Democratic Republic of Timor-Leste
Ministry of Finance

Quarterly Fiscal Bulletin

July –September 2013

Chart of Accounts (COA)

Executive Summary

In the first three quarters of 2013, the General Government of Timor-Leste (GGoTL) including the Petroleum Fund (PF) is running a surplus of $2,158.7 million. Overall this means that the GGoTL is able to sustain its current level of operations.

Excluding the PF, the GGoTL is running a non-oil deficit of $459.8 million. Higher and increasing recurrent expenditures and a low execution capacity in the Infrastructure Fund are trends which have continued in 2013.

COA - Vol.3

Ministry of Finance
Economic Policy Directorate

Overall fiscal position (Oil and Non-oil)

By the 30th September 2013, the GGoTL, including PF has a surplus of $2,158.7 million.

Table 1. Overall Fiscal Position

Petroleum Fund and General Government					
	2013 Act Q1	2013 Act Q2	2013 Act Q3	2013 Act Q4	Total Actual
A. Total Expenditure	**88.1**	**224.3**	**250.3**		**562.7**
Recurrent Expenditure	75.8	186.6	158.5		420.9
Capital Expenditure	12.3	37.7	91.8		141.9
B. Total Revenue	**1,026.5**	**898.7**	**796.2**		**2,721.5**
Non-oil Revenue	30.0	35.3	31.6		96.8
Oil Revenue	937.8	796.0	703.3		2,437.1
Investment Income from the PF	58.7	67.4	61.4		187.5
Surplus of (B-A):	**938.4**	**674.4**	**545.9**		**2,158.7**
Foreign Loans	0.0	0.0	0.0		0.0
Net Purchase of Financial Assets	994.6	861.2	582.6		2,438.5
Change in of Cash Balance*	-56.3	-186.8	-36.7		*-279.8*

NB: Net Purchase of Financial Assets and Investment Income exclude the changes in market value of financial assets in the Petroleum Fund.

**In this table a minus number shows a reduction in the amount of cash the Government holds in its accounts.*

By the 30th September 2013 total expenditures reach $562.7 million. Expenditure is driven mostly by recurrent expenditure which totals $420.9 million. Capital expenditure is much more modest, totaling $141.9 million.

Total revenue stands at $2,721.5 million, driven mostly by revenues in the PF which total $2,624.6 million. PF revenues comprise of PF gross receipts (including taxes, royalties and first tranche petroleum) and investment income (including dividends, interests and trust income, but excluding fair value gains and losses on profit/loss)[2].

The overall surplus (total revenue – total expenditure) is $2,158.7 million. This shows that the Government is, including the Petroleum Fund, in a strong financial position and has a surplus which can be invested in financial assets.

Total purchase of financial assets is $2,438.5 million at the end of the third quarter 2013. Total expenditure and the purchase of financial assets combined were larger than total revenues throughout the year and therefore the amount of cash held in the Government's accounts decreased by $279.8 million over the three quarters until

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[2] The reason for excluding gains and losses on profit/loss and on exchange rates is due to these items being accrued but not cashed.

General Government's Fiscal Position

Table 2. Non-Oil Fiscal Position

General Government							
	2013 Budget	2013 Act Q1	2013 Act Q2	2013 Act Q3	2013 Act Q4	Total Actual	% Execution
A Total Expenditure by Appropriation Category	**1,647.5**	**86.2**	**222.1**	**248.3**		**556.6**	**34%**
Recurrent	**826.4**	**73.9**	**184.3**	**156.5**		**414.7**	**50%**
Salary and Wages	161.1	30.5	32.9	34.9		98.3	**61%**
Goods and Services*	430.7	29.4	82.3	82.7		194.4	**45%**
Public Transfers	234.7	13.9	69.1	38.9		122.0	**52%**
Capital	**813.4**	**12.3**	**37.7**	**91.8**		**141.9**	**17%**
Minor Capital	55.4	0.0	2.2	3.0		5.2	**9%**
Capital and Development **	758.0	12.3	35.6	88.8		136.7	**18%**
B Domestic Revenue	**146.3**	**30.0**	**35.3**	**31.6**		**96.8**	**66%**
Non-Oil Fiscal Balance (B-A)	**-1,501.2**	**-56.3**	**-186.8**	**-216.7**		**-459.8**	**31%**
Financing	**1,501.2**	**56.3**	**186.8**	**216.7**		**459.8**	**-31%**
Estimated Sustainable Income (ESI)	787.0	0.0	**0.0**	180.0		180.0	**23%**
Excess Withdrawals from the PF							
Reduction in Cash Balance	714.2	56.3	186.8	36.7		279.8	**39%**
Borrowing/Loans	43.6	0.0	0.0	0.0		0.0	**0%**

**including HCDF.*

***including Infrastructure exp.*

At the end of the third quarter 2013, the GGoTL has accumulated a non-oil deficit of $459.8 million, as seen in Table 2. Total expenditures in the GGoTL are financed through a combination of withdrawals from the PF, a reduction in the cash balance and loans. By the end of the third quarter of 2013 $180 million had been withdrawn from the PF and $279.8 million had been used from the cash balance, as no money was disbursed on loans.

General Government Expenditures

By the 30th September 2013, expenditures in the GGoTL reach $556.6 million, which are only 34% of total budgeted expenditures for the year. This is much lower than the $801.6 million spent by the end of the third quarter of 2012.

