



Technical Assistance Report

Project Number: 49176-001
Policy and Advisory Technical Assistance (PATA)
June 2016

Democratic Republic of Timor-Leste: Fiscal Policy for Improved Service Delivery

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Asian Development Bank

CURRENCY EQUIVALENTS

The unit of currency in Timor-Leste is the US dollar.

ABBREVIATIONS

ADB	–	Asian Development Bank
APA	–	autonomous public agency
ESI	–	estimated sustainable income
FRC	–	Fiscal Reform Commission
MOF	–	Ministry of Finance
SOE	–	state-owned enterprise
TA	–	technical assistance
VAT	–	value-added tax

NOTE

In this report, "\$" refers to US dollars.

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POLICY AND ADVISORY TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 49176-001	
Project Name	Fiscal Policy for Improved Service Delivery	Department /Division	PARD/TLRM
Country	Timor-Leste, The Democratic Republic of	Executing Agency	Ministry of Finance
2. Sector		ADB Financing (\$ million)	
✓ Public sector management	Public expenditure and fiscal management		0.75
		Total	0.75
3. Strategic Agenda		Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
4. Drivers of Change		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional systems and political economy	No gender elements (NGE)	✓
Knowledge solutions (KNS)	Public financial governance Knowledge sharing activities		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Nation-wide	High
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.75	
Policy and advisory technical assistance: Technical Assistance Special Fund		0.75	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.75	
9. Effective Development Cooperation			
Use of country procurement systems	No		
Use of country public financial management systems	No		

I. INTRODUCTION

1. 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.

2. 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 value-added 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 state-owned enterprises (SOEs) and autonomous public agencies (APAs) play in public service delivery.¹

3. 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.² The design and monitoring framework for the TA is in Appendix 1.

II. ISSUES

4. Fiscal reform is one of the main priorities of the Sixth Constitutional Government of Timor-Leste.³ Public expenditure, excluding grants, increased from \$171 million in 2006 to \$1.33 billion in 2015 and has been budgeted at an average of \$1.98 billion per year for 2016–2020. Increased public spending has been financed by withdrawals from the Petroleum Fund, a sovereign wealth fund established by the government to manage the income from offshore oil and gas production. These withdrawals financed 86.9% of total public spending during 2007–2015 and are projected to finance 80.0% of total public spending during 2016–2020.⁴

5. Petroleum production accounted for 81% of total gross domestic product in 2012, but proven reserves are modest and current production is forecast to end in 2021. The Petroleum Fund Law stipulates that the fund should be managed prudently for the benefit of current and future generations.⁵ To this end, the law defines the estimated sustainable income (ESI) as an

¹ E. Ahmad and M. Breton. Forthcoming. *A VAT for Timor-Leste—Some Policy and Design Considerations*. Dili; R. De La Feria and C. Silvani. Draft Value-Added Tax Law. Unpublished; P. Dos Santos. Program for Reform of the Timor-Leste Tax Administration. Unpublished; L. Darcy, D. Freedman, and P. Reddel. 2015. *State-Owned Enterprises and Autonomous Public Agencies*. Presentation for a government workshop. Dili.

² The TA first appeared in the business opportunities section of ADB's website on 20 April 2016.

³ Government of Timor-Leste. 2015. *Program of the Sixth Constitutional Government, 2015–2017*. Dili.

⁴ Government of Timor-Leste. 2016. *State Budget 2016*. Dili.

⁵ Government of Timor-Leste. 2005. *Parliamentary Law No. 9/2005*. Dili

audited estimate of the income that could be withdrawn from the fund each year in perpetuity.⁶ Since 2008, successive governments have used withdrawals in excess of the ESI to front-load investments in infrastructure and service delivery. Withdrawals were 1.8 times the ESI in 2015 and are budgeted at an average of 3.1 times the ESI for 2016–2020. The Petroleum Fund's balance is projected to increase to \$16.9 billion in 2016 (\$13,200 per capita) before declining in subsequent years due to excess withdrawals (footnote 3). To stabilize the fund's balance to preserve savings for future generations, withdrawals must be brought back in line with the ESI. This can be achieved through a combination of reductions in total spending, increased mobilization of non-oil revenues, increases in the ESI (e.g., through the development of new oil and gas deposits), and greater use of concessional financing facilities.

