

Expenditure and Revenue

Quarterly Bulletin – Q3, 2019



Democratic Republic of Timor-Leste
Ministry of Finance



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Abbreviations

Appropriation Category	AppCat
Anti-corruption Commission	CAC
Archive and Museum Resistência Timorese	AMRT
Asian Development Bank	ADB
Autonomous agencies	AA
Autonomous Service for Medicines and Medical Equipment	SAMES
Capital Development	CD
Commitment Purchase Voucher	CPV
Directorate General of State Finance	DGFE
Direct Budget Support	DGS
East Timor National Police	ETNP
European Union	EU
Falintil- Defense Force of East Timor	F-DFTL
Goods and Services	GS
Government Resource Planning	GRP
Human Capital Development Fund	FDCH
State Institutions (Instituto Estado)	IE
Infrastructure Fund	IF
Integrated Municipal Development Program	IMDP(PDIM)
International Development Agency	IDA
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 Interior	MI
Ministry of National Liberation Combatant Affairs	MACLAN
Ministry of Planning and Strategic Investment	MPIE
Ministry of Public Works	MoP
Ministry of Social Solidarity and Inclusion	MSSI
Ministry of Tourism, Commerce and Industry	MTCI
Ministry of Transport and Communications	MTC
Minor Capital	MC
National Communication Agency	ANC
National Development Agency	ADN
National Directorate of Budget	DNO
National Intelligence Agency	SNI
National Police of Timor-Leste	PNTL
Orgao Autonoma Sem Receitas Propria (Autónomos agency without own revenue)	OASRP
Permanent Quota for Commission Timor-Leste	PCQTL
Public Transfers	TP
Quarter 1	Q1
Quarter 2	Q2

Quarter 3	Q3
Quarter 4	Q4
Self-Funded Agency	SFA
Salaries and Wages	SW
Secretariat of Youth and Sport	SEJD
Special Administrative Region of Oé-Cusse Ambeno - Special Zones of Social Market Economy	RAEOA-ZEESM
Strategic Development Plan	SDP

1 Introduction

1.1 Purpose

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

1.2 Scope

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

Readers are cautioned that this report will not present a complete understanding of service delivery levels in each quarter which requires more detailed non-financial information. Additionally data insights presented in the report are based on reported data. Any delays in reporting can affect the data and the insights presented from it in the report. The data presented in the report has been generated by the Ministry of Finance. The source of all government accounts data is the Ministry of Finance as of September 30 2019. Data analysis should be viewed cautiously in-year as there are often delays in reporting, especially for revenue. For more detailed information on service delivery, readers are requested to contact the individual spending agencies.

2 Expenditure trends in Quarter 3

2.1 Aggregate expenditure vs budgeted expenditure

The State Budget for 2019 is \$1.482 billion including loans. The materiality directive¹ of Timor-Leste states that the government must spend 75% of the budget by the second quarter (Q3). The total government execution in Q3 (by current budget which includes transfers, virements and contingency transfer) is 49.8%. The Infrastructure Fund not including loans (IF) and Human Capital development Fund (HCDF) execution for Q3 stands at 45.8% and 48.3% respectively.

The following sections report on the basis of current budget (includes virements and transfers).² Budget execution is calculated as ratio of cash expenditure over current budget. Cash expenditure does not include commitments and expenditure, i.e. it is expenditure that has been processed by the Directorate General of Treasury.

Box 1: The role of obligations and commitments in understanding budget execution

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

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

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

Obligation: A commitment may become obligation or required to pay if the goods/services has been delivered or contract has been signed - however the payment has not been realized/made as it is still subject to confirmation/verification and approval to ensure the goods/services have been delivered

¹ Ref no: 44/DGT/III/2016 Ministerial Directive on Materiality in Budget execution analysis and conduct of financial reviews

² In Q3 2019, the overall original appropriation for a ministry is the same as the final appropriation (current budget) as there have been no contingency transfers as yet.

in accordance with the contract. As the payment has not been made it has not affect actual cash expenditure of the Government.

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

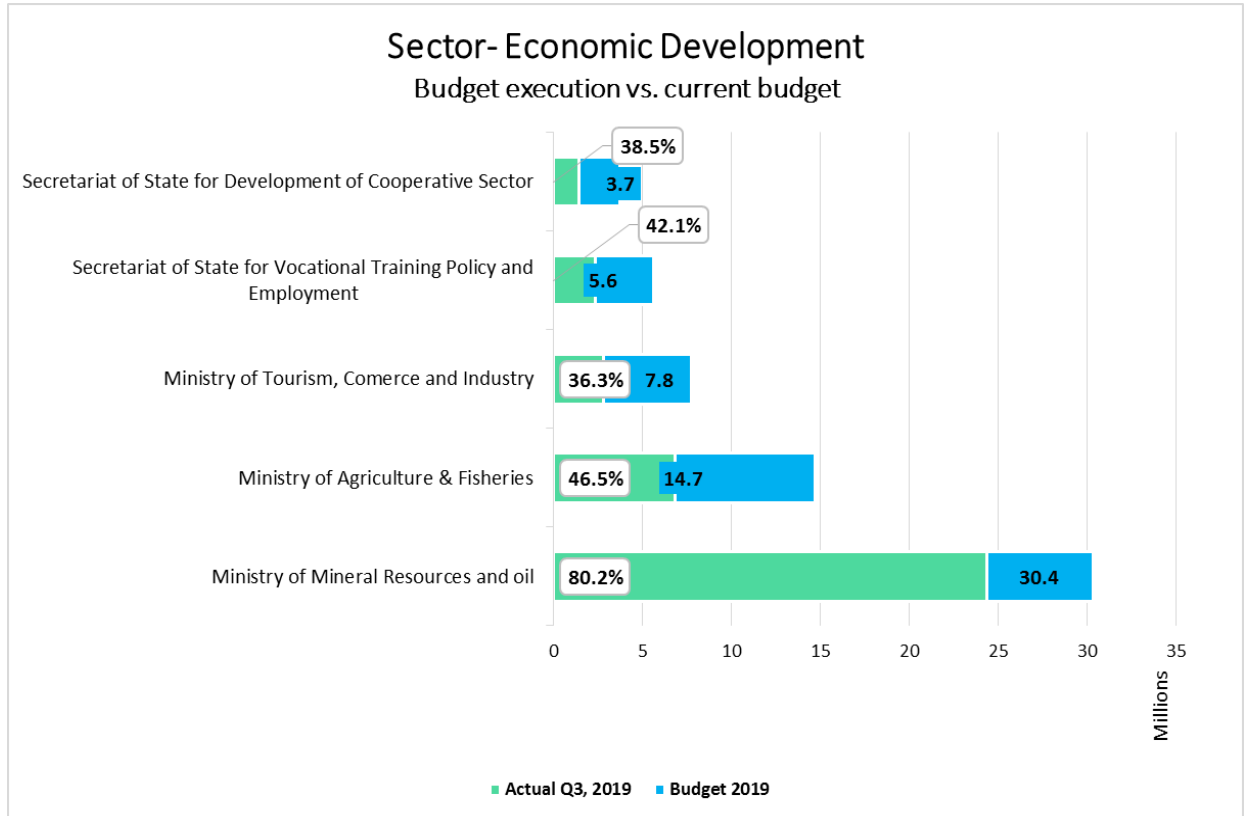
1. Monitoring of the implementation of the project activities
2. Evaluation and mapping progress
3. Submission of request for payment
4. Payment and conversion of obligation into cash expenditure

In Cash Basis Accounting and Reporting, both Commitment and Obligation are not considered as part of Actual Cash Expenditure as cash has not gone out of the Government Account. The reader must be aware that the cash expenditure reported in this report does not include obligations and commitments. This also means that many LM/SFA & OASRP (agency without own revenue)/IE/M may have some budget under commitment which will not be accounted for in its cash expenditure execution figures for Q3.

2.1.1 Sector (SDP sector)

This section describes budget execution using the Strategic Development Plan (SDP) classification of Timor-Leste. Five ministries in each sector, with the highest budget allocation in State Budget 2019, are displayed in the following graphs.

Figure 1: Q3, 2019 execution for SDP Sector-Economic Development



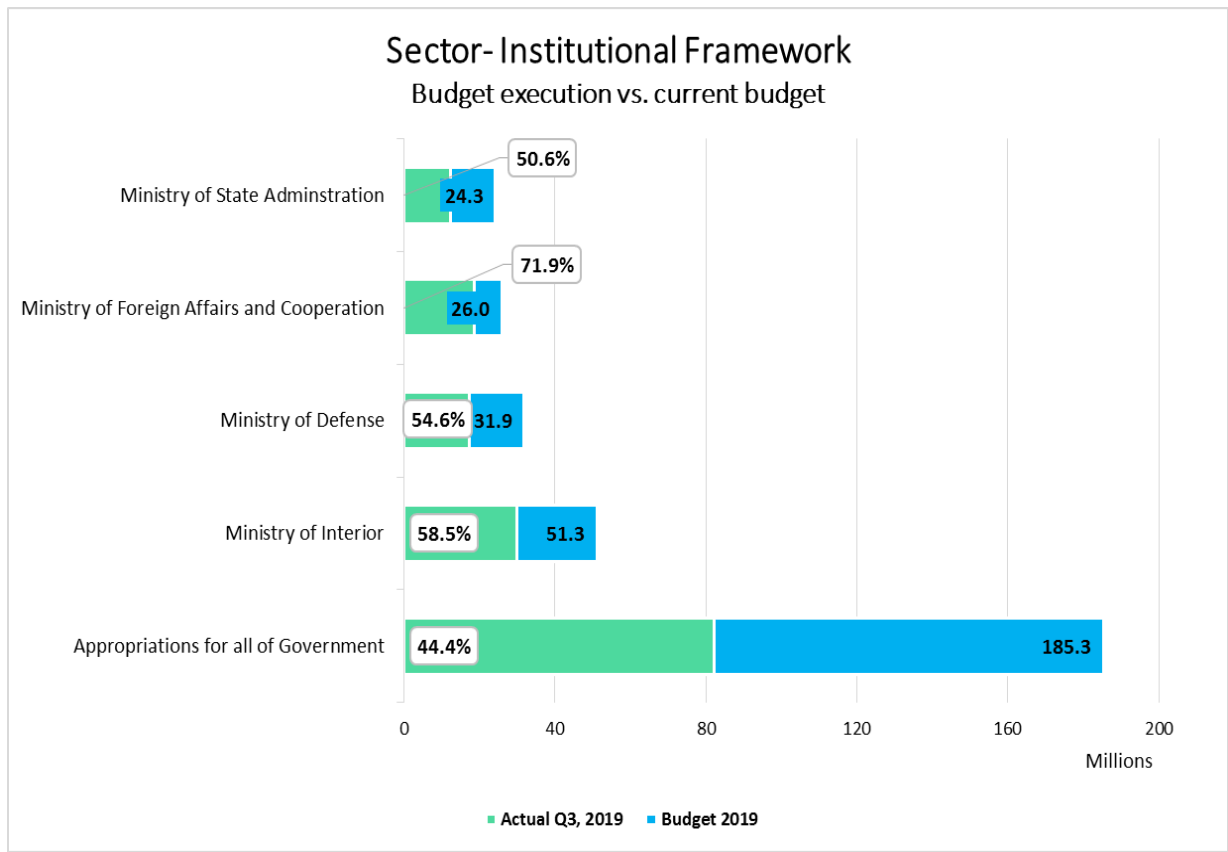
Sources: Ministry of Finance, IFMISU, September 2019

Ministry of Mineral Resources and Oil has the highest budget in the Economic Development SDP sector in General State Budget (GSB) 2019 and its execution was 80.2% in Q3. This was driven by an 82% execution of its Transfers budget (transferred to ANPM, Timor Gap, and IPG). The rest of its AppCat budget execution remained under 40%, with MC execution at 0%.

