in Jun 2010
United Kingdom	9 Jun.2010	No response to request for update in Jun 2010
U.S.A.	25 Aug. 2010	Confirmed
Multilateral Agencies		
ADB	24 Aug. 2010	Confirmed
IFC	9 Jun.2010	No response to request for update in Jun 2010
WB	23 Aug. 2010	Confirmed
Global Fund	27 Aug. 2010	Confirmed

UN Agencies		
FAO	28 Sep. 2010	Confirmed
ILO	24 Aug. 2010	Confirmed
IOM	23 Aug. 2010	Not confirmed
UNCDF	23 Aug. 2010	Not confirmed
UNDP	23 Aug. 2010	Not confirmed
UNESCO	24 Aug. 2010	Confirmed
UNFPA	1 Sep. 2010	Confirmed
UNHCR	9 Jun.2010	No response to request for update in Jun 2010
UNICEF	23 Aug. 2010	Confirmed
UNIDO	9 Jun.2010	No response to request for update in Jun 2010
UNIFEM	23 Aug. 2010	Confirmed
WFP	24 Aug. 2010	Confirmed
WHO	9 Jun.2010	No response to request for update in Jun 2010

ANNEX 2: Information Required

In order to ensure accurate and timely reporting, the minimum data requirements for each project are listed here. All the items below are included in template Ministry of Finance provided.

- Donor:
The funding agency or country making a financial commitment to project from its core funding.
- Project Name:
Project may include *technical cooperation* (such as technical cooperation project, feasibility studies, supply of adviser, supply of teacher, provision of scholarship, training course, student, research and development-oriented social and cultural program), *investment project*, *Development food aid* and *humanitarian aid*.
- Government Office receiving the assistance:
Here it is expected that counterpart Ministry, Secretary of State or other government office (usually government signatory of MOU with donors)
- Implementing Agency:

The name of organization actually conducting the work on behalf of the donor. Implementing agency can be multilateral agency, bilateral agency, NGOs and other organization.

- Expected Outcomes:

Expected outcomes may be described in project document agreed by the government. In case project outcomes are not available, project objectives are sufficient.

- Areas benefited

Areas benefited from project are selected from below.

- 1) Aileu
- 2) Ainaro
- 3) Baucau
- 4) Bobonaro
- 5) Covalima
- 6) Dili
- 7) Ermera
- 8) Lautem
- 9) Liquica
- 10) Manatuto
- 11) Manufahi
- 12) Oecussi
- 13) Viqueque
- 14) All Districts
- 15) National

There are project which does not have particular geographic areas such as supply of policy adviser and a project which supports to Ministry's management capacity. Those projects don't benefit particular areas but it is expected to have national impact. In such case, 'National' is selected.

- Project Status

Project status can be divided into 3 categories; Ongoing, Under preparation and Completed. Under preparation means that an indicative budget and purpose of the project has been agreed and approved by the donor and Government (e.g., MoU is signed), but has yet to be mobilized.

- Project Start/ Project Complete

The definition of 'project start' may vary across donors. The Ministry of Finance is

interested in the date the project was signed by the Timor-Leste Government.

- **Currency**

Ideally currency is in the currency of the country making the donation. These values will be converted by the Ministry of Finance to US\$ based on the standard exchange rates.

- **Exchange Rates Applied**

Exchange rates applied for the first semester disbursement for 2010 (January – June) are described below. (Average exchange rates during the period)

Currency	Average Exchange Rate (Jan – Jun. 2010)
Australian dollar	0.893891
Canadian dollar	0.967128
Euro	1.327598
Japanese yen	0.010949
NZ dollar	0.705227
Norwegian krone	0.165563
Swedish krona	0.135445

Source: IMF's website, http://www.imf.org/external/np/fin/data/param_rms_mth.aspx

- **Capital Development (%)**

This is the percentage of the total amount that will be used for physical works.

- **Total Funding**

Total funding is the total amount of fund which may be an agreed figure appearing in an agreement or MOU. The amount may be changed after additional funding is committed.

- **Core Funding:**

Core funding is the amount of funds being provided from reporting donor, excluding from any amounts that are coming other donors and channelled through your organization.

- **Non-Core Funding:**

Non-core funding is the amount of funds that your organization is managing on behalf of another donor.

- **Source of Non –core Funding**

In addition to the name of organization, it is expected that the amount of funds

provided by the organization.

- Actual Disbursement

In the Paris Declaration, Development Partners undertook to provide reliable indicative pledge of aid over a multi-year span, and disburse aid in a timely and predictable fashion. Actual disbursement here is the amount actually disbursed from January to December 2008.

- Breakdown of actual disbursement

Development Partners are requested to provide the breakdown of disbursement. For your reference, the following is the government's classification of expenditure.

1) Salaries/Wages

- ✓ Salary
- ✓ Overtime/Allowance

2) Goods & Services

- ✓ Local Travel
- ✓ Overseas Travel
- ✓ Training and Workshop
- ✓ Utilities
- ✓ Rental of Property
- ✓ Vehicle Operation Fuel
- ✓ Vehicle Maintenance
- ✓ Vehicle Rental, Insurance and Services
- ✓ Office Stationery and Supplies
- ✓ Operational Material and Supplies
- ✓ Fuel for Generators
- ✓ Maintenance of Equipment and Buildings
- ✓ Operational Expenses
- ✓ Professional Services
- ✓ Translation Services
- ✓ Other Miscellaneous Services
- ✓ Payment of Membership
- ✓ Current Transfer

3) Minor Capital

- ✓ Security Equipment
- ✓ EDP Equipment
- ✓ Communication Equipment
- ✓ Generators

- ✓ Water Equipment
 - ✓ Office Equipment
 - ✓ Other Miscellaneous Equipment
 - ✓ Furniture and Fitting
- 4) Capital and Development
- ✓ Infrastructure Assets
 - ✓ Major Capital Equipment

All updates are preferably done electronically via email in a standard Excel spreadsheet provided by the NDAE, Ministry of Finance.

NDAE Team