6. Although recurrent expenditure grew at an average annual rate of 15.2% during 2008–2015, targets for the coverage and quality of key public services are yet to be achieved.⁷ The high level of Petroleum Fund withdrawals means that, even with strong growth in non-oil revenues, there is little room for sustained increases in public spending. The challenge for the government is to realign and reprioritize expenditure to improve service delivery and ensure long-term fiscal sustainability. The government has established the FRC to coordinate the design and implementation of a major fiscal reform program. The FRC includes senior representatives from the Ministry of Finance (MOF) and other relevant government agencies and is overseen by an interministerial council chaired by the Prime Minister.

7. Domestic non-oil revenues increased from \$48.9 million in 2006 to \$170.0 million in 2015 and are projected to grow to \$210.3 million (12.0% of budgeted spending) by 2020. Tax revenue accounted for 72.1% of non-oil revenues in 2015 and was collected through personal and corporate income taxes, import duties, final withholding taxes on government-financed contracts, and excise taxes. The tax revenue collected can be increased by changing policies and modernizing the tax administration. The FRC has prepared a package of tax legislation for Parliament approval in 2016, including adjustments to tax rates and the introduction of a new VAT law. The Government of Portugal and the World Bank Group are expected to support the modernization of the tax administration and the implementation of new taxes.

8. The FRC is also planning to strengthen the policy and legal frameworks governing nontax revenues, SOEs, and APAs. Significant synergies exist between these reforms and ADB's support for infrastructure, education, and financial services. SOEs are corporate entities that are fully or majority-owned by the government. APAs are public bodies that have been granted some degree of financial and managerial autonomy relative to the general systems of public administration. Timor-Leste's Strategic Development Plan, 2011–2030 notes that transferring some public functions to APAs and SOEs may help improve the quality and efficiency of public service delivery.⁸ It cites the management of ports, airports, water supply, electricity generation and distribution, higher education, and hospitals as examples of state functions that could be delivered through SOEs and APAs. The Strategic Development Plan also identifies the need for a comprehensive review of the policy and legal frameworks governing SOEs and APAs. Until this review is completed, decisions to exercise public functions through SOEs, APAs, or other entities may not be supported by a robust legal framework and a clear and coherent rationale.

⁶ The ESI is calculated as 3% of the estimated total petroleum wealth incorporating the current value of Petroleum Fund assets and a discounted forecast of revenues from oil and gas fields, which have production agreements.

⁷ Ministry of Finance, Government of Timor-Leste. 2014. *Timor-Leste: The Millennium Development Goals Report, 2014*. Dili.

⁸ Government of Timor-Leste. 2011. *Timor-Leste Strategic Development Plan, 2011–2030*. Dili.

9. Timor-Leste has five SOEs and about 50 APAs, almost all of which operated as government departments with no financial or managerial autonomy until 2016 when the government began to implement provisions for such autonomy for 20 of them (footnote 3). These agencies now follow streamlined processes for budget execution and have been given the power to retain some of the revenues that they collect from service fees and charges.⁹ The government has also decided to convert its Infrastructure Fund into an APA.¹⁰

10. SOEs and APAs account for about 93% of budgeted public investment and 38% of budgeted expenditure for 2016–2020. This share could increase significantly if functions such as electricity supply are transferred to autonomous entities. SOEs and APAs also play an important role in domestic revenue collection. Current and potential SOEs and APAs are expected to collect 63.6% of nontax revenues in 2016 (20.4% of total domestic revenues) and could collect significantly more in the future. Current regulation of the fees and charges levied by SOEs and APAs is relatively weak and provides limited collection incentives. The government has identified the need to review and update the legal framework for fees and charges, which will have a significant impact on service delivery and cost recovery.