Secretary of State for Cooperative’s (SECOOP)’s execution remained low In Q3 as well. Other ministries in this sector managed to execute up to 70% of their SW budget. However, GS execution remained low. CD execution was even lower with MAP and SEFOPE failing to even execute 20% of their budget.

Note: SECOOP, SEFOPE, MAP and MTCI did not submit their execution reasons for Q3, 2019.

Figure 2: Q3, 2019 execution for SDP Sector-Institutional Framework



Sources: Ministry of Finance, IFMISU, September 2019

Appropriations for all of Government (DTG) had the highest Institutional Framework allocation in GSB 2019. Its execution is based on requests from other implementing agencies as most of its budget is Public Transfers (PT). Its GS execution remained low at 36.0% while its PT execution was also 49.0% only.

Ministry of Interior-including PNTL (MI), Ministry of Finance (MoF), Ministry of Defence - including F-FDTL executed under 22% of their MC budget in Q3.

Note: MNEC, MD and DTG did not submit their execution reasons for Q3, 2019.

Figure 3: Q3, 2019 execution for SDP Sector-Social Capital



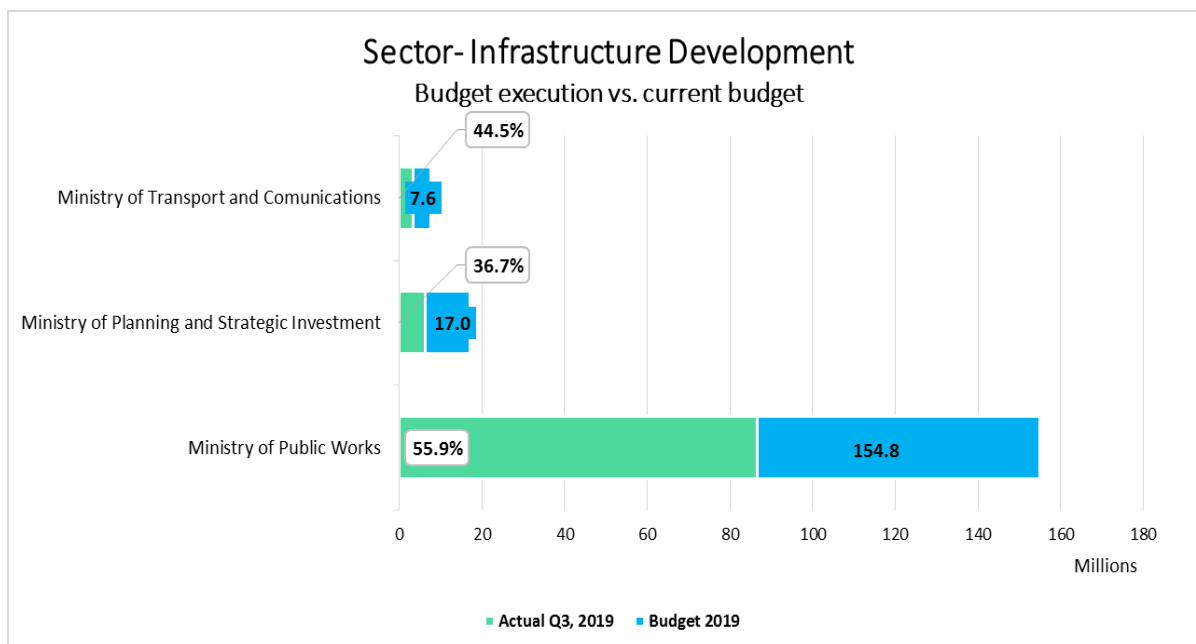
Sources: Ministry of Finance, IFMISU, September 2019

Overall, ministries with the highest allocation in the Social Capital sector performed above the average yet again in Q3. With the exception of Secretariat for Youth and Sport (SEJD), all of them failed to execute more than 40% of their GS budget in Q3. The Ministry of National Liberation Combatant Affairs (MACLAN) with the highest budget allocation in Social Capital, spent 68.2% of its budget. While its PT execution is high, all the other appropriation categories are low, especially CD and CM which are between 0-4%

Ministry of Education (MEJD) mentions that its GS execution is low because many projects are under obligations and hence not listed under cash expenditure execution.

Note: MACLAN, MS, SEJD and MSSJ did not submit their execution reasons for Q3, 2019.

Figure 4: Q3, 2019 execution for SDP Sector-Infrastructure Development



Sources: Ministry of Finance, IFMISU, September 2019

Ministry of Public Works has the highest budget allocated to it in the Infrastructure Development (excluding Infrastructure Fund) sector in State Budget 2019. It executed 55.9%, not a big improvement from its Q2 execution. It executed only 5.8% of its 16.8 million CD budget till Q3.

Ministry of Planning and Strategic Investment’s (MPIE) overall execution was 36.7%. MPIE reported that SW (28.5%) was low as the Cabinet of the Minister has not been able to recruit. Its CD execution (26.1%) still needs to be approved by the National Directorate of Administration and Finance and was only 11%.

Ministry of Transport and Communications’ (MTC) overall execution was just 44.5%. Its CD execution is again under 6%.

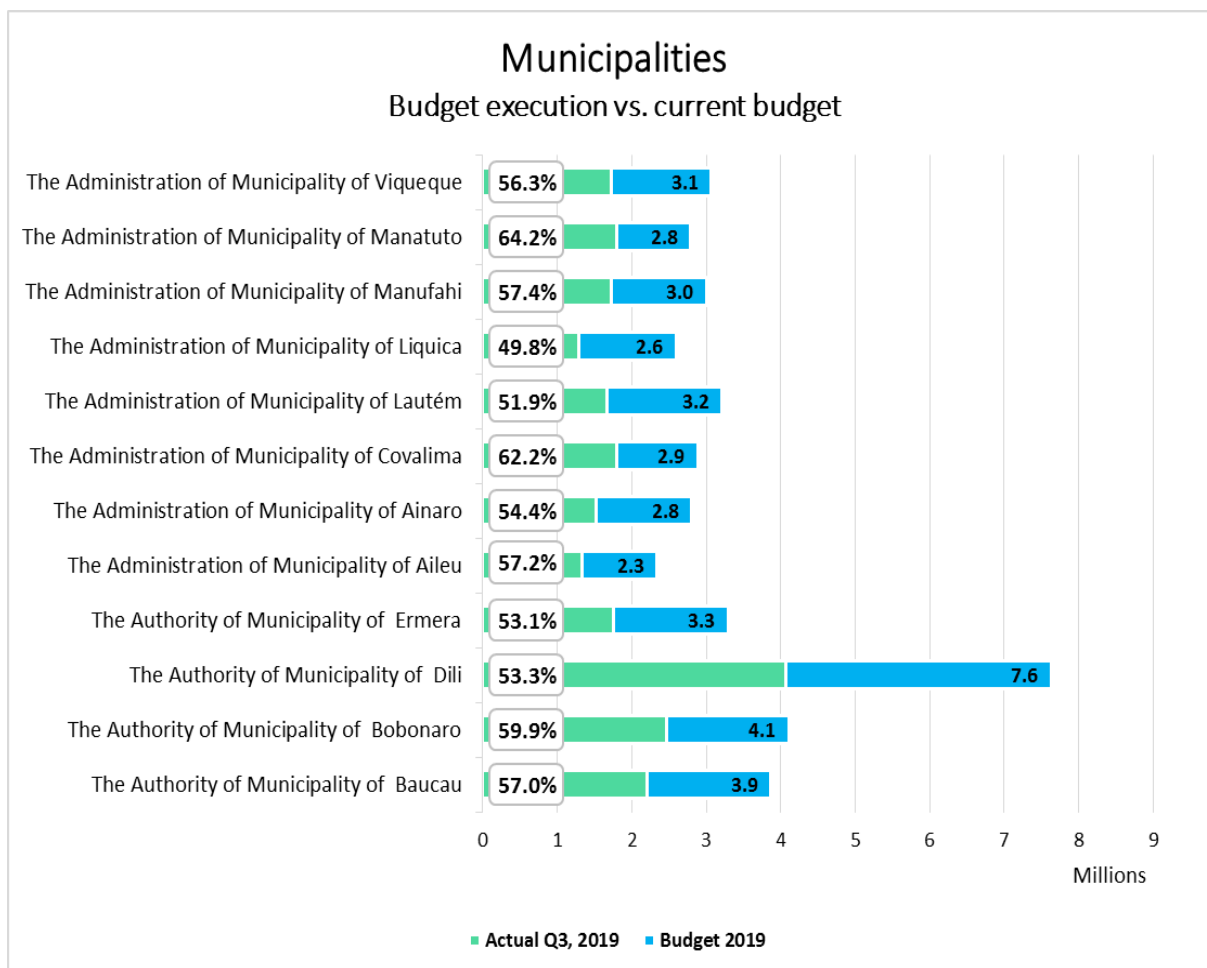
Note: MOP, MPIE and MTC did not submit their execution reasons for Q3, 2019.

2.1.2 Municipalities

Municipality budget execution stood in the 50-64% range, Manatuto having the highest execution at 64.2%. Dili got a contingency transfer of \$1.4 million and it executed 10.5% of it. Baucau, Ainaro, Lautem, Manufahi, Covalima, Liquica and Aileu executed 100% of their Minor Capital (MC) budget by Q3. Municipalities do not have a Capital & Development budget allocated to them.

Note: None of the municipalities submitted their execution reasons in Q3.

Figure 5: Q3, 2019 execution for municipalities



Sources: Ministry of Finance, IFMISU, September 2019

2.1.3 Autonomous agencies

Training Centre SENAI had the highest AA execution in Q3 at 78%, followed by National Defense Institute (77%), National Intelligence Service (72%), Bambu (66%) and Council for Maritime Boundaries at 65%. Autonomous agencies with the highest budget allocation did execute between 64-70% of their SW budget. Even MC execution was above 80% with the exception of Bambu which trailed at 6% because the procurement of a Mitsubishi truck was held up in the tender process.

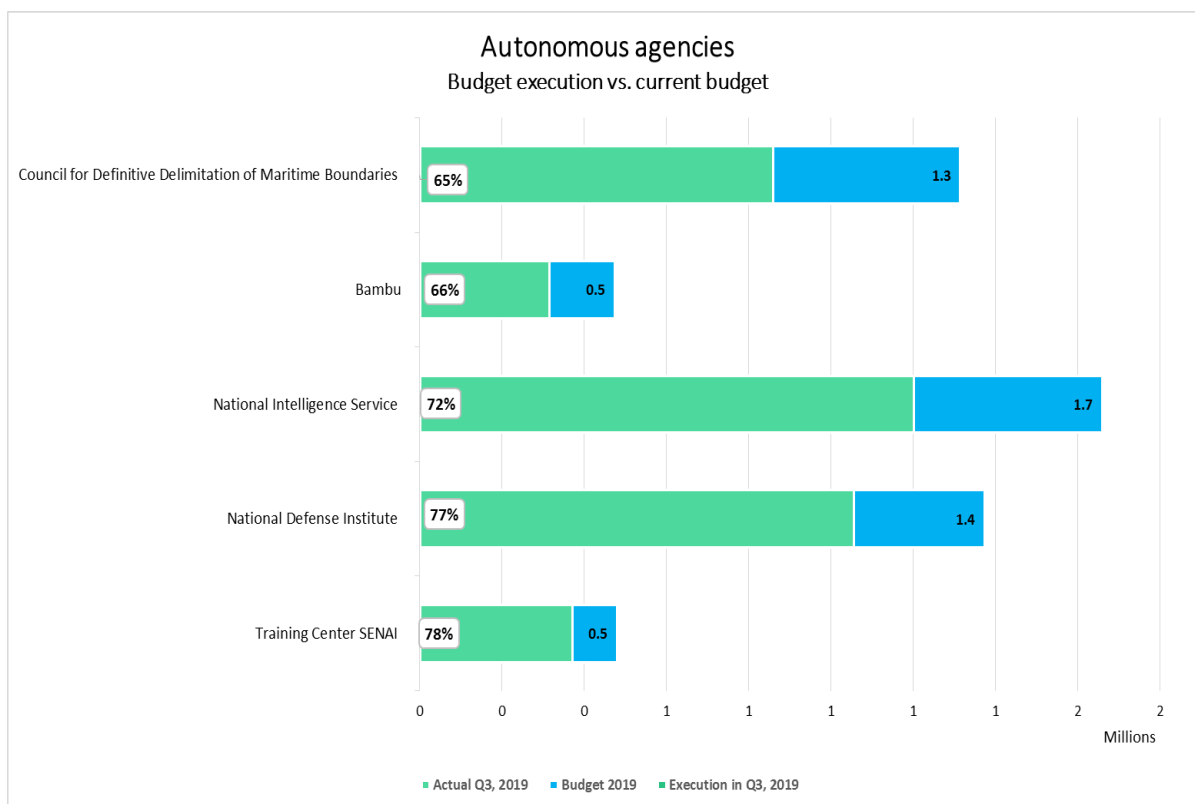
National Hospital Guido Valadares (HNGV), Archive and Museum Resistência Timorese (AMRT), National Institute of Public Administration and Tibar had the lowest execution in Q3, ranging between 26-43%. The same agencies also had difficulty spending their GS budget 32-40% and MC budget 0-1%.

