Democratic Republic of Timor-Leste
Ministry of Finance

Quarterly Fiscal Bulletin

October –December 2013

Chart of Accounts (COA)

Executive Summary

The General Government of Timor-Leste (GGoTL) including the Petroleum Fund (PF) is running a surplus of $2,360 million in 2013. Overall this means that the GGoTL is able to sustain its current level of operations. However the GGoTL is strongly reliant on oil to achieve this, as excluding the Petroleum Fund, the GGoTL is running a non-oil deficit of $921 million.

COA - Vol. 4

Ministry of Finance
Economic Policy Directorate

Overall fiscal position (Oil and Non-oil)

Table 1. Overall Fiscal Position[1]

Petroleum Fund and General Government					
	2013 Act Q1	2013 Act Q2	2013 Act Q3	2013 Act Q4	Total Actual
A. Total Expenditure	**86.6**	**220.1**	**250.3**	**522.6**	**1,079.7**
Recurrent Expenditure	74.7	182.4	158.5	318.6	734.2
Capital Expenditure	11.9	37.7	91.8	204.0	345.5
B. Total Revenue	**1026.5**	**898.7**	**796.2**	**718.3**	**3,439.7**
Non oil Revenue	30.0	35.3	31.6	52.2	149.0
Oil Revenue	996.5	863.5	764.7	666.1	3,290.7
Petroleum Fund Gross Receipts	*937.8*	*796.0*	*703.3*	*604.7*	*3,041.8*
Investment Income	*58.7*	*67.4*	*61.4*	*61.4*	*248.9*
Surplus of (A-B):	**939.8**	**678.6**	**545.9**	**195.7**	**2,360.0**
Financing	**-939.8**	**-678.6**	**-545.9**	**-195.7**	**-2,360.0**
Foreign Loans	0.0	0.0	0.0	8.8	8.8
Net Purchase of Financial Assets	-994.6	-861.2	-582.6	-112.6	-2,551.1
Use of Cash Balance**	54.8	182.6	36.7	-91.9	182.2

**Use of Cash Balance refers to the Government Accounts only.*

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

Negative Values are cash coming out of the account. Positive values are cash coming into the account.

By the 31st December 2013 total expenditures reached $1,079.7 million, driven majorly by recurrent expenditure (totalling $734.2 million), whilst capital expenditures reached $345.9 million.

Total revenue was $3,439.7 million, $3,290.7million of which was PF revenues. These include PF gross receipts (taxes, royalties and first tranche petroleum) and investment income (dividends, interests and trust income, but exclude fair value gains and losses on profit/loss).[2]

Consequently the overall surplus was $2,360.0 million. This is calculated as total revenue minus total expenditure. A surplus means the GGoTL, including the PF, is in a strong financial position to make investments in financial assets.

The total purchase of financial assets in 2013 amounted to $2,551.1 million; as total expenditures were larger than revenues for the GGoTL (without including the PF). $182.2 million was used from the Government's cash balance to finance the gap. However it must be noted this reduction in cash does not represent a deterioration in the overall financial position of the Government, as it is outweighed by the increase in the purchase of financial assets in the PF.

[1] All data in this document refers to unaudited accounts and is thus subject to change.

[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
Total Expenditure by Appropriation Category	**1647.5**	**84.8**	**217.9**	**248.3**	**519.1**	**1070.0**	**65%**
Recurrent	**841.0**	**72.9**	**180.2**	**156.5**	**315.1**	**724.6**	**86%**
Salary and Wages	160.5	30.4	32.8	34.9	43.6	141.7	**88%**
Goods and Services *	441.5	28.7	78.2	82.7	195.2	384.8	**87%**
Public Transfers	239.0	13.7	69.1	38.9	76.3	198.1	**83%**
Capital	**806.5**	**11.9**	**37.7**	**91.8**	**204.0**	**345.5**	**43%**
Minor Capital	49.6	0.0	2.2	3.0	35.4	40.5	**82%**
Capital & Development**	756.9	11.9	35.6	88.8	168.7	304.9	**40%**
Domestic Revenue	**146.3**	**30.0**	**35.3**	**31.6**	**52.2**	**149.0**	**102%**
Non-Oil Fiscal Balance	**-1501.2**	**-54.8**	**-182.6**	**-216.7**	**-466.9**	**-921.0**	**61%**
Financing	**1501.2**	**54.8**	**182.6**	**216.7**	**466.9**	**921.0**	**-61%**
ESI	787.0	0.0	0.0	180.0	550.0	730.0	**93%**
Excess Withdrawals from the PF							
Use of Cash Balance	670.6	54.8	182.6	36.7	-91.9	182.3	**27%**
Borrowing/Loans	43.6	0.0	0.0	0.0	8.8	8.8	**20%**

**Including HCDF.*

***Including Infrastructure exp.*

As seen in Table 2, the GGoTL excluding the PF has accumulated a non-oil deficit of $921.0 million at the closing of 2013. A combination of withdrawals from the PF ($730 million), use of the cash balance ($182.3 million) and loans ($8.8 million) are used to finance the GGoTL deficit.

