

Minutes
Quarterly Development Partners Meeting
22 April 2016

I. Opening

2016 first Quarterly Development Partners' Meeting was held on Friday, 22 April 2016 at 09.10 am. The meeting introduced by Sr. Cancio de Jesus Oliveira, Director of Development Partners Management Unit.

II. Welcoming remarks

The Vice Minister of Finance welcomed all the DPs and introduced the purpose of the meeting including presenting the progress of SDGs process at country level. He also highlighted presentations that will be presented at this meeting. He emphasized that Fiscal reform is aiming to diversify the economy.

III. Presentations

a. *Fiscal Reform* by Ms. Fernanda Borges, Coordinator of Fiscal Reform Commission

COM passed a resolution in August 2015 to provide mandate to the commission to lead the process of Fiscal Reform. The reform is focused on two areas: domestic revenue reform and expenditure reform.

- The main objective of the domestic revenue reform is to improve the ability of the government to collect domestic revenues in an efficient and effective manner which is subject to five guiding principles:
 - 1) Economic efficiency
 - 2) Fairness and Equity
 - 3) A level playing field
 - 4) Administrative simplicity
 - 5) International compatibility
- The main target is to increase domestic revenue to 15% of non-oil GDP by 2020
- The domestic revenue is in four main areas: Tax policy and revision of Tax and Duties Act (TDA) (tax policy memorandum development and briefs) VAT policy and legislations (VAT Policy paper and Draft VAT Law)
- Fees and charges reform progress:

Fiscal Reform Commission and ADB have signed Aide Memoire for TA to develop a Fees and Charges Policy that is pro-poor. The new Fees and Charges Law will be developed based on this policy. The TA will develop a framework to evaluate the welfare impact of revenue and expenditure policies.
- TAX Administration Reform Progress is on the tax administration IT system, TAX Procedures Code and Integrity Strategy. Work has been completed on modernization of the Tax administration, plan for the introduction of VAT. As for HR, detailed job description and tax administration recruitment and training strategy and institutional framework is being developed.
- There will be a mission from World Bank and FRC will be sharing some of the document to get inputs.
- Accounting standards is going to really support private sector therefore we are working with chamber of commerce.

- Customs reform is progressing very well. IT use the ASYCUDA world implementation phase 1: development of internationally compatible business workflow. IT is a very important component to this reform, without this it would be impossible to bring good business processes.
 - Business workflow and Standard Operating Procedures have been developed, customs procedures code (CPC) and time release studies .
 - Human resources: will be training trainers for customs officials started. We also intend on setting up a call center to answer any questions businesses or private citizens may have.
 - Main expected outcomes for 2016:
 - 1) Tax legislation revision and consultation
 - 2) A bilateral meeting with Portugal Gov agreed to provide support in the development of domestic revenue policies.
- b. *Performance Management Reform presented by Mr. Alberto Piedade, Coordinator of Public Finance Management Capacity Building Centre (PFM CBC)*

Performance management reform including:

- 1) Planning, Budgeting performance evaluation offices
 - 2) HRU
 - 3) PFMBCBC
- A diagnostic test was conducted on over 1000 civil servants. The results of the test show Capacity limitations are very present within Government.
 - After the test what to do with these people? The results have been presented to Council of Minister and people have received their results. We need to prioritize targeted training. The curriculum for PFM trainings is being developed and June 2016 commences the implementation.
 - There will be skills assessment and will be developed to provide the targeted and focused training to those who fall within a certain threshold. .
 - In the area where the skills and knowledge do not exist locally, there will be TA hired to support those areas. This is only for a short term basis until public servants are ready for the positions. In addition, a Technical Assistance Coordination Unit will be established to ensure the effective use of Technical Assistance.
 - Looking at individual performance evaluation.
 - Performance management reform (PMR)
 - 1) Five year plan & Workforce plan
 - 2) Competency Standards (KSA and JDs)
 - 3) Diagnostic testing
 - 4) Prioritised and focused training (ICBP)
 - 5) Needs assessment in MoF
 - 6) TA Monitoring (Knowledge and Skills Transfer)
 - 7) Accreditation (Right person, Right Place)
 - 8) MF as pilot the bigger Public Administration Reform (Lesson Learnt)

Summary

It is important to present our weaknesses to the DPs because we are partners and so we can work together to fix the problem. These areas are the issues with the people

that DPs work with at line ministries and this is an opportunity for us to work together to fix the problem.

c. *Performance Budgeting Reform presented By Mr. Lorenzo Pinto
(Representation from Directorate General for State Finance)*

Performance Budgeting's Concept and Plan is about Managing Change

The reform is based on the decree law on planning, budgeting and monitoring and evaluation.

The reform means for stakeholders

MoF and UPMA : improved linkages between planning and budgeting and ease of the implementation.

Principal reform:

- UMPA and LM/IE will define the programs and implementing agencies
- LM will go through the process of internal prioritisations and design their budget for each programme and activity and appropriation category except salaries and wages
- MoF IFMIS chart of account (COA) update and updated templates used by budget and treasury as well as financial reporting produces
- The information is included in the green briefs
- Minis Budget Review Committees in the line ministries

d. *Implementing the SDGs, Alex Tilman, Public Policy Officer, Office of the Prime Minister*

The Government is committed to the implementation of the SDGs. The presentation focused on the history of accomplishments that Timor-Leste has already achieved since the SDGs were agreed upon. Namely, Timor-Leste's involvement in formulating Goal 16, the formation of the SDG Working Group, and the activities undertaken so far. The presenter also discussed the process of harmonizing the SDPs and the SDGs to ensure that the SDGs are internalized locally. There are potential areas for donor support in regards to creating a reliable database to house this information. In addition, the upcoming TLDPM will act as a platform for a communication campaign.