None of these autonomous agencies spent their CD budget by Q3.

The graph below shows the overall execution rate in Q3, 2019 for the autonomous agencies with the highest budget allocation in State Budget 2019.

Note: CDDFM, SNI and IDN did not submit their execution reasons for Q3, 2019.

Figure 6: Q3, 2019 execution for autonomous agencies



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

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

The materiality directive of Timor-Leste mandates that all line ministries/agencies must execute 25% of their budget cumulatively in each quarter, reaching 100% in Q4. 50% execution is expected of all line ministries and agencies in Q3. This section outlines the trends and some reasons for low and high execution for the top 10 and bottom ten line ministries and agencies.

Box 2: Execution trend and reasons- selected LM/AAs

- MACLAN spent its PT in translating documents for AMRT and also used MC budget to buy filters under the Zero Plastic government initiative.
- MPIE noted that its recruitment was stalled because of the lack of a signatory authority in the cabinet and that its CD execution was affected because of ADN
- *Note: See Section 2.1 on LM/AA/M for reasons for execution that have not been detailed out in this box.*

Figure 7: Q3, 2019 execution for lowest execution across LM/AAs

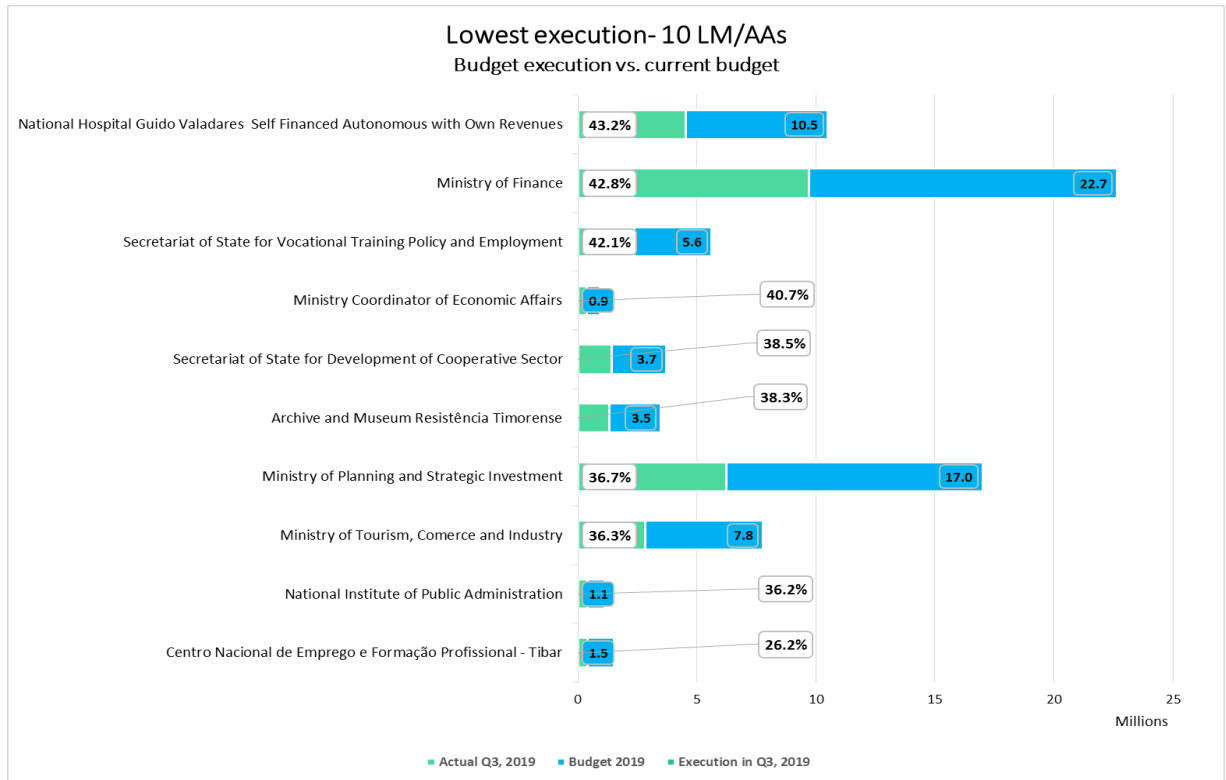
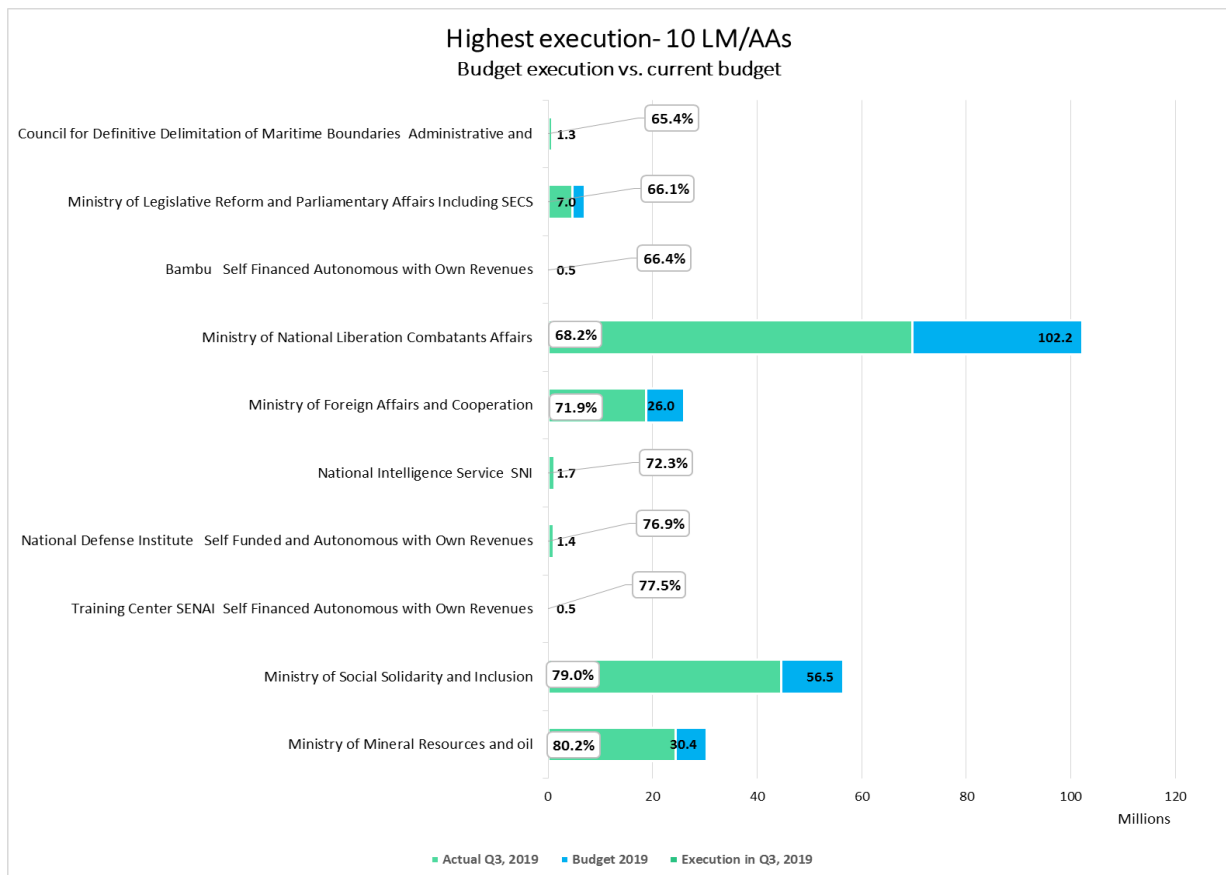


Figure 8: Q3, 2019 execution for highest execution across LM/AAs

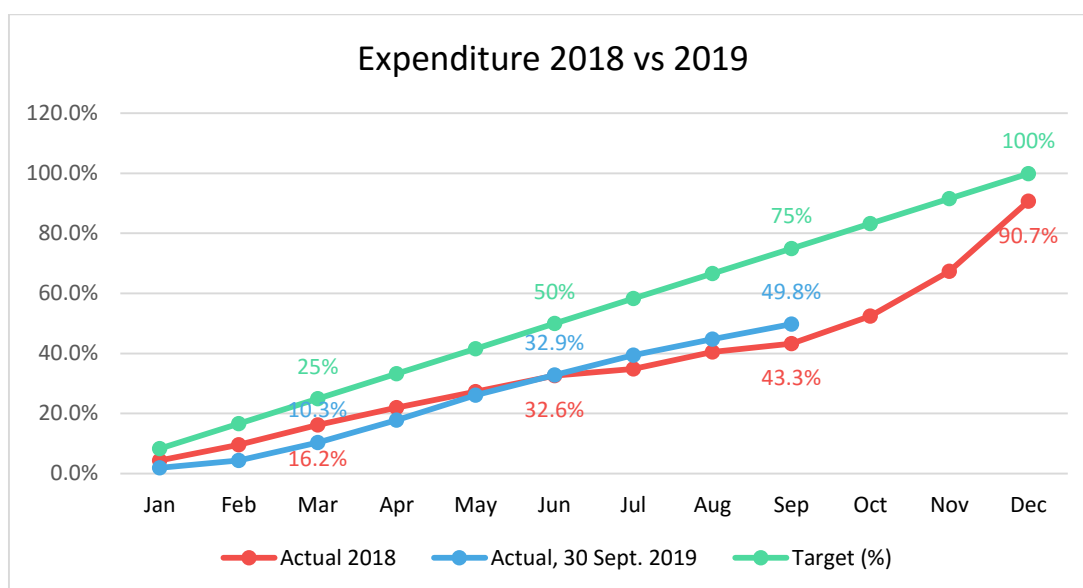


2.3 Comparison of budget execution with previous years

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 category level.

Expenditure remains in line with 2018 trends for Q3. Timor-Leste as a whole was nearly 25% below its Q3 target by Sep 30. See Section 2.1 and 2.2 for possible reasons for the same.

Figure 9: Budget execution 2018 vs 2019



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 category level.

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

The table below shows ministries that made the maximum quantum of virements between appropriation categories in Q3, 2019.

