

GFS Vol. 7



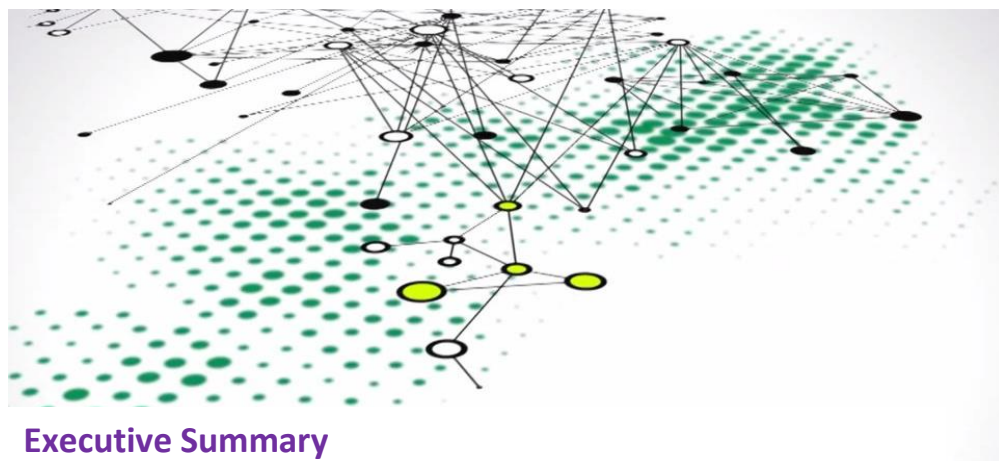
Democratic Republic of Timor-Leste
Ministry of Finance

QUARTERLY FISCAL BULLETIN

July- September 2014

Government Financial Statistics

(GFS)



Executive Summary

By the 30st September 2014, the General Government of Timor - Leste (GGoTL), including the Petroleum Fund (PF) and Donor Funds (DF) ran a net operating balance of \$1,404.2 million and had a net lending capacity of \$1,229.9 million. This surplus is being invested in financial assets in the PF.

General Directorate of State Finance
National Directorate for Economic Policy
Dili 2014

FISCAL BULLETIN TIMOR-LESTE

Government Financial Statistics

1. Revenues

At the end of the third quarter of 2014, total revenues for the GGoTL, PF and DF amounted to \$2,023.7 million. This was divided into non-oil revenues, from oil revenues and Donor Fund revenues.¹

1.1. Non-oil Revenues

The Government has increased non-oil revenue in recent years and is planning further reforms to increase non-oil revenue collections going forward. By the end of the third quarter of 2014, non-oil revenues are composed of taxes, grants and other revenue:

Non-oil taxes are the greatest source of revenue in the domestic non-oil economy (72.5% of total non-oil revenues) totalling \$81.4 million by the end of the third quarter of 2014. These are divided into:

Taxes on income, profits and capital gains were 11.5% higher at the end of September 2014 than for the same period of 2013, reaching \$30.0 million at the end of the third quarter of 2014.

Taxes on goods and services totaled \$41.9 million at the end of the third quarter of 2014 and were thus the largest source of tax revenue. This collection was 12.3% higher than the \$37.3 million collected in 2013.

Taxes on international trade and transactions were 9.2% higher at the end of the third quarter of 2014 than in the third quarter of 2013 and amounted to \$9.5 million by the 30th September 2014.

Grants: By the end of third quarter of 2014, \$340.0 million were received in transfers from the PF.

Other revenue totalled \$30.8 million by the end of the third quarter 2014, a 30.9% increase compared to the third quarter of 2013. This increase was mostly due to an increase in miscellaneous items by the end of the second quarter of 2014 (recorded under 'other').

1.2. Development Partner revenues

Revenues in the Donor Fund are obtained by means of grants received from all development partners. By the end of the third quarter of 2014, this amounted to \$52.6 million.

1.3. Oil Revenues

Oil revenues are the major source of revenues in Timor-Leste (representing 91.9% of total oil and non-oil revenues in the third quarter). These are divided into:

Taxes in the third quarter of 2014 totalled \$609.6 million, mostly due to income taxes recorded under taxes on income, profits and capital gains.

Other revenue included profit from oil, first tranche petroleum, interest, and trust and dividend income and totalled \$1,249.2 million by 30th of September 2014. This was mostly due to first tranche petroleum which reached \$235.6 million at the end of September 2014.