11. The benefits of increasing the autonomy of service providers could be undermined by capacity constraints and gaps in the current policy and legal frameworks for SOEs and APAs. A 2003 decree-law established a legal framework for SOEs that only applies to certain public enterprises.¹¹ The Budget and Financial Management Law establishes high-level requirements for financial reporting by APAs supplemented by legal provisions specific to each APA.¹² A comprehensive review of the policy and legal frameworks can help ensure alignment with government priorities and the current public sector capacity.

12. Timor-Leste is also planning to decentralize its public administration to improve service delivery and accountability. The Oecusse exclave was designated as a special administrative region in 2014. In 2016, the national government enacted a law to guide the transfer of administrative functions to Timor-Leste's other municipalities. Autonomous municipal authorities will be established in the four largest municipalities, and non-autonomous municipal administrations will be established in the remaining eight municipalities.¹³ All of the subnational administrations will be funded through the national budget and will be required to submit budget proposals to the Ministry of State Administration. They may also derive revenue from agreements with national government bodies to assume responsibility for local delivery of specific public functions. Additional analysis is needed to guide the determination of fiscal transfers to municipal authorities and administrations and the role of these bodies in revenue collection. Timor-Leste can benefit from analysis that draws on the experiences of relevant countries in Asia and the Pacific to present possible policy options.

13. Fiscal reforms could substantially impact household welfare by introducing new taxes and service charges, and changing the composition of public spending and the quality and coverage of public services. It is therefore important to ensure that major reforms and ongoing policy initiatives do not have a disproportionate negative impact on poor and vulnerable groups. Data from recent national surveys provide a good information base for welfare analysis;

⁹ These SOEs and APAs are required to use the government's financial management information system to execute their expenditure but are subject to MOF ex-ante oversight or control.

¹⁰ The Council of Ministers approved the legislation to implement this change on 3 February 2016 and submitted it to the President for promulgation. The law is yet to be promulgated as of 1 May 2016.

¹¹ Government of Timor-Leste. 2003. *Decree Law No. 14/2003*. Dili.

¹² Government of Timor-Leste. 2009. *Decree Law No. 13/2009*. Dili.

¹³ Government of Timor-Leste. 2016. *Decree-Law No. 3/2016*. Dili.

however, the government's capacity to analyze the welfare implications of proposed policy changes is limited. The MOF's Economic Policy Directorate is responsible for carrying out macroeconomic modeling and analysis to inform the government's economic and fiscal policies. The directorate's capacity has increased in recent years, but the MOF has identified a need to strengthen the directorate's analytical tools and staff capacity further.

III. THE POLICY AND ADVISORY TECHNICAL ASSISTANCE

A. Impact and Outcome

14. The impact will be fiscal sustainability and improved service delivery. The outcome will be improved legal and regulatory frameworks for service delivery and improved capacity for economic policy analysis.

B. Methodology and Key Activities

15. The TA outcome will be achieved through two related TA outputs: (i) improved legal and regulatory frameworks for service delivery, and (ii) improved capacity for economic policy analysis. A number of risks could derail the achievement of this outcome. National elections and other political changes could disrupt the reform process and reduce the government's commitment to implement reforms; and capacity development activities could be undermined by the limited availability of data, knowledge gaps, and competing priorities for public officials' time.

16. **Output 1: Improved legal and regulatory frameworks for service delivery.** Increasing the financial and managerial autonomy of some public service providers could be a powerful mechanism for improving the quality, coverage, and efficiency of service delivery. However, increased autonomy will also create new risks. A policy framework and supporting legislation are clearly needed to clarify the preconditions and extent of autonomy and establish systems of governance and oversight to manage the associated risks. ADB will provide technical inputs to help the MOF and FRC do the following:

- (i) provide a diagnostic assessment of the legal and operational characteristics of current APAs and SOEs,
- (ii) assess current capacity for the monitoring and oversight of APAs and SOEs,
- (iii) develop a policy and legal framework for APAs and SOEs,
- (iv) pilot new policy and legislative frameworks in selected APAs and SOEs, and
- (v) develop a policy and legal framework for public fees and charges.