Expenditure by Appropriation Category

Expenditures have been mostly recurrent expenditures (75%), whilst capital expenditures have only accounted for 25% of total expenditures. Recurrent expenditures total $414.7 million by the end of the third quarter of

2013. This is 10% lower than the $456.6 million recorded in the same period in 2012. Capital expenditures reduced 58% (from $335 million to $141.9 million) across the same period in 2012 and 2013.

Recurrent expenditures are divided into:

Salary and Wages comprises the smallest group of expenditures, totaling $98.3 million during the first three quarters of 2013 and 12% higher than the $ 87.7 million incurred in the first three quarters of 2012. This represents 61% of the total budgeted for the year.

Goods and Services is the largest category of recurrent expenditures, totaling $194.4 million throughout the first three quarters in 2013 and with an execution rate of 45%. This represents a 14% reduction compared to the $225.6 million incurred in the same period of 2012. This reduction was strongly affected by lower spending on fuel for generators. Within Goods and Services, expenditures on human capital through the HCDF have also reduced 57% compared to last year, reaching $10.5 million by the 30th September 2013.

Public Transfers total $122.0 million by the end of the third quarter of 2013, 15% lower than the $143.30 million paid out in the same quarter of 2012 and represents 52% of budgeted expenditure on public transfers for 2013. The reduction is explained by a fall in the Ministry of Social Solidarity's transfers in 2013 compared to 2012, partly due to the unexpected natural disasters which occurred in 2012 and which required more emergency funds last year.

Capital expenditures total $141.9 million by the 30th September 2013. This is 58% lower than the $345 million spent in the third quarter of 2012 and represents 17% of the annual budgeted capital expenditure.

Capital expenditures are composed of:

Minor Capital reaches $5.2 million at the end of the third quarter of 2013, 73% lower than the $19.2 million spent in the same quarter of 2012.

Capital & Development has decreased to $136.7 million from $325.8 million incurred in the same period in 2012. In particular, capital expenditures in the IF stand at $99.3 million, 66% less than the $289.1 million spent in the first three quarters of 2012.

Grants and Non-oil Revenues

Table 3. Non-oil Revenues

General Government							
	2013 Budget	2013 Act Q1	2013 Act Q2	2013 Act Q3	2013 Act Q4	Total Actual	% Execution
Total Domestic Non-oil Revenues	**146.3**	**30.0**	**35.3**	**31.6**		**96.8**	**66%**
Tax Revenue	**105.8**	**20.4**	**26.3**	**24.8**		**71.6**	**68%**
Taxes on commodities	58.8	12.9	14.1	14.8		41.8	71%
Taxes on income	41.8	6.8	11.2	9.0		27.0	65%
Service tax	5.2	0.7	0.9	1.0		2.6	51%
Other tax revenues	0.0	0.1	0.1	0.0		0.2	
Non tax Revenue (non-oil)	**17.7**	**5.0**	**3.7**	**4.0**		**12.8**	**72%**
Revenue Retention Agencies	**22.8**	**4.5**	**5.2**	**2.7**		**12.4**	**54%**

Total domestic, non-oil revenues at the end of third quarter of 2013 reaches $96.8 million. This means that by the 30th September 2013, the total execution rate for non-oil revenue collection is only 66% of the amount budgeted for the year. By the 30th September 2013, 74% of total revenue is tax revenue, whereas the remaining 26% is collected from a combination of non-oil non tax revenue and from Retention Agencies.

Tax Revenue is divided into:

Taxes on commodities are the largest tax revenue category, totaling $41.8 million at the end of the third quarter of 2013. This is 8% higher than the $38.8 million collected for the same period of 2012. This increase stems from an increase in excise tax collected, counteracted by a reduction in the collection of sales tax and import duties.

Taxes on income are the second largest category totaling $27.0 at the end of the third quarter of 2013, 5% lower than the 28.6 million collected by the 30th September of 2012. By 30th September 2013, taxes on income are 65% of the total annual budgeted, lower than collection of taxes on commodities.

Service tax has decreased by 20% compared to the first three quarter of 2012, totaling $2.6 million by the end of the third quarter of 2013. This category represented the lowest execution rates, amounting to 51% of annual budgeted taxation rates.

Other Tax Revenues reach $0.2 million, much higher than the $0.04 million collected in the same period of 2012.

Other non-tax revenue total $12.8 million by the end of the third quarter of 2013, 72% of total budgeted for the year.

Finally, the Revenue Retention Agencies collected $12.4 million by the end of the third quarter of 2013, 12% lower than the $14 million collected in the same period of 2012. The reduction is due to a strong reduction in electricity fees and charges. This represents 54% of the forecast in the annual budget.

Financing

As seen in Table 2, all non-oil expenditures incurred by the GGoTL are financed through a combination of withdrawals from the PF, loans and use of the cash balance. However, due to the large rollover from 2012, the GGoTL has prioritized making use of the cash balance instead of PF withdrawals to finance non-oil deficits in 2013.

By the end of the third quarter of 2013, the non-oil deficit of the GGoTL is $459.8 million, accumulated across continuous deficits over the first three quarters of 2013. 39% has been financed through withdrawals from the PF and the 61% through the use of the cash balance.