General Government Expenditures

Expenditures in the GGoTL reached $1,070.0 million at the end of 2013, lower than the $1,197.6 million spent by the end of 2012. Moreover actual expenditures represented only 65% of total budgeted expenditures for the year.

Expenditure by Appropriation Category

Expenditures are divided into recurrent and capital expenditures. Recurrent expenditures add up to $724.6 million at the closing of 2013 (68% of total expenditures). This was a 5% increase in comparison to the $691.2 million recorded in the same period in 2012. Capital expenditures reached $345.5 million by the 31st December 2013 (32% of total expenditures), 32% lower than 2012. These lower capital expenditures can be attributed to the completion of the Hera power plant in 2012: This was one of the largest infrastructure projects carried out in the country, completed in 2012 and budgeted at $1.76 billion.

Recurrent expenditures are divided into:

Salary and Wages amounted to $141.7 million at the closing of 2013, 88% of the total budget for salary and wages. This is 8% higher than the $130.9 million incurred in 2012.

Goods and Services totalled $384.8 million by the 31st December 2013 and was therefore the largest category of recurrent expenditures, with an execution rate of 87%. This represents an increase of 12% compared to the $341.9 million spent in the same period of 2012. The increase was strongly affected by higher spending on fuel for generators, maintenance of equipment and buildings and professional services. Within Goods and Services, expenditures on human capital through the HCDF have also decreased by 1% compared to last year, reaching $31.9 million by the 31st December 2013.

Public Transfers reached $198.1 million by the end of 2013, 83% of budgeted expenditure on public transfers for 2013. This total was 9% lower than the $218.5 million paid out in 2012. The reduction is explained by a fall in personal transfers and public grants from 2012 to 2013.

Capital expenditures reached $345.5 million at the close of 2013. This is 32% lower than the $506.4 million spent in the fourth quarter of 2012 and represents 43% of the annual budgeted capital expenditure. Capital expenditures are composed of:

Minor Capital totalled $40.5 million at the by the 31st December 2013. This is 82% of total minor capital budgeted for the year and was 3% lower than the $42.0 million spent in the same quarter of 2012.

Capital & Development reached $304.9 million at the closing of 2013, this is lower than the $464.4 million incurred in the same period in 2012 and represents 40% of total capital and development budgeted for the year. In particular, capital expenditures in the Infrastructure Fund stand at $205.4 million, 45% less than the $376.1 million spent in 2012.

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**	**52.2**	**149.0**	**102%**
Tax Revenue	**105.8**	**20.4**	**26.3**	**24.8**	**32.8**	**104.4**	**99%**
Taxes on commodities	58.8	12.9	14.1	14.8	19.1	60.8	103%
Taxes on income	41.8	6.8	11.2	9.0	12.8	39.8	95%
Service tax	5.2	0.7	0.9	1.0	0.9	3.5	68%
Other tax revenues	0.0	0.1	0.1	0.0	0.0	0.2	NA
Other Non tax Revenue (non-oil)	**17.7**	**5.0**	**3.7**	**4.0**	**12.7**	**25.4**	**144%**
Revenue Retention Agencies	**22.8**	**4.5**	**5.2**	**2.7**	**6.8**	**19.2**	**84%**

By the end of 2013, total domestic, non-oil revenues were $149.0 million, 2% above the original forecast for the year in the 2013 budget. Forecasted revenues have thus been very accurate in Timor-Leste for 2013. 70% of total revenue was tax revenue and 30% was collected from a combination of non-oil non tax revenue and from Retention Agencies.

Tax Revenue is divided into:

> **Taxes on commodities** reached $60.8 million at the closing of 2013. This was thus the biggest category of taxes and is 6% higher than the $56.9 million collected in 2012. This increase stems from an increase in excise tax collected.
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> **Taxes on income** were 7% higher than the $37.2 million collected in 2012, totalling $39.8 million at the end of 2013. This increase was due to higher individual income and corporate taxes. Moreover by the 31st December 2013, taxes on income were 95% of the total annual budgeted.
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> **Service tax** totalled $3.5 million by the 31st December 2013. This is 20% lower than the $4.4 million collected in 2012. Moreover this category represented the lowest execution rates, amounting to 68% of annual budgeted taxation rates.
>
> **Other Tax Revenues** reached $0.2 million at the closing of 2013, much higher than the $0.06 million collected in the same period of 2012.

At the closing of 2013, other non-tax revenue totalled $25.4 million. This is 44% higher than was forecasted for the year. High execution rate were due to a mixture of the doubling of revenues from rice sales and to an unexpected increase in non tax revenues within fees and services charges.

Finally Revenue Retention Agencies at end of 2013 recorded $19.2 million, almost the same than was collected in 2012.

Financing

Non-oil expenditures incurred by the GGoTL were financed through a combination of withdrawals from the PF, loans and use of the cash balance. Consequently 79% of the $921.0 million non-oil deficit of the GGoTL in 2013 was financed through withdrawals from the PF, 20% through the use of the cash balance and 1% through loans. This highlights the great dependency of the GGoTL on the PF to maintain its current level of operations.