17. **Output 2: Improved capacity for economic policy analysis.** Long-term fiscal sustainability will require public expenditure reforms and increased domestic revenue collection. Appropriate fiscal policy will also be an important element of successful decentralization. Rigorous analysis can help ensure that policy changes support improvements in service delivery and fiscal sustainability while protecting poor and vulnerable groups. Data from recent national household surveys and a range of other sources can be used to guide policy making, but government capacity to use this data to analyze reform options and model distributional impacts is limited. ADB will provide technical specialists to train MOF economists and work with them on specific pieces of modeling and analysis. Specifically, they will do the following:

- (i) review and map existing data sets and options for quantitative welfare analysis;
- (ii) conduct an initial capacity assessment and training needs analysis for MOF economists;
- (iii) train MOF economists on economic concepts and tools for quantitative analysis;

- (iv) develop an analytical framework for modeling the welfare and distributional impacts of public expenditure and planned fiscal reforms;
- (v) analyze options for subnational fiscal policy;
- (vi) support the application of the analytical framework to key policy questions and the integration of analytical results into policy making and resource allocation processes, including the national budget; and
- (vii) support other discrete pieces of economic policy analysis.

C. Cost and Financing

18. The TA is estimated to cost \$900,000, of which \$750,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V). The government will provide counterpart support in the form of counterpart staff, office accommodation, venues and refreshments for training and workshops, and any software licenses that are required for government staff.

D. Implementation Arrangements

19. The MOF will be the executing and implementing agency of the TA. The fiscal reform coordinator and director general for state finances will guide and supervise TA activities. TA implementation will be coordinated with the Office of the Prime Minister, the Office of the Coordinating Minister for the Economic Affairs, and other relevant public bodies.

20. The TA will be implemented from June 2016 to December 2018 and will require 41 person-months of international consultant inputs. The implementation of output 1 will be led by an APA expert who will serve as team leader for the output (8 person-months). The APA specialist will be supported by an SOE governance expert who will be responsible for the SOE-related components of output 1 (6 person-months). A senior welfare economist (5 person-months) will provide technical leadership for output 2. They will be supported by an economics training specialist (16 person-months) who will provide training and capacity development support to MOF staff, an expert on subnational fiscal policy (4 months), and other technical specialists who will provide knowledge support to address specific fiscal policy issues (up to 2 person-months). Due to the specialized nature of the tasks, the consultants will be engaged individually in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). The disbursement of funds will follow ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

21. TA outputs will be disseminated using existing government mechanisms. The FRC will coordinate public consultation on policy and legislative changes supported under output 1. Approved policies and enacted laws will be published online. The MOF will lead the dissemination of the policy analysis supported under output 2 of the TA.