Table 1: Top 5 virements making LM/AAs in Q3, 2019

Name of Ministry	Appropriation Category	Virements amount (\$)
Ministry of State Administration	Despesas Contingencias	1,775,141.00
Ministry of Education, Youth and Sports Including SEJD	Salary & Wages	104,544.00
	Goods & Services	- 476,902.00
	Transfers	359,358.00
	Capital & Development	8,000.00
	Minor Capital	5,000.00
Ministry of National Liberation Combatants Affairs	Goods & Services	834,906.00
	Minor Capital	70,094.00
	Transfers	- 905,000.00
Ministry of Defense	Goods & Services	- 166,200.00
	Minor Capital	100,000.00
	Salary & Wages	66,200.00
Presidency of the Republic	Minor Capital	372,840.00
	Goods & Services	- 372,840.00

For the LM/AAs in the table above, the reasons for high virements is as follows:

- **Ministry of State Administration:** It received a contingency transfer to facilitate the celebration of the 20th anniversary of the International Force East Timor (INTERFET).
- **Ministry of Education including SEJD:** Virements were made to SW to facilitate the payment of CAFÉ teachers. It also retroactively paid teachers from RAOEA for 2011-2014 using its PT virements. Capital development received a virements for an edifice in district Ermera and MC for Instituto Nacional de Formação de Docentes e Profissionais da Educação (INFORDEPE) water equipment.
- **Ministry of National Liberation Combatants Affairs:** GS received a big transfer for the translation of documents for AMRT, contributions towards veterans that passed away, contributions to the study of veterans' children, council for veterans in the municipalities, chairs and voucher contributions for the functionaries of MACLAN. It used a CM transfer to buy laptops, impressors and ext. disks.
- **The Ministry of Defence:** MC received funds for FDTL and SW received funds for the payment to functionaries.
- **Presidency of the Republic:** SW received funds as the funds were not sufficient for payments of functionaries.

2.5 Ministry in spotlight: Ministry of Agriculture and Fisheries

Agriculture is the primary source of livelihood for approximately 80% of the population of Timor-Leste³. Skilled agricultural and fishery workers represent 60% of the employed population and the agriculture sector contributed to 16 percent of non-oil GDP in 2017. Consequently, the agriculture sector can play a key role in supporting Government in achieving its key objectives of Economic growth, poverty reduction and employment creation.

2.5.1 Mandate

The Ministry of Agriculture and Fisheries (MAP) is the sector regulator, mainly responsible for policy formulation and implementation in the areas of agriculture, forestry, fisheries and livestock. Coordinates public institutions private sector and civil society organizations; partly responsible for the protection and conservation of natural resources and biodiversity, and the promotion of agribusinesses in the areas of agriculture, fisheries and livestock.

Recent institutional changes:

The organic law of the Ministry, Government Decree Law 14/2015, has been updated in July 2019 through the Government Decree Law 19/2019. Some changes have been made to its organizational structure including the followings;

- The Secretariat General has been replaced by the General Directorate of Corporate Services;
- A new National Directorate of Extension services as well as National Directorate of Forest Conservation and Eco-Tourism Development have been established;
- A new Development Partner Coordination Unit;
- A new Consultative Council to support the formulation and monitoring of sectoral policies.

Other institutions related to the provision of public services in the agriculture sector are:

- **Office of the Minister of State, Coordinator for Economic Affairs (MCAE):** Supervise and coordinate the work of public institutions delivering services in the economic area; Design and coordinate the implementation of the Economic Reform. Propose and develop public policies pertaining to private sector development and private investments.
- **Ministry of Tourism, Commerce and Industry (MTCI):** Responsible for developing policies and programs to stimulate local private sector as well as to enhance private sector investment, industrial and economic growth. Responsible entity for the design, implementation, coordination and evaluation of commercial, industrial and tourism related economic activities. Promote the development of cooperatives in the agriculture sector;
- **Ministry of Planning and Strategic Investments (MPSI/MPIE):** Supervise and coordinate major infrastructure investments (include irrigation scheme and public buildings), including assessing the economic impact and viability of development projects and supervising physical project execution funded from the Infrastructure Fund (IF). Coordinate and Implement the PDIM and PNDS programs.

³ 2015 Timor-Leste population census

- **Municipal Authority/Administration:** Local administration in charge of the provision of public services, including in the areas of Agriculture, Food Security, Environment, Natural Disaster Management, Cadastral Services and Market.
- **SECOOP:** Promote the development of the cooperative sector, especially in rural areas and agriculture;
- **The National Logistic Centre (CLN):** Provide logistic services to Government, including supply of goods and services. Responsible for Government market intervention aiming at regulating prices of essential food and construction materials (Rice subsidies). Responsible for the acquisition and distribution of essential goods to the population, including the purchase of locally produced foodstuffs.

2.5.2 Strategic framework

Timor-Leste Strategic Development Plan 2011-2030 (SDP) sets out the Government's visions for 2030 and the nation's priorities for the coming decades. The strategy acknowledges the fundamental role of the agriculture sector in the economy and emphasize its potential for poverty alleviation as well as for economic diversification and economic development. The overall aim of the SDP for the agriculture sector is to make it a key driver of employment and economic growth.

In 2012, the Ministry of Agriculture presented its own road-map to deliver on the SDP commitments on a medium-term horizon: The Ministry of Agriculture and Fisheries Strategic Plan 2014-2020.

The strategic plan is ambitious and covers a very large spectrum of agriculture sub-sectors. Prioritization and subsequent allocation of resources is provided through the Medium-Term Operational Plan (MTOPlan 2014-2018) and its associated Five-Year Investment Plan (MTIP). The agriculture sector MTOPlan provides a detailed description of specific actions, projects and activities that are envisaged under each strategic sub-objective. The MTIP propose a cost estimation of the planned activities, to ensure that adequate funding is provided. The MTOPlan and MTIP were intended to guide the development of MAF's Annual Work Plans and Budget.

The strategy is ambitious and while it is intended for the sector as a whole and not specifically for MAF, its costing exceed the sector resources. The MTOPlan is a relatively comprehensive document that doesn't yet play its intended role as planning and budgeting tool. The ministry continues to endorse a large mandate with sometimes conflicting objectives, e.g. fight poverty in a rural Timor depending largely on subsistence agriculture and develop an export oriented private sector. None of these documents offers guidance on how to prioritize between strategic objectives when facing constrained resources.

2.5.3 Objectives

In Government Program and SDP;

The Ministry of Agriculture and Fisheries Strategic Plan 2014-2020, focuses on four mutually-reinforcing strategic objectives:

- improve rural income and livelihoods, and reduce poverty;
- improve household food and nutrition security;

- support the transition from subsistence farming to commercial farming; and
- promote environmental sustainability and conservation of natural resources.

The strategic objectives are articulated around 5 mega-programs representing the main areas of opportunity: (i) enhancing production and productivity; (ii) improving market access and value addition; (iii) creating an enabling environment; (iv) organizational strengthening; and (v) sustainable resource management.

The VIII Constitutional Government’s Program consider Agriculture has a foundational element of economic and social development in the country. The Government's objectives are to improve national food security, reduce rural poverty, support the transition from subsistence to commercial agriculture, promote environmental sustainability and the conservation of the natural resources of Timor-Leste.

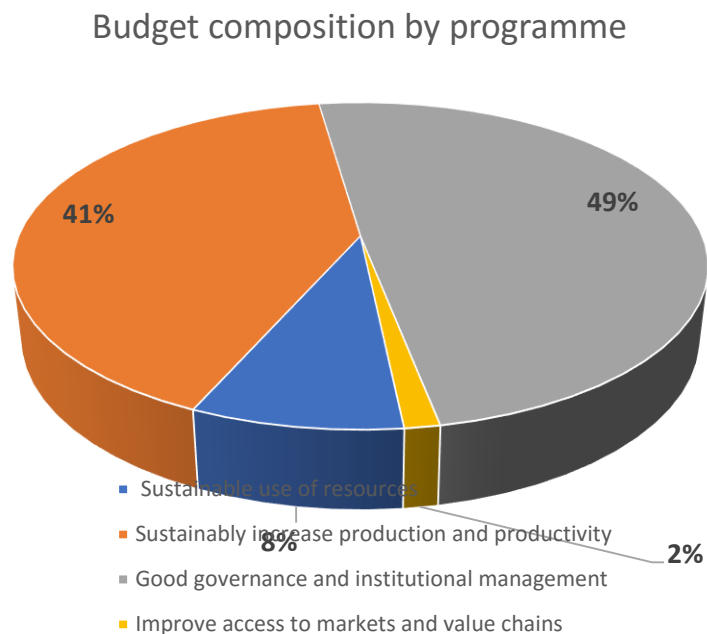
The main objectives for 2019 are the following:

- Sustainable increase of agriculture production and productivity
- Improve access to markets and value chains
- Sustainable use of resources

2.5.4 Budget execution by programme

2.5.4.1 Budget composition by programme level

Figure 10: Budget composition of the Ministry of Agriculture and Fisheries, by program - 2019 (Excluding Salary & Wages)



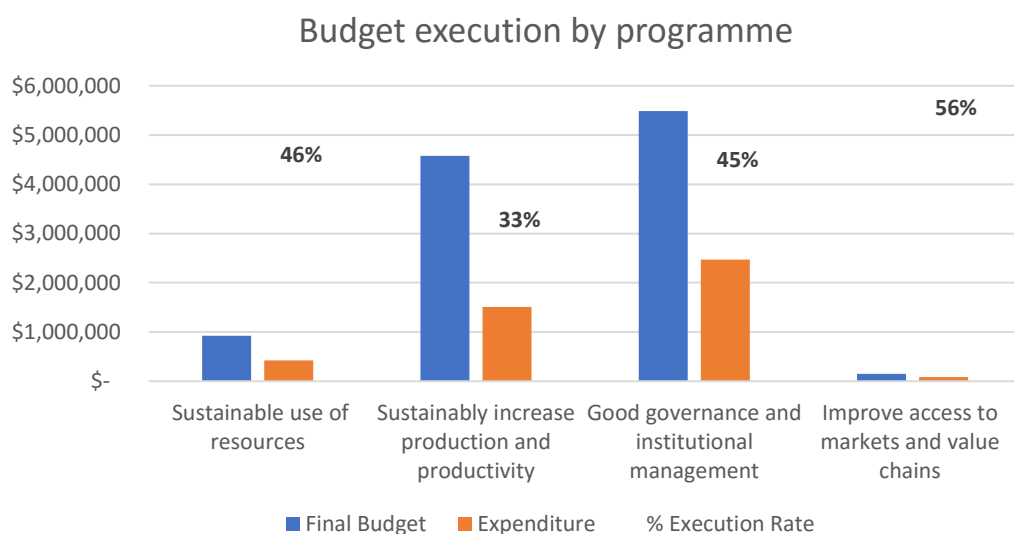
As shown in the chart above, almost half of the budget is allocated to “Good Governance and Institutional Management”. However, part of this allocation is used for core programs. As the Program budgeting reform progresses more budget should be accurately mapped to core programs. Out of the three core programs, “Sustainably increase production and productivity”

is the largest with 41% of the budget. Within this program, “Sustainable increase in the production of industrial plants” is the largest sub-program with 49% of the program allocation.

The two main activities under this sub-program are input distribution to farmers and support to the coffee sector.

2.5.4.2 Budget execution by programme level

Figure 11: Budget execution of the Ministry of Agriculture and Fisheries, by program, Q1-Q3, 2019



This bar chart describes how budget execution was made within programs. The two programs with the highest budget allocation have the lowest budget execution. Budget execution was low across all sub-programs under these two programs. In contrast, the program with the lowest budget allocation, improve access to market and value chain has the best performance among these three programs.