¹ Petroleum Fund (PF), Donor Fund (DF), General Government of Timor - Leste (GGoTL)

FISCAL BULLETIN TIMOR-LESTE

Government Financial Statistics

2. Expenses

Expenses incurred in the third quarter of 2014 by the GGoTL, PF and DF amounted to \$619.4 million. The GGoTL which spent \$561.4 million, DF spent \$45.7 million whilst \$352.3 million were expenditures in the PF.

2.1 General Government Expenditures

Expenditure categories for GGoTL are composed of:

Compensation of Employees was 15.8% higher than the \$102.4 million spent in the third quarter 2013, totaling \$118.5 million by the 30th September 2014.

Use of Goods & Services reached \$239.5 million by the end of the third quarter of 2014 (43.5% increased compare the same quarter of 2013 it was \$167 million).

Social benefits totaled \$80.7 million in the end of the third quarter of 2014, 3.2% higher than was recorded in the same quarter of 2013. It was mostly affected by an increase in the current transfer for personal benefits.

Other expenses reached \$122.7 million at the end of the third quarter of 2014, 205.6% higher than the \$40.2 million recorded in the same period of 2013. The increase was strongly affected by \$64.9 million from transfers of public grants.

2.2 Donor Fund Expenditures

Donor fund expenditure was \$45.7 million by the end of the third quarter of 2014. This was divided into \$27.0 million on other expenses; \$3.9 million were expenditures on compensation of employees and \$14.8 million spent on use of goods and services.

2.3 Petroleum Fund Expenditures

Petroleum Fund expenses reached \$352.5 million in the third quarter of 2014. \$12.3 million were management fees and \$340.0 were transfers to the GGoTL.

3. Net Operating Balance

The net operating balance is calculated as revenues minus expenses and it shows the Government's ability to sustain its current level operations, given revenues and expenses.

At the end of the third quarter of 2014, the GGoTL, DF and the PF were running a net operating surplus of \$1,404.2 million.

4. Net Acquisition of Non-Financial Assets

Net acquisition of non-financial assets records transactions that change GGoTL's holdings of non-financial assets. It is broadly equivalent to capital expenditure as recorded in the Charter of Accounts in Timor-Leste.

FISCAL BULLETIN TIMOR-LESTE

Government Financial Statistics

At the end of September 2014 total acquisition of non-financial assets for the GGoTL including DF and PF stood at \$174.3 million. \$6.9 million was spent by DF and \$167.4 million was spent by the GGoTL (particularly on building and structures).

5. Net Lending/Borrowing

Net lending/borrowing is calculated as total expenditures minus revenues. Net lending for the GGoTL with the PF and DF was \$1,229.9 million at the end of the third quarter of 2014, taking into account the combination of total revenue, expenditures and acquisition of non-financial assets. This means that the GGoTL with the PF and DF incurred a surplus which is being invested in financial assets, but which was also affected by \$6.1 million from loan disbursements.

6. Net Acquisition of Financial Assets

The increase in the Government's holdings of financial assets is recorded under net acquisition of financial assets. In the case of Timor-Leste, the net lending capacity is being invested, mostly through the PF, in a range of financial assets including shares, securities, currency and deposits, cash and other equities.

By the end of the third quarter of 2014, the net acquisition of financial assets for the GGoTL, DF and the PF was \$1,236.0 million. This was composed of two parts: \$270.4 million was withdrawn from the CFTL cash balance to finance the gap between expenses and revenues in the GGoTL (this explains why the value is negative for currency and deposits in the tables in the annex) and \$1,506.4 million invested in financial instruments in the PF.

The unrealized market value of financial assets is recorded under Other Economic Flows and reached \$134.0 million by the end of September 2014². This is recorded separately to the net acquisition of financial assets in table 5 of the annex, as it shows changes in value in PF investments and thus results in the total acquisition of financial assets being larger than net lending.

7. Net Acquisition of Financial Liabilities

Net acquisition of financial liabilities shows the loans disbursement to date in the GGoTL. This totalled \$6.1 million by the 30th September 2014.

8. Final Conclusion

At the closing of the third quarter of 2014, the GGoTL including the PF and DF had a strong fiscal position. The GGoTL, PF and DF ran a net operating balance of \$1,404.2 million and had a net lending capacity of \$1,229.9 million. Total net lending capacity is then being invested in financial assets.