IV. THE PRESIDENT'S DECISION

22. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$750,000 on a grant basis to the Government of Timor-Leste for Fiscal Policy for Improved Service Delivery, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with:			
Fiscal sustainability and improved service delivery ^a			
Results Chain Outcome	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Improved legal and regulatory frameworks for service delivery and improved capacity for economic policy analysis	<p>a. By 2018, a policy and law stipulating that APAs and SOEs be governed by a robust framework that incentivizes efficient service delivery and manages fiscal risks approved and enacted (2015 baseline: no approved policy, no comprehensive legal framework)</p> <p>b. By 2018, the PEFA assessment of indicator PI-9 on “oversight of aggregate fiscal risk from other public sector entities”, increased to C (2013 baseline: D)^b</p> <p>c. By 2018, the country performance assessment rating for indicator C-8, or “equity of public resource use”, increased to 4.0 (2015 baseline: 3.5)</p>	<p>a. National gazette, MOF reports, Court of Accounts reports</p> <p>b. PEFA reports</p> <p>c. ADB annual reports on country performance assessment exercises</p>	<p>Political changes delay reforms or reduce the commitment to implement fiscal reforms.</p> <p>National elections disrupt the reform process.</p> <p>External factors lead to the finalization of policy designs before a rigorous analysis is completed.</p> <p>Competing priorities reduce the impact of capacity development support.</p>
<p>Outputs</p> <p>1. Improved legal and regulatory frameworks for service delivery</p>	<p>1a. Diagnostic assessment of current legal and operational characteristics of SOEs and APAs</p> <p>1b. Initial piloting of mechanisms for monitoring and performance reporting</p> <p>1c. By 2018, a policy and legislative framework for SOEs and APAs approved (2015 baseline: no policy or legal framework)</p> <p>1d. By 2018, a policy and legislative framework for fees and charges for public services approved (2015 baseline: no policy or legal framework)</p>	<p>1a. Consultant reports</p> <p>1b. MOF and consultant reports</p> <p>1c. Consultant and MOF reports, national gazette</p> <p>1d. Consultant and MOF reports, national gazette</p>	<p>Capacity constraints may limit data availability and government participation in the diagnostic assessment.</p> <p>The need for broad consultation may delay the finalization and approval of policy and legal frameworks.</p> <p>Data constraints may limit the sophistication and precision of analysis.</p>

Results Chain Outcome	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
2. Improved capacity for economic policy analysis	<p>2a. By 2018, an empirical framework for the welfare analysis of fiscal reforms in place and being used to analyze proposed reforms (2015 baseline: no framework in place)</p> <p>2b. By 2018, a formal program to increase MOF staff capacity for quantitative and qualitative policy analysis in place, with at least 6 national staff completing qualitative and quantitative training (2015 baseline: no formal training program for economic analysis)</p> <p>2c. Options analysis on subnational fiscal policy completed with inputs from MOF staff</p> <p>2d. Targeted policy analysis to inform specific fiscal reforms completed</p>	<p>2a. Consultant and MOF reports; government documents, including national budget</p> <p>2b. Consultant and MOF reports</p> <p>2c. Consultant and MOF reports</p> <p>2d. Consultant and MOF reports</p>	<p>Knowledge gaps may constrain the ability of MOF staff to learn new skills quickly.</p> <p>Competing priorities may limit the availability of MOF staff to participate in training.</p>

Key Activities with Milestones

1. Improved legal and regulatory frameworks for service delivery.

- 1.1 Diagnostic assessment of the legal and operational characteristics of current APAs and SOEs (Q3–Q4 2016)
- 1.2 Assessment of current capacity for monitoring and oversight of APAs and SOEs (Q3–Q4 2016)
- 1.3 Development of a policy and legislative framework for APAs and SOEs (Q3 2016–Q4 2017)
- 1.4 Piloting of the new policy and legislative framework in selected APAs and SOEs (Q3 2016–Q4 2018)
- 1.5 Development of a policy and legislative framework to determine fees and charges for public services (Q3 2016–Q1 2017)

2. Improved capacity for economic policy analysis.

- 2.1 Review and mapping of existing data sets and sources and options for quantitative welfare analysis (Q3 2016)
- 2.2 Initial capacity assessment and training needs analysis for MOF economists (Q3 2016)
- 2.3 Training for MOF economists on economic concepts and tools for quantitative analysis (Q3 2016–Q3 2018)
- 2.4 Development of an analytical framework for modeling the welfare and distributional impacts of public expenditure and planned fiscal reforms (Q3 2016–Q4 2017)
- 2.5 Options analysis for sub-national fiscal policy (Q1–Q2 2017)
- 2.6 Support for the application of the analytical framework to key policy questions (Q3 2017–Q4 2018)

2.7 Support for other discrete pieces of economic policy analysis (Q3 2016–Q4 2018)
<p>Inputs</p> <p>ADB: \$750,000 (grant)</p> <p>Note: The government will provide counterpart support in the form of counterpart staff, office accommodation, venues and refreshments for training and workshops, and any software licenses required by government staff.</p>
<p>Assumptions for Partner Financing</p> <p>Not Applicable.</p>

ADB = Asian Development Bank, APA = autonomous public agency, MOF = Ministry of Finance, PEFA = Public Expenditure and Financial Accountability, Q = quarter, SOE = state-owned enterprise, TA = technical assistance.