Table 2: 2019 Budget of the Ministry of Agriculture and expenditure by programs, as of September 30th, 2019 (excl. Salary and Wages)

Program	Final Budget	Expenditure	% Execution Rate
Sustainable use of resources	US\$ 928,210	US\$ 427,850	46%
Sustainably increase production and productivity	US\$ 4,573,246	US\$ 1,511,077	33%
Good governance and institutional management	US\$ 5,486,327	US\$ 2,472,639	45%
Improve access to markets and value chains	US\$ 155,540	US\$ 86,523	56%
Grand Total	US\$ 11,143,323	US\$ 4,498,089	40%

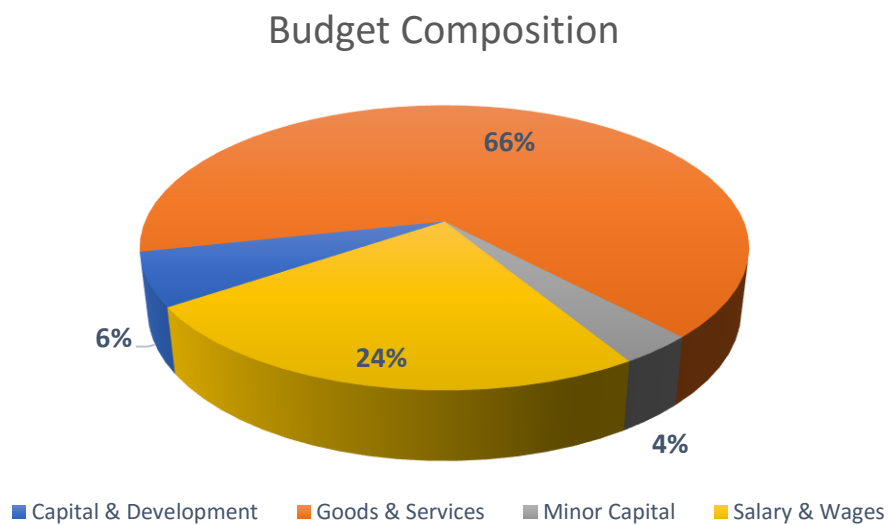
2.5.4.3 Virements by programme level

During the first three quarters, virements were made from all three core programs to “Good Governance and Institutional Management” for a total of US\$ 84,732. In addition, substantial transfers were made between sub-programs within each program.

2.5.5 Expenditure Outturn by AppCat

2.5.5.1 Budget composition by AppCat

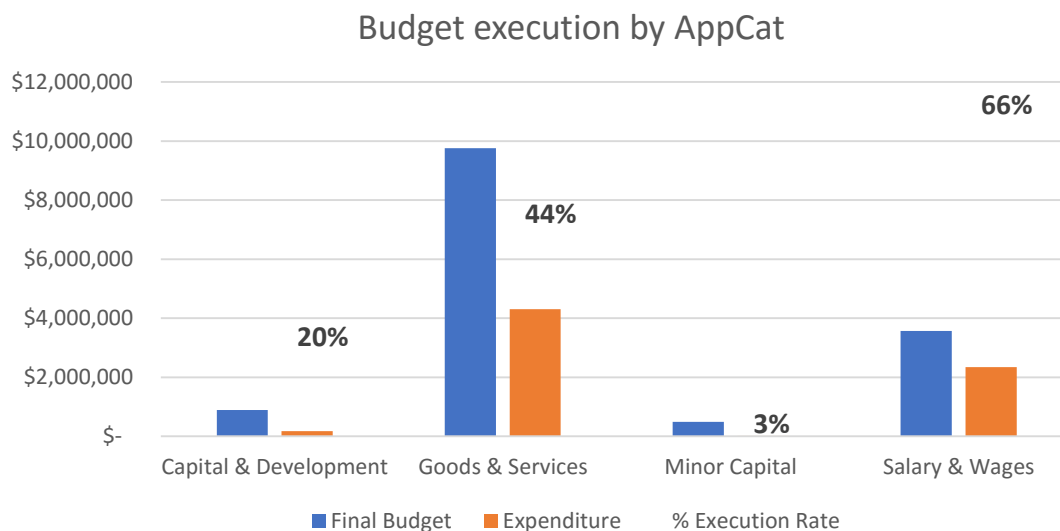
Figure 12: Budget Composition of the Ministry of Agriculture and Fisheries, by AppCat - 2019



MAP responsibility for the sector goes beyond its role of regulator and coordinator for the sector, and a substantial part of its activity is to deliver goods and services to farmers. As a result, most of the budget is allocated to Goods & services. The main items are operational related expenses and professional services. On the other hand, only a quarter of the budget is allocated to salary and wages. Capital development investment in agriculture can also be found under infrastructure fund, the PDIM and the PNDS. In addition, municipalities are also allocating resources to agriculture services.

2.5.5.2 Budget execution by AppCat

Figure 13: Budget execution of the Ministry of Agriculture and Fisheries, by AppCat, Q1-Q3, 2019



At the end of September 2019, the overall budget execution is 47%. As shown in the chart above, spending is low in capital expenditure (minor capital and capital development). In addition, execution is also relatively low for goods and services as compare to salary and wages, mainly driven by low spending in operational expenses.

Table 3: 2019 Budget of the Ministry of Agriculture and expenditure by Appropriation Category, as of September 30th, 2019.

AppCat	Final Budget	Expenditure	% Execution Rate
Capital & Development	US\$ 891,229	US\$ 176,694	20%
Goods & Services	US\$ 9,756,736	US\$ 4,312,505	44%
Minor Capital	US\$ 495,358	US\$ 13,250	3%
Salary & Wages	US\$ 3,565,927	US\$ 2,343,500	66%
Grand Total	US\$ 14,709,250	US\$ 6,845,949	47%

2.5.5.3 Virements by AppCat

Virements were made from Goods and Services to Minor Capital for the total of US\$ 16,783 which represents 0.1% of the total budget. However, internal virements are important between item within Goods and Services. The volume of virements between items within “Goods and Services” reached almost US\$ 1 million during the first three quarters. Transfers made from operational expenses to travels, account for 65% of all virements within the appropriation category “Goods and Services”.

2.5.6 Contingency Fund

During the first quarter, the Ministry of Agriculture and Fisheries did not access the Contingency Fund.

2.5.7 Progresses and results

During the 3rd quarter, the Ministry of Agriculture and fisheries has achieved the following results:

- 150 extension workers were trained in 6 municipalities, in the area of good agricultural practice (PAD) – 3 days training;
- 300 extension workers in the 12 municipalities, including RAEOA, trained in the area of agricultural extension methodology for 3 days.
- 120 'etawa' goats were distributed to 50 beneficiaries in 2 municipalities.
- Horticulture training and support, including tunnel technologies, extended to a total area of 54 ha in 4 municipalities; Support planting of fruit species including 2 ha dragon fruit, 6 ha rambutan, 12 ha tangerine, 6 ha rambutan and tangerine, 3 ha mango and tangerine.
- prepares and distribute seedlings to extend cultivated area of cash-crop: 100 ha of coffee, in Ermera; 8 ha of pepper in Maumeta, Liquica; 8 ha of betel nut in Letefoho, Manufahi; 10 ha of cashew in Lalawa, Covalima; 10 ha of Cacao in Viqueque; 10 ha of coco in Tutuala, Lautem; 8 ha of vanilla in Acu, Aileu; 10 ha of Candlenut in Leolima, Ainaro;
- Maintain existing coffee plantations: 116 ha in Haufu, Ermera; 25 ha in Watobou, Ermera; 500 ha in Aileu, Liquica, Ainaro no Manufahi; Preparation of 416 ha in Ermera; 200 in Hoholau, Aileu
- Agroforestry practices extended to an additional 25 ha in 6 municipalities;
- Preparation of 250,000 seedlings at Maubara Nursery Center;
- Expansion of industrial forests in Zumalai, Covalima: 50 ha of sandalwood, ai Saria 25 ha, and ai Ná 25 ha;
- Retention in the construction of warehouses in the rice processing center in Maliana has been finalized (100%).

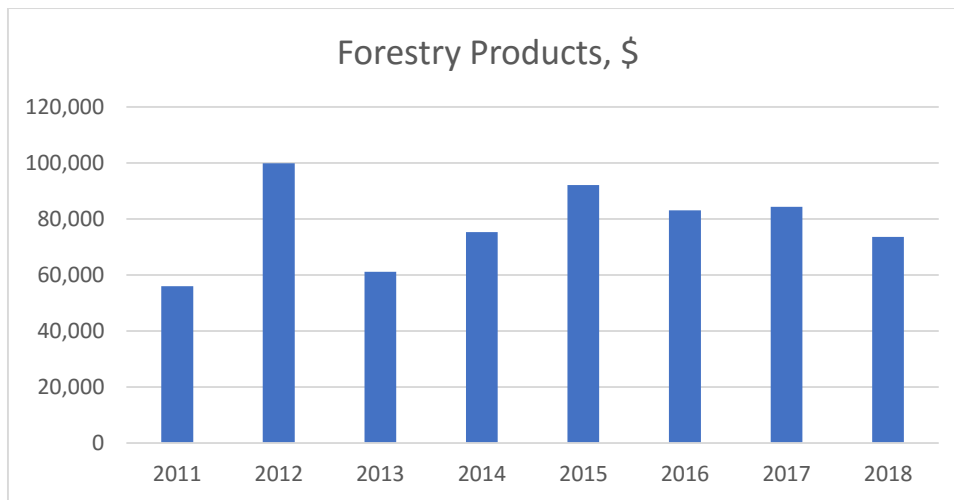
2.5.8 Revenue Outturn by AppCat

As of now, the Ministry of Agriculture and Fisheries is responsible for the collection of one revenue item: forestry products, which falls under the category of fees and charges. Receipts are collected on the licenses that are granted to individuals for the cutting, transportation and export of wood products. Officials from the Ministry notify that the sector is nevertheless affected by large illegal logging activities through the country. Limitation in human resources (e.g. rangers) complicate effective patrolling and compliance, reducing revenue collection as a consequence.

The graph below shows historical collection of the Forestry Product item. Over the past five years, revenue has been stagnant, around 70-80 thousand US dollars per year. As of November 2019, collection has reached 2019 \$85,856, representing a recovery from the 2018 slowdown

and exceeding expectations. For 2020, the Ministry of Finance predicts that these receipts will reach \$90,000.

Figure 14: Q3, Forestry Product receipts, 2011-2018



2.5.9 Evaluation

In 2019, the Ministry is conducting the first Agriculture Census in Timor-Leste. The results are expected to be published in early 2020.

The Voluntary National Review of Timor-Leste published in 2019 presents the following findings:

- Economic Growth and livelihood:
 - Agricultural sector contributes to 17% of non-oil GDP;
 - 70 percent of the population engage in agriculture activities (Census, 2015) and dependent on it for their livelihood (high potential for job creation and economic growth);
 - Agriculture productivity remains substantially lower in TL compared to neighboring countries with similar agro-economies. There are substantial opportunities to increase agriculture outputs at low investment cost.
- Employment:
 - Agriculture provides direct employment to 64.2% of the workforce, followed by Government that provides employment for 13.5 percent of workers (Census 2015).
 - Growth in the agricultural sector could absorb significant amount of jobs every year;
 - Women work predominantly in the agricultural sector (56 percent of employed women), women only make up 26 percent of wage employment (employees) in agriculture. The employment rate in Timor-Leste is highly gender-unequal across areas.
- Food import:
 - TL imports approximately 40 percent of its annual staple food needs
- Coffee:
 - The coffee sector provides income for 20 percent of all households.

- o An average yield of coffee in Timor-Leste is around 10% of that of many other coffee producing countries
- o Almost 50 percent of coffee-producing households had incomes below the national poverty line.
- Public investments:
 - o The Ministry of Agriculture and Fisheries ratio of the state budget has reduced over time, from 3.9 percent in 2008 to 1.1 percent in 2016. Recommendation for Timor-Leste to increase national investments toward nutrition and agriculture programming to a minimum of 5 percent of GDP.
- Data availability:
 - o Limited available data for SDG 2 indicators.

