Early Warning System

ADB-49176-001

Fiscal Policy for Improved Service Delivery

Early Warning System

Fiscal Policy for Improved Service Delivery

ADB-49176-001

Quick Facts

Countries	Timor-Leste
Specific Location	Nation wide
Financial Institutions	Asian Development Bank (ADB)
Status	Active
Bank Risk Rating	B
Voting Date	2016-06-17
Borrower	Government of Timor-Leste
Sectors	Law and Government
Investment Type(s)	Grant
Investment Amount (USD)	$ 0.75 million
Project Cost (USD)	$ 0.75 million

Project Description

Timor-Leste is one of the most petroleum-dependent economies in the world. With petroleum revenues declining rapidly, fiscal reforms are needed to improve service delivery and prevent the rapid depletion of the country's sovereign wealth fund. Public expenditure can be rationalized and domestic revenue collection improved, but the government's capacity to design and implement complex reforms is limited. Technical assistance (TA) is needed to support successful reforms and mitigate the risk of negative impacts on poor and vulnerable groups.

Since 2015 when the Government of Timor-Leste's Fiscal Reform Commission (FRC) was established, the Asian Development Bank (ADB) has been providing it with TA support. During 2015–2016 ADB used regional TA programs to (i) support the design of a new valueadded tax (VAT), (ii) provide specialist inputs to support the drafting of VAT legislation and designing of a new tax administration, and (iii) share regional experiences on the role that stateowned enterprises (SOEs) and autonomous public agencies (APAs) play in public service delivery.

The government has asked ADB to continue supporting the fiscal reform program. Initial consultations identified the strengthening of policy and legal frameworks for SOEs and APAs and the building of government capacity for evidence-based fiscal policy as priorities for ADB assistance. ADB fielded a fact-finding mission from 19 February to 4 March to consult formally with the government and other stakeholders. During this mission, ADB and the government reached an agreement on the impact, outcome, outputs, implementation arrangements, cost, financing arrangements, and terms of reference for the TA, which is closely aligned with the expected strategic directions of a new ADB country partnership strategy for Timor-Leste. The TA is included in ADB's country operations and business plan, 2016–2018 for Timor-Leste and is closely aligned with ADB's upcoming country knowledge plan for Timor-Leste.

Output 1: The team leader for this output has been recruited and a baseline assessment, scoping mission, and work plan for the non-tax revenue reforms has been completed. Other activities under output 1 are yet to commence.

Output 2: The economics training specialist has been mobilized and staff from MOF and other ministries have been receiving regular training and capacity building support. Other activities under output 2 are yet to commence.

Investment Description

- Asian Development Bank (ADB)

Contact Information

Ministry of Finance
Government Building 5, Palacio do Governo, Avenida Presidente, Nicolau Lobato, Dili

ACCOUNTABILITY MECHANISM OF ADB

The Accountability Mechanism is an independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an Asian Development Bank-financed project. If you submit a complaint to the Accountability Mechanism, they may investigate to assess whether the Asian Development Bank is following its own policies and procedures for preventing harm to people or the environment. You can learn more about the Accountability Mechanism and how to file a complaint at: http://www.adb.org/site/accountability-mechanism/main

Bank Documents

- Fiscal Policy for Improved Service Delivery: Technical Assistance Report [Original Source]
- Project Disclosure PDF