^a Defined by project.

^b PEFA is a multi-agency partnership program to support improved public financial management. The PEFA public financial management performance measurement framework is a standardized tool for assessing the performance of public financial management systems comprising a total of 31 indicators. <http://pefa.org>.

Source: ADB.

COST ESTIMATES AND FINANCING PLAN

(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem (international consultants)	603.5
b. International and local travel	109.2
c. Reports and communications	15.0
2. Training, seminars, and conferences	5.0
3. Miscellaneous administration and support costs ^b	2.3
4. Contingencies	15.0
Total	750.0

Note: The technical assistance (TA) is estimated to cost \$900,000, of which contributions from the Asian Development Bank are represented in the table above. The government will provide counterpart support in the form of in-kind contributions. The value of government contribution is estimated to account for 16.7% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-V).

^b Office supplies to support TA activities.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Autonomous Public Agency Expert and Team Leader for Output 1 (international, 8 person-months, intermittent)

1. The autonomous public agency (APA) expert will have (i) a master's degree in law, economics, public administration, or a related discipline; (ii) at least 15 years of experience in public financial management; (iii) experience in the institutional arrangements of APAs or similar bodies; (iv) sound project management, report writing, and administrative skills; and (v) the ability to liaise with senior public officials and development partners. Prior experience working in Timor-Leste and knowledge of Asian Development Bank (ADB) procedures is highly desirable. The expert will assume overall responsibility for delivering output 1 of the technical assistance (TA) and will work closely with other TA consultants and counterparts in the Ministry of Finance (MOF) and the Fiscal Reform Commission (FRC). The expert will also work closely with the agencies selected to pilot the monitoring and reporting frameworks being developed under the TA.

2. The expert will be responsible for strengthening the accountability of APAs to the national government and will (i) lead the diagnostic assessment of APAs and state-owned enterprises (SOEs), (ii) lead the diagnostic assessment of current government capacity for SOE and APA monitoring, (iii) support the development of tools for APA monitoring and reporting, (iv) work with MOF and APA staff on piloting new tools for monitoring and reporting, (v) lead the development of a policy framework for APAs, and (vi) provide capacity development support to staff at the MOF and selected APAs.

3. Outputs will include (i) a diagnostic assessment of the current legal and operational profile of APAs and SOEs, (ii) a report on the current capacity for SOE and APA monitoring and key gaps, (iii) an overall policy framework for APAs with drafting instructions for supporting legislation, (iv) completed monitoring reports for a pilot group of APAs, and (v) a capacity development plan for MOF and APA staff and report on training outputs.

B. State-Owned Enterprise Governance Expert (international, 6 person-months, intermittent)

4. The SOE governance expert will have (i) a master's degree in business, economics, or law; (ii) at least 15 years of experience in public financial management and SOE issues, including involvement in the management and/or oversight of SOEs; (iii) sound project management, report writing, and administrative skills; and (iv) the ability to liaise with senior public officials and development partners. Prior experience working in Timor-Leste and knowledge of ADB procedures is highly desirable. The expert will work with the APA expert to support the delivery of TA output 1 and will work closely with MOF and FRC counterparts. The expert will also work closely with any SOEs selected to pilot monitoring and reporting frameworks being developed under the TA.