2.5.10 Key reforms

- The Ministry is reviewing and upgrading its M&E system to improve the relevance, quality and timeliness of the information available on the progress of its activities;
- Front-line agriculture services (e.g. extension services) are progressively transferred to municipalities.

2.5.11 Development partner disbursements to MAP

Programmes in the agriculture sector received \$3.7 million by Q3, 2019. These include Ai ba Futuru funded by the EU, two climate and shoreline resilience programmes funded by the Global Environment Facility Trust Fund, Farming for Prosperity-TOMAK funded by the Govt. of Australia, two programmes on increasing farmer income and increasing community based natural resources management funded by Japan International Cooperation Agency (JICA), Women Economic Empowerment programme funded by UN Women, Avansa funded by USAID, two projects on sustainable agriculture funded by the World Bank. Avansa made the highest disbursement out of all programmes, standing at \$1.0 million by end of Q3, 2019.

2.6 Development Partner Disbursements

Donors made a cumulative disbursement of \$101.5 million in Timor-Leste by end of Q3, 2019. The following graphs present the projects with the highest cumulative disbursement in Q3, 2019. All data is provided by DPs and is extracted from the Aid Transparency Portal.

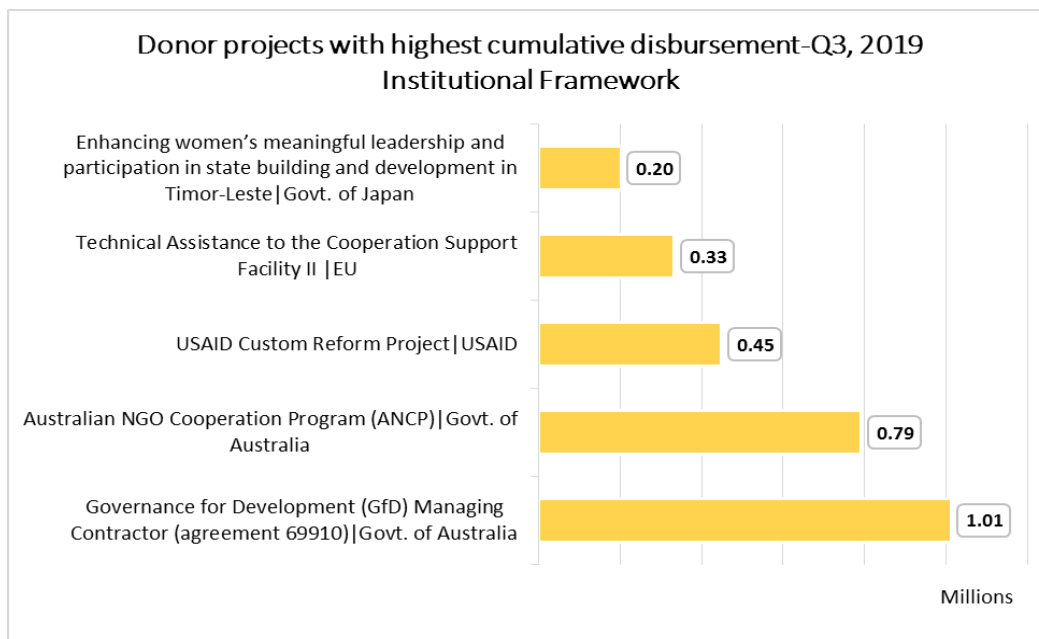
Often times, actual disbursement is higher than planned disbursement in Timor-Leste as DP plans change over the course of the year. Hence, only actual disbursement has been shown in the graphs.⁴

⁴ The graphs map project and DP disbursements to a SDP sector. We cannot draw conclusions on the nature of the receiving agency. It may be the government or a non-governmental implementing agency. In addition, it is important to note that the figures below do not distinguish between financing and in-kind support.

Since the same project may contribute to multiple SDP sectors, it may repeat across the graphs if it has made high disbursements across them. The data only includes grant and technical assistance projects. No loans or government co-financed projects are included.

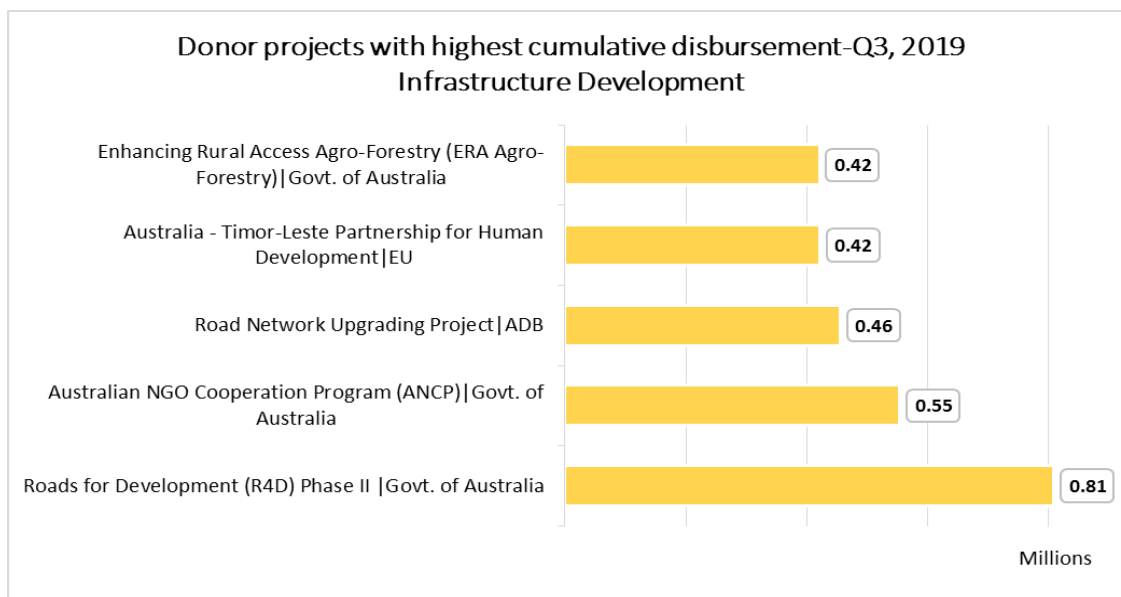
Note: Donors have the right to make changes in previous data entries in the Aid Transparency Portal. Any in year discrepancies in data can be attributed to the same.

Figure 15: Q3, 2019 disbursement for donor projects, SDP Sector- Institutional Framework



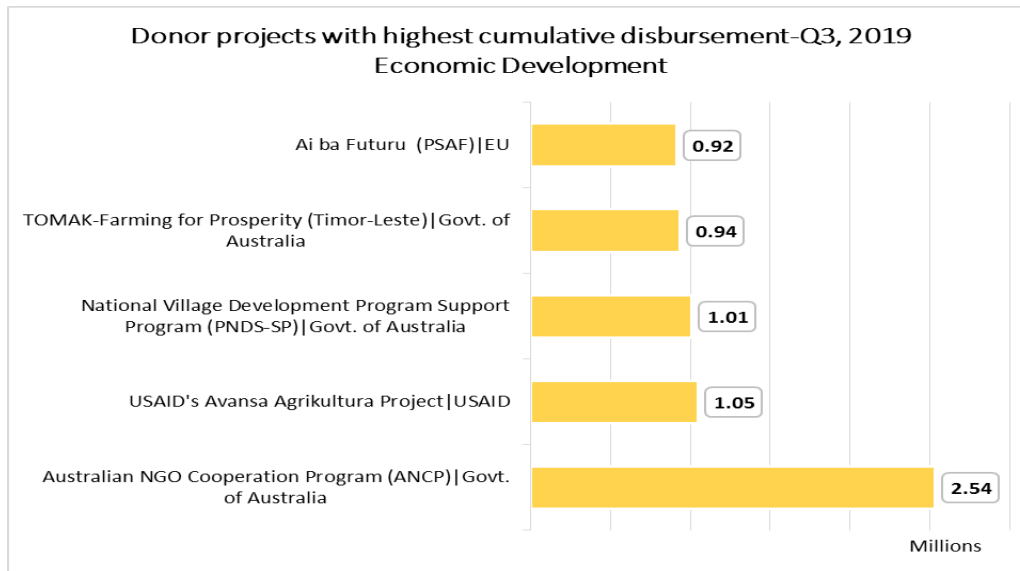
Government of Australia is the largest donor in this sector. G4D programme disbursed \$4.3 million by end of Q3. The European Union made its first disbursement in its Cooperation Facility II project in Q3.

Figure 16: Q3, 2019 disbursement for donor projects, SDP Sector- Infrastructure Development



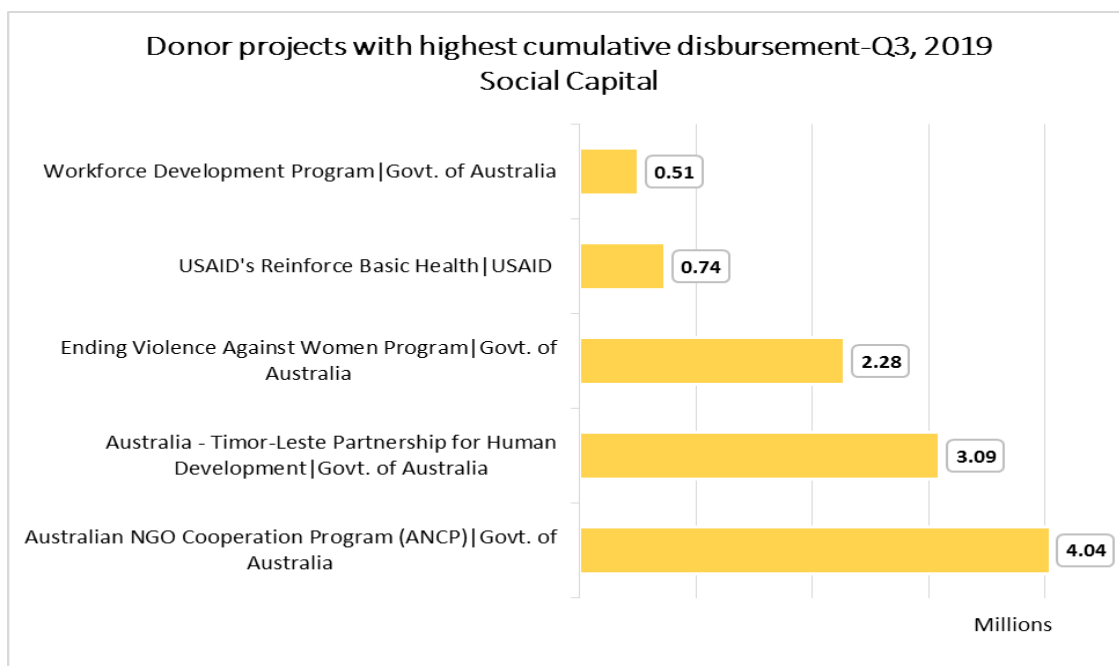
Infrastructure Development donor disbursements focus on land and water transport, climate resilience, water and sanitation on average. Australia made the biggest disbursements in this sector in Q3. Roads for development project received \$2.8 million by the end of Q3.

Figure 17: Q3, 2019 disbursement for donor projects, SDP Sector- Economic Development



Economic Development donor projects focus on food security, income generation, natural resource management and agriculture. The largest disbursement in Q3 was by the Australian NGO Cooperation programme at \$2.5 million. Government of Australia's village development support and agriculture programmes disbursed \$3.2 million each by the end of Q3. USAID's Avansa programme disbursed nearly \$3.2 million by the end of Q3.

