

**HIGHLIGHTS OF THE WORKSHOP
on 2011 BUDGET EXECUTION EVALUATION
AND LESSONS LEARNED FOR 2012**

On 6 of January 2012, the Ministry of Finance held a one-day workshop at the Knowledge Center of Ministry of Finance, which was attended by Government Senior Management Officials such as Directors General and Directors of Administration and Finance of Line Ministries. It aimed to evaluate the 2011 budget execution and to get lessons learned for the 2012 Budget execution.

The Prime Minister of RDTL Kay Rala Xanana Gusmao in his speech emphasized that Timorese should be proud of what the country has achieved over the past ten years, as comparing to many other countries in the same situation. He appealed to these key public administration officials to best utilize the opportunity of this workshop in order to share ideas and experiences from the past year budget execution as important lessons learned for the next 2012 budget. In this sense it is important to keep up working hard and improve their performance and services during the remaining months of his governance.

In the same occasion, Vice Minister of Finance, Rui Manuel Hanjam reiterated the advice of the Prime Minister and advocated all the audience to maintain their spirit of hard work to best serve the interests of the State and the People of TL and support this government to have a happy ending. He particularly reminded all DGs and Directors to submit their financial reports relating to all financial cash advances such as petty cash and imprest funds by 25 January 2012.

The workshop was moderated by Ivete de Oliveira, a national consultant of the Directorate General of State Finances, and two key speakers /presenters, respectively Director of Budget Agostinho Castro and Director of Treasury Sara Lobo.

The first Presentation by Director of Budget Agostinho Castro highlighted several issues as follows:

- In most cases budget execution in LMs relating to G&S, Capital Menor and Transferences are not implemented according to the AAPs.
- Line Ministries (LMs) preferred to submit their proposals directly to the National Parliament rather than through Government, therefore locations of the projects are not clear yet when the proposals were approved in the Parliament. Hence it requires some time for the MOF to make adjustments.
- *Contingency Funds*- in most cases, agencies submit their requests to the Prime Minister directly and get approval of the PM. As result, the MOF (DNO) faces no option, to just implement it, despite recognizing that many of these cases do not comply with the “urgency” criteria in accordance with the guidelines.
- *Virements*- virement is allowed according to the Article 38 of the law N. 13 /2009 on Budget and Financial Management; however many agencies tend to disobey the rules and break their plans with virements.
- Some agencies exceed their budget ceiling and tend to request additional budget, or making debts, based on telephone calls rather than submitting official written request as required.

Director Agostinho proposed the following *policies and suggestions* to be taken into consideration:

- A new Circular on Contingency Funds;
- Review Virements and Transferences;
- Reestablish carry-over funds in the next budget;
- Review Budget Manual;
- Establishment of a National Planning Board, similar or equivalent to BAPPENAS in Indonesia;
- Tight control of virements and borrowings;
- Stick to the AAP;
- COM to provide guidelines on virements and debts;
- Importantly, Government should set up a new policy on purchase of new vehicles in order to best utilize the existing vehicles and to avoid deteriorating current traffic congestions ;
- Any change of AAP or activity/item should be acknowledged and approved by the DNO of MOF.

The second presentation by Director of Treasury, Sara Lobo, on budget execution figures and its related lessons.

Director Sara presented the (tentative) list of state agencies budget execution performance, some of them are important to be highlighted including the whole government budget execution: 83.5%; autonomous agencies 95.5%; infrastructure funds 75.4%; HR Funds 65.9%, MOF 87%, etc.

Regarding the cash advances to LMs (petty cash) Sara expected all LMs to immediately submit their corresponding reports no later than 25 January 2012. Failure to meet this deadline, will imply sanctions and consequences including reduction of their 2012 budgets.

She also announced that learning from the past years experiences, MOF has established the maximum amount of petty cash for each LM of \$5,000 over the 2012 budget execution. Moreover, she underlined that a joint inspection team comprising of Treasury and auditors will carry out sudden petty cash inspections without pre-notice; therefore she advised every agency to be always prepared and provide regular control of their cash management.

Questions / Comments

- Some agencies alerted the Treasury on FreeBalance connectivity problems in their agencies, have to be fixed and improved shortly to allow improvement in their financial management systems.
- Establish focal point in every LM.
- Agree to reestablish carry over, for certain specific projects, in particular capital development projects.
- Virements and debts have been caused by inflation (prices) and other factors.
- Timor Telecom debts are growing enormously and uncontrollable; it needs an urgent government intervention to resolve it.
- Participants noted overlapping of jobs and competency between Obras Publicas and AND.

Vice Minister called on the audience to:

- Submit their reports as scheduled;
- A meeting with TT soon;
- Standardize the use and attribution of mobile phones as well as its ceiling ;

ENDS