5. The expert will be responsible for establishing a robust policy and legal framework for SOEs that supports efficient service delivery and manages fiscal risks. The expert will (i) lead SOE-related components of the SOE and APA diagnostic study, (ii) lead the SOE-related components of the assessment of current government capacity for monitoring and oversight, (iii) support the development of tools for SOE monitoring and reporting, (iv) work with government and SOE staff on piloting new tools for monitoring and reporting, and (v) lead the development of a policy framework for SOEs.

6. Outputs will include (i) a diagnostic assessment of the current legal and operational profile of SOEs, (ii) a report on the current capacity for SOE monitoring and key gaps, (iii) an overall policy framework for SOEs with drafting instructions for supporting legislation, and (iv) completed monitoring reports for selected SOEs.

C. Senior Welfare Economist and Team Leader for Output 2 (international, 5 person-months, intermittent)

7. The senior welfare economist will have (i) a doctorate in economics; (ii) at least 10 years of experience in undertaking applied econometric analysis of the distributional and welfare impacts of fiscal policies; (iii) a strong track record in research publications; (iv) sound project management, report writing, and administrative skills; and (v) the ability to work with developing country officials. Prior experience working in Timor-Leste or a similarly fragile state is desirable.

8. The senior welfare economist will work closely with MOF and FRC staff and other TA consultants and will be responsible for developing an empirical framework and tools to analyze the distributional impacts of fiscal policy changes. The expert will lead (i) the review and mapping of existing data sources, (ii) the initial assessment of MOF staff capacity for economic and econometric analysis, and (iii) the development of economic models and tools for policy simulations and distributional analysis. The senior economist will work closely with the training specialist to design an appropriate training program for MOF economists and will participate in training during field missions. The senior economist will have primary responsibility for transferring models and analytical tools to MOF staff after TA completion.

9. Outputs will include (i) a report on existing data sources and the feasible analytical approaches for distributional analysis and policy simulations; (ii) a report on current MOF staff capacity for empirical analysis and an assessment of training needs; (iii) completed models and an analytical tool kit for distributional analysis; and (iv) documentation, training, and skills transfer to support the continuous use of the models.

D. Economics Training Specialist (international, 16 person-months, intermittent)

10. The economics training specialist will have (i) a master's degree in economics, (ii) at least 5 years of relevant work experience, (iii) a sound grasp of economic theory, (iv) high proficiency in the use of standard software packages for econometric analysis such as Stata, and (v) sound project management and administrative skills. Experience providing training in Timor-Leste or in a similar environment and proficiency in Tetum are highly desirable.

11. The specialist will be based in the MOF and will provide government economists with training and capacity development support. He or she will assist the senior welfare economist with (i) the initial capacity assessment and training needs analysis, and (ii) the development of economic models and tools for policy simulations and distributional analysis. The specialist will have primary responsibility for (i) providing a program of training and mentoring to MOF economists, and (ii) adapting training materials and manuals for continuous use by the MOF.

12. Outputs will include (i) training materials and manuals, (ii) a program for group and one-on-one training and mentoring for MOF economists, and (iii) reports on performance and training outcomes.

E. Subnational Fiscal Policy Specialist (international, 4 person-months, intermittent)

13. The subnational fiscal policy specialist will have (i) a master's degree in economics or public policy, and (ii) at least 10 years of experience as a practitioner supporting the design and implementation of subnational fiscal policy and decentralization.

14. The specialist will work with other TA consultants and staff from the MOF and other relevant ministries and agencies to prepare an analytical report on the options for fiscal policies to support government plans for decentralization informed by relevant experiences from Asia and the Pacific.

15. The specialist's outputs will include (i) knowledge sharing on regional experiences with decentralization and subnational fiscal policy, (ii) the drafting and finalization of an options analysis paper with contributions from MOF staff, and (iii) support for the presentation and dissemination of the options analysis.

F. Other Experts (international, 2 person-months, intermittent)

16. The TA will provide about 2 person-months of intermittent international consulting services to provide knowledge support and analysis to address specific fiscal policy issues as they emerge. Specific consultant requirements will be determined as the government's fiscal reform program progresses.