Figure 18: Q3, 2019 disbursement for donor projects, SDP Sector- Social Capital



Social capital projects focus on women's empowerment, child protection, social protection, health and education. Basic health received \$0.74 million in funding from USAID in Q3, \$1.6 million this year. Three Government of Australia programmes disbursed nearly \$17.7 million by the end of Q3, \$9.9 million of it disbursed in Q3.

2.7 Direct Budget Support

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

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

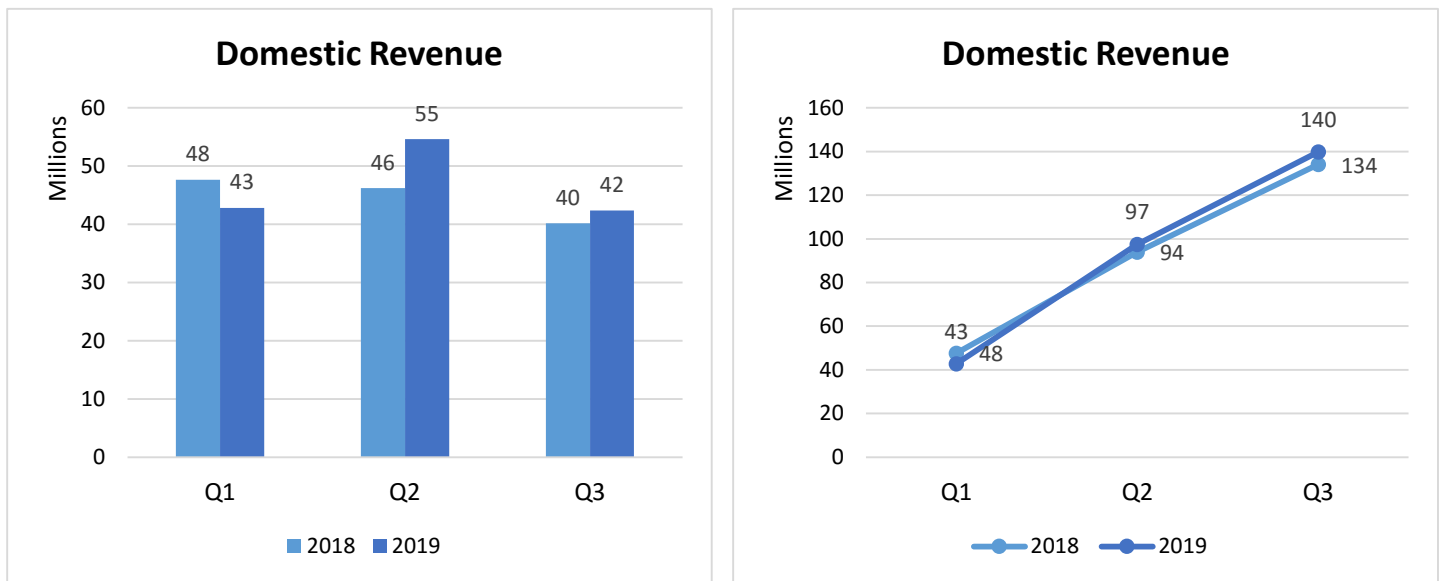
In 2019, it received a first tranche of \$3.1 million. The second tranche of \$6.7 million was received on 19 September 2019. Out of this, \$3.8 million was distributed to the Ministry of Finance, \$2.2 million to the Ministry of Health and \$559,951 to the Ministry of State Administration. Ministry of Finance has executed \$4.0 million (national technical assistance, international technical assistance, overseas travel, incidental costs, social security, transfer to Ministry of Health and Ministry of State Administration) over the first three quarters of 2019.

3 Revenue Trends in Quarter 3

3.1.1 Revenue Trends

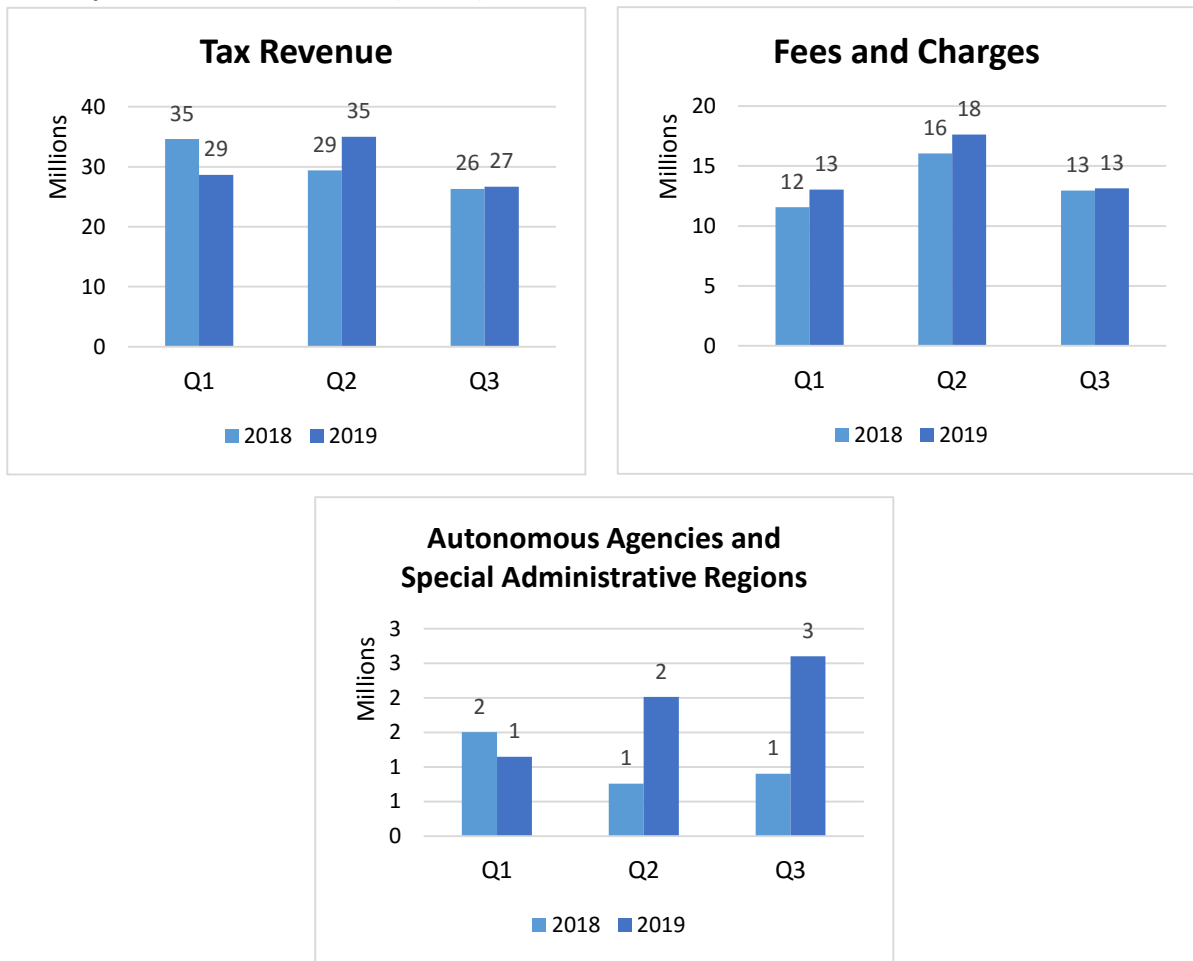
Revenue performance slows down in 2019 Q3 but improves with respect to 2018. Total actual domestic revenue collection reached \$140m in Q3 2019 (\$43m in Q1, \$55m in Q2 and \$42 in Q3). This represents a minimal improvement (+4%) from total collection in the previous year as of Q3. It also highlights a sizeable slowdown in 2019 collection for Q3 with respect to Q2 of -22.9% for 2019, as shown in **Figure 19**, and investigated in greater detail below.

Figure 19: 2018 vs 2019, Q1-Q3 Total Domestic Revenue



The performance of Q3 2019 with respect to Q3 2018 is almost identical at the aggregate level - \$42m in 2019 versus \$40 in 2018, partially offsetting the improvements reached in the second quarter. Indeed, Q3 performance stagnates for both Tax Receipts and Fees and Charges. On the other hand, SFA's revenues increased with respect to last year's by over 2m, due to both better revenue performance for the Dili Port Authority as well as more timely reporting from other SFAs.

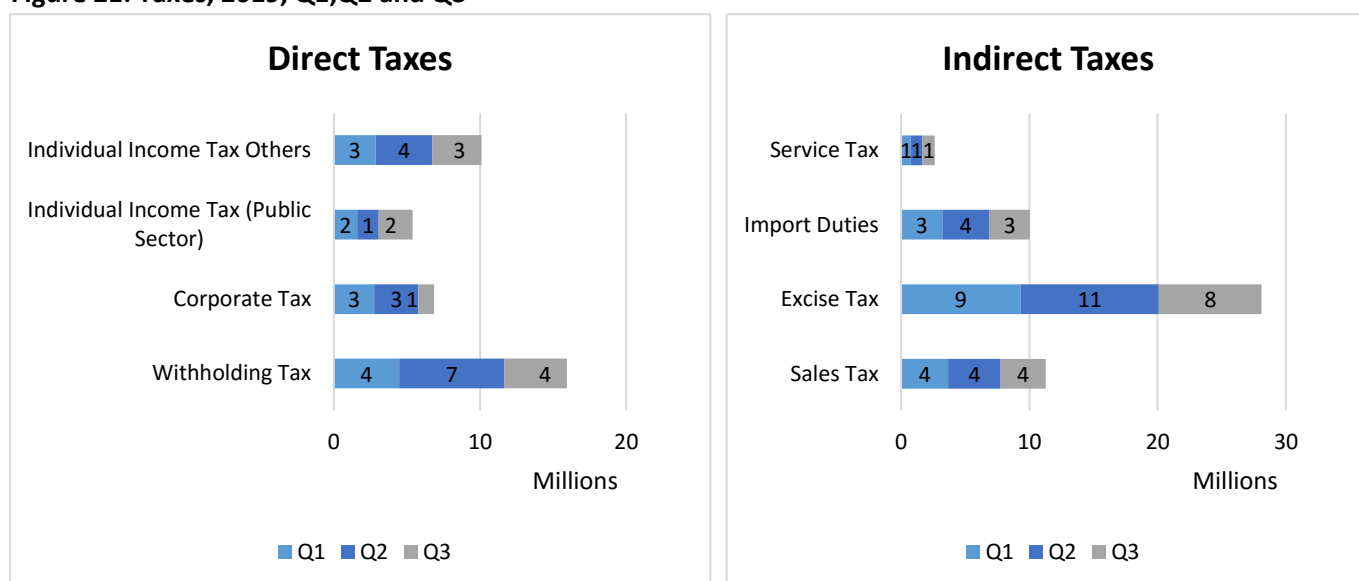
Figure 20: 2018 vs 2019, Q3 and Q3 Tax Revenue (LHS), Fees and Charges (RHS), SFAs and Municipal Authorities Revenue (below)



Focusing on 2019 alone, Q3 underperformed Q2 by about 23% at the aggregate level, which partially offsets the improvements that had been made in Q2 against Q1. This decline is driven by lower tax receipts (-24%) and lower fees and charges (-28%), whereas receipts from SFAs increase slightly. At the level of taxes, nearly all direct and indirect instruments worsen, with peaks in withholding, corporate and excise taxes. Reasons of the severe slowdown might include

poor execution of capital and development budget which may have reined in the continuation of capital projects and the associated tax receipts.