The government of Timor-Leste is highly committed to the implementation of SDGs and we look forward to your contributions on the implementation of the SDGs.

IV. Questions and Answers

Australian Embassy:

Q: Can you provide an update on the review of SDP and Aid Policy?

We are working on the aid policy, the government also has provided aid support to other country. PM suggested aid policy should reflect aid that we receive and that we give. MOF almost done with the Aid policy but still in coordination with MOFA and it takes time. And the instruction has been given that they need to finalize within two months.

World Bank

Q: How will sensitization on the tax reform be conducted and how will the calling centre be established?

Tax reform sensitization will be a national process. A communication plan is in place that includes the production and dissemination of literature and media to inform stakeholders. In addition, MOF will provide support to all Ministries in understanding the new processes to ensure efficiency. Regarding the call centre, we see a need for intensive training on customer service in addition to ensuring the competence of the staff.

ADB:

Q: Regarding PFM reform is there a way that we can link donor activities to the trainings and is the Unit mandated to provide trainings across all ministries?

The capacity building centre is only mandated to provide PFM related training to all the Line Ministries. We will be coordinating with National Institute of Public Administration and PFM at Municipalities – INAP on Administration and leadership. Public Administration Commission – also invited to see how PFM/CBC to also observe PFM reform process and proposed MoF to be a piloted ministries. Diagnostic test is very much basic. The capacity building that we are developing is to train those who have been assessed with practical knowledge for them to successfully carry out their functions. Perhaps this is an area for donor support as we will require further trainings as well as the development of curricula and the certification process. It is important that if support is provided through technical assistance, that we receive the right people for the job. For example, Timorese Nationals already working within your organizations in the area of procurement, this way we reduce the time it takes for the TA to familiarize themselves with the environment and we link them to a practical need within PFM. In other cases the TA that is required is merely on a short term and extremely focused basis, otherwise you run the risk of having the TA do all of the Unit's work.

WHO:

Q: Will taxes on tobacco increase?

We will increase tax on tobacco but we need to also look at the price of cigarettes in Indonesia as we do not want to encourage smuggling so we must strike a balance.

UNWOMEN

Q: Regarding national mechanisms to implement SDGs—how gender is integrated?

The Government of Timor-Leste remains committed to gender equality. Secretary of State for the Support and Socio-Economical Promotion of Women is also involved in this process. In addition, the indicators proposed in Nairobi are mostly gender sensitive. Regarding the budget process, SEM is always on the Budget Review Committee and is consistently one of

the most active participants in the process. On the technical level, the Ministry of Finance's gender mainstreaming is being supported by Santana Soares.

Q: Regarding Tax Reform, specifically VAT reform, UNWOMEN circulated a position paper on this. We look forward to contributing to the design through continued dialogue. We are aware of the briefing paper however we have not yet shared the VAT policy paper. We are very near to releasing this as it is going through internal processes first. Once we share this, we can discuss specifics about the policy.

The People's Republic of China

Q: Can you please clarify why it takes several months to get goods to be released by customs at the port?

We suspect that this is due to lack of clarity; we hope that the tax reform will address these types of problems.

Acting UN Resident Coordinator:

Q: UN is very pleased to be involved in consultation with PMO and we would like to give emphasis that gender is specifically on SDG 5 but also related to data collection and disaggregation. Youth is also cross cutting therefore data should also be disaggregated. TL is arguably the youngest population in the world therefore youth issues should be addressed appropriately.

The Government remains highly committed to youth and gender. In regards to youth, we recognize that this segment of the population represents a large portion of our demographic and remain committed towards their development, as evidenced by the recent approval of Timor-Leste's Youth policy. In addition, the PM has discussed youth at length with the UN country team, particularly how it relates to youth unemployment in the rural areas. We appreciate UN's feedback and analysis on how to include this as part of our SDG implementation.

European Union

Q: The European Union provides budget support because we strongly believe that we need to use country system to support the country's development. Donors cannot continue to work in parallel because this will only perpetuate the problem. Given that we, Australia, and MOF is working on PFM, we need to make sure that we all coordinate well. I call for the reestablishment of the PFM working group.

We very much appreciate the EU's Budget support and we will look into re-establishing the working group.

WHO

Q: Will you put resources collected from the tax on tobacco to improve health promotion? Also, will alcohol taxes be increased?

Yes we will also increase taxes on alcohol but in the end our revenue will most likely decrease due to increasing the price of cigarettes, however the overall health of our population will improve, meaning that our healthcare costs will also be lowered. It is also important to note that we cannot create a separate fund for health.

V. Announcement and Actions:

- 1) DPs need to update the Aid Transparency Portal the 27th of this month. The data from this update will be used for the Development cooperation report.
- 2) Aid Policy – we need to finalize this and we will begin the consultation in the next 2 months
- 3) TLDPM will on 4th – 6th July 2016 (this date is subject to CoM approval). We will inform you again on this.
- 4) Minutes of the meeting will be shared at CoM to discuss issues related to LM
- 5) To improve future dialogue – DPs send email to Cancio on your feedback and inputs. To design upcoming QDPM and TLDPM.
- 6) Vice Minister attended peacebuilding and statebuilding in Stockholm. The outcome there is a [Stockholm declaration](#) that will be shared with DPs.

VI. Closing

Meeting was concluded at 12.10 by the Vice Minister of Finance.

End