Figure 21: Taxes, 2019, Q1,Q2 and Q3

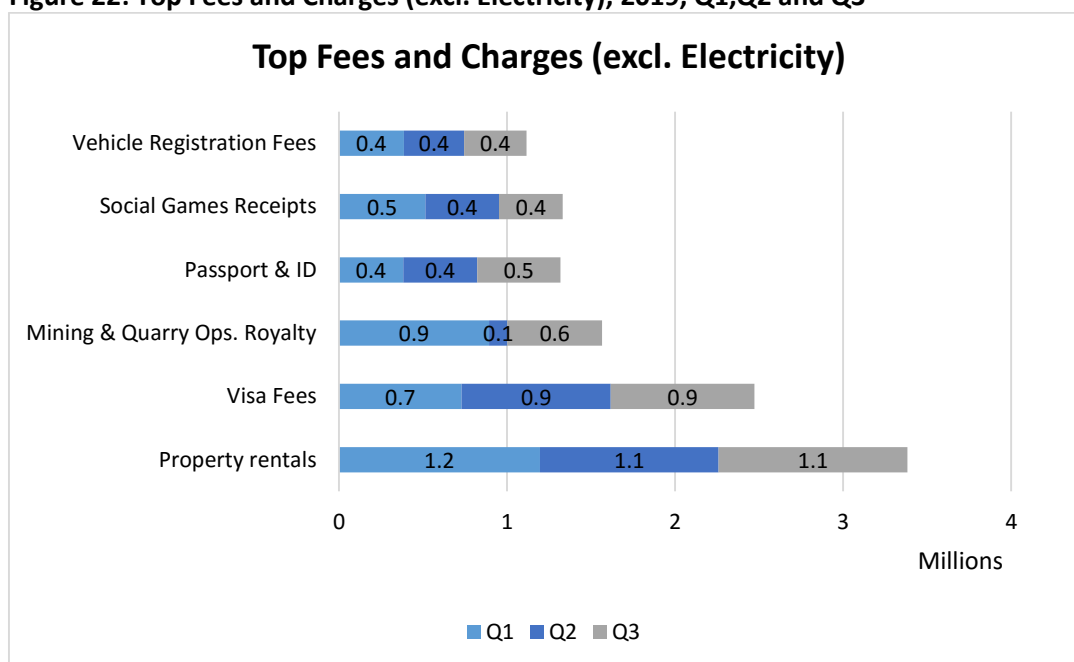


As for fees and charges, most of the decline in collection is due to the one-off dividend payment from BCTL in Q2 and to a slight decline in electricity fees and charges from ETDL (Ministry of Public Works). Once these are accounted for, the performance of Q3 versus Q2 is nearly equivalent at the level of fees and charges. **Table 4** shows total collection of fees and charges by Ministry across the three quarters of 2019. The Ministry of Public Works, consistently makes the largest contribution to the total (55% on average) through electricity fees and fees for electricity installation, followed by the Ministry of Justice, responsible for government properties' rental fees and fees for visas, and the Ministry of Transport and Communication which collects several receipt item related to road transport, such as vehicle registration and fines.

Table 4: Fees and Charges by Ministry, 2019, Q1-Q3

Ministry	Q1	Q2	Q3
Ministry of Public Works	7,543,397	8,569,203	7,610,512
Ministry of Justice	1,577,169	1,504,827	1,616,495
Ministry of Transport and Communication	770,224	943,138	1,180,828
Ministry of Interior	729,374	888,219	854,826
Ministry Petroleum Resource and Minerals	894,003	108,097	563,843
Ministry of Tourism, Commerce and Industry	523,144	453,015	397,208
Courts	61,826	7,619	349,932
Ministry of Finance	702,655	4,852,171	283,909
Presidency of the Council Ministers	10,673	7,535	87,648
Secretary State Vocational Training and Employment	128,968	152,696	77,450
Ministry of State Administration	40,870	63,033	48,044
Ministry of Agriculture and Fisheries	21,543	24,039	26,237
Ministry of Education	-	21,143	19,260
Ministry of Health	17,074	27,023	13,843

Figure 22: Top Fees and Charges (excl. Electricity), 2019, Q1,Q2 and Q3

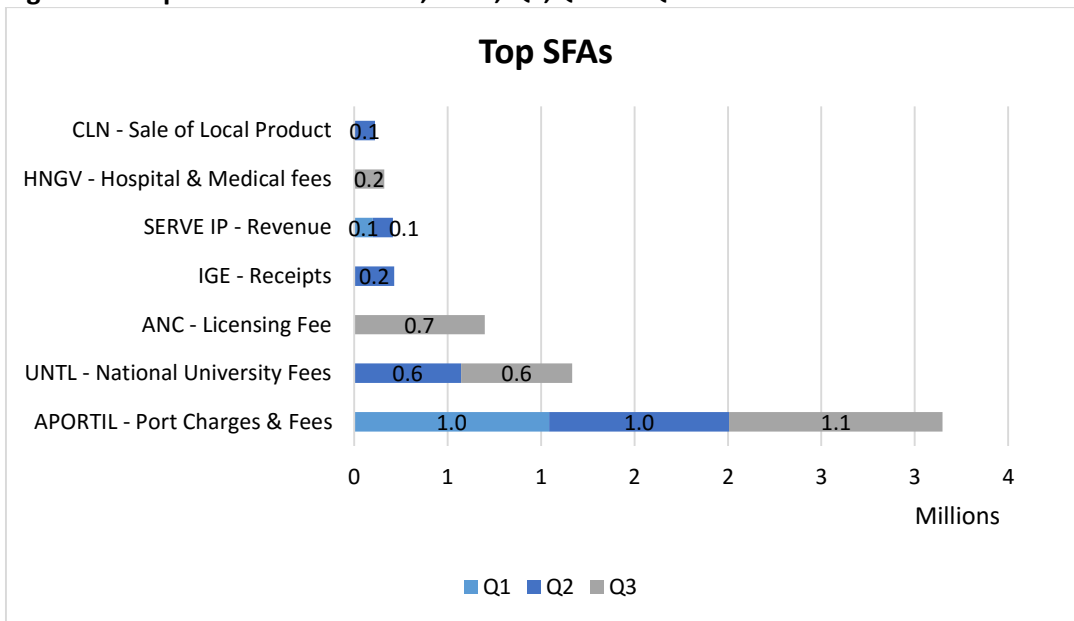


As for SFAs, the improvement in Q3 are driven by APORTIL which continues to make the largest contribution in terms of collection – a 19% improvement with respect to Q2. Additionally, in Q3, UNTL and ANC have received the second and third highest receipts. It should be noted, however, that only 11 out of over 30 SFAs are currently collecting revenue. Activating collection across all SFAs could positively contribute the total outturn.

Table 5: Fees and Charges by Ministry, 2019, Q1-Q3

Self-Funded Agencies	Q1	Q2	Q3
APORTIL - Port Charges & Fees	1,042,852	963,459	1,142,420
UNTL - National University Fees	-	573,257	592,870
ANC - Licensing Fee	-	-	699,329
IGE - Receipts	-	215,254	-
SERVE IP - Revenue	100,511	107,147	-
HNGV - Hospital & Medical fees	-	-	161,527
CLN - Sale of Local Product	-	112,317	-
CLN - Sale of Rice	-	36,376	-
IADE Service Fees	2,727	-	3,015
SENAI Centre - Revenue	-	3,001	-
AMRT - Fees	67	540	862

Figure 23: Top Revenue from SFAs, 2019, Q1,Q2 and Q3



4 Other matters of interest

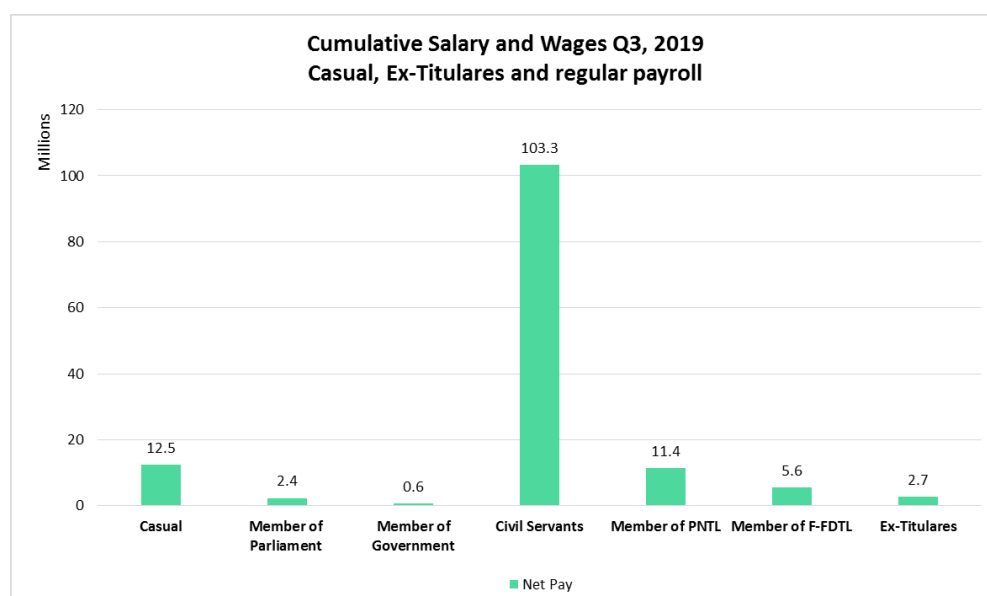
4.1 Procurement

Timor-Leste has instituted a 10% limit on sole source procurement⁵. All line ministries and agencies must focus on competitive procurement which reduces corruption and encourages competition between vendors. As of Q3, Archive Museum of Timorese Resistance (15.1%), MTC (13.1%) have surpassed the limit and National Centre for Rehabilitation have just reached the 10% limit. SAMES, which is an exception to the rule, has 21% sole source contracts in Q3⁶.

4.2 Staff costs

The following graph presents expenditure on salary and wages through Payroll in Treasury for casual⁷ employees, ex-Titular's⁸ and regular payroll (Members of Parliament, Government, PNTL, FDTL and civil servants). The average number of employees (for Q3) for each subgroup is presented on the horizontal axis. In Q1, Q2 and Q3 combined, \$12.5 million was spent on casual employees, \$2.7 million on ex-Titular's and \$123.2 million on regular payroll.

Figure 24: Q3, 2019 Salary and wages



⁵ Legal Regime for Procurement, No 10/2005 amended by 38/2011

⁶ Limit 10% direct award applies to all projects provided they meet the requirements set forth in Article 92 of the Procurement Law, except for supplies under the All-Government Appropriations, those related to national security issues, medicines, medical supplies and medical-hospital equipment, and those of Municipal Integrated Development Planning. This includes SAMES, RAEQA-ZEESM, CAC and PDID.

⁷ A Casual Employee is an employee who is recruited for short term period or defined period of time, for instance, 3 months, 6 months and 1 year, which is also normally called "Contrato Termo Certo". The salary of the casual employee is paid through Payroll from Professionals services item (Goods and Services Category). The advisors salaries paying from same category but process through CPV and not through Payroll.

⁸ Ex-Titular's are Former members of the Government and Parliament (The formers of Political Positions) and they are pension paid from Personal Benefits (Public Transfer Category)

4.3 Loans

The following graph shows the ongoing and disbursed loan projects in Timor-Leste as of September 30, 2019. The loan disbursement must be utilised six months before the closing date of the loan. As of date, three loans have been completed. Loans 2857 and 2858 for the construction of road between Tibar-Liquica-Tibar-Gleno have completed 100% disbursement. Loan IDA 5303 for the construction of Aileu-Ainaro road has also been disbursed 100%. Loans TLSP1, 3020, 3021, and 3181 are due to close in September 2020 and are expected to disburse 55%, 35%, 25% and 42% from now till the closing date. Loans 3020, 3021 and 2181 have only managed to disburse between 1-5% between Q2 and Q3, 2019.

Figure 25: Loan execution until Q3, 2019