² \$134.0 million is the total sum of other economic flows recorded for all three quarters of the year as stated in Table 5.

FISCAL BULLETIN TIMOR-LESTE

Government Financial Statistics

Table 1. Accumulated Statement of Government Operations (GGoTL, PF, DF, Transactions)

Data for 2014, in millions of US dollars.		Total Quarter 1	Total Quarter 2	Total Quarter 3	Total Quarter 4	Accumulated Total
Revenue	1	688.4	712.4	622.9	-	2,023.7
Taxes	11	257.2	211.6	222.2	-	691.0
Taxes on income, profits, and capital gains	111	233.2	184.5	199.7	-	617.4
Taxes on goods & services	114	20.8	23.5	19.8	-	64.1
Taxes on international trade & transactions	115	3.2	3.6	2.7	-	9.5
Other taxes	116	-	-	0.0	-	0.0
Grants	13	21.9	11.5	19.2	-	52.6
Other revenue	14	409.3	489.3	381.5	-	1,280.0
Property income	141	400.8	478.3	366.1	-	1,245.2
Other	142-145	8.5	11.0	15.3	-	34.9
Expense	2	103.7	239.5	276.2	-	619.4
Compensation of employees	21	39.3	39.4	43.7	-	122.4
Use of goods & services	22	36.6	112.7	117.4	-	266.7
Consumption of fixed capital	23	-	-	-	-	-
Interest	24	-	-	-	-	-
Grants	26	-	-	-	-	-
Social benefits	27	16.5	37.0	27.1	-	80.7
Other expense	28	11.3	50.4	88.0	-	149.7
Gross operating balance [1-2+23]	GOB	584.6	472.9	346.7	-	1,404.2
Net operating balance [1-2]	NOB	584.6	472.9	346.7	-	1,404.2
Net acquisition of nonfinancial assets	31	18.6	66.7	89.1	-	174.3
Acquisition of nonfinancial assets	311	18.6	66.7	89.1	-	174.3
Buildings & Structures	3111	18.6	62.1	81.4	-	162.1
Machinery & Equipment	3112	0.0	4.6	7.7	-	12.3
Consumption of fixed capital [=23]	313	-	-	-	-	-
Net lending / borrowing [1-2-31 = 1-2M]	NLB	566.1	406.2	257.6	-	1,229.9
Net acquisition of financial assets	32	569.1	408.9	258.0	-	1,236.0
<i>by instrument</i>		-	-	-	-	-
Currency and deposits	3202	20.3	(185.2)	104.4	-	(60.4)
Securities other than shares	3203	319.2	343.6	58.8	-	721.7
Loans	3204	-	-	-	-	-
Shares and other equity	3205	194.6	229.1	39.2	-	462.9
Other accounts receivable	3208	34.9	21.4	55.6	-	112.0
Net incurrence of liabilities	33	3.0	2.7	0.4	-	6.1
Loans	3304	3.0	2.7	0.4	-	6.1
Other accounts payable	3308	-	-	-	-	-
<i>Statistical discrepancy [32 - 33 - NLB-]</i>	<i>NLBz</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<u>Memorandum item:</u>						
Total expenditure [2+31]	2M	122.3	306.2	275.4	-	703.9

FISCAL BULLETIN TIMOR-LESTE

Government Financial Statistics

Table 2. Accumulated Statement of Government Operations for the GGoTL

Data for 2014, in millions of US dollars.		Total Quarter 1	Total Quarter 2	Total Quarter 3	Total Quarter 4	Accumulated Total
Revenue	1	35.5	40.1	376.6	-	452.3
Taxes	11	26.0	27.8	27.6	-	81.4
Taxes on income, profits, and capital gains	111	10.0	9.4	10.7	-	30.0
Taxes on goods & services	114	12.9	14.8	14.2	-	41.9
Taxes on international trade & transactions	115	3.2	3.6	2.7	-	9.5
Other taxes	116	-	-	0.0	-	0.0
Grants	13	-	-	340.0	-	340.0
Other revenue	14	9.5	12.4	9.0	-	30.8
Property income	141	1.0	1.4	0.8	-	3.1
Other	142-145	8.5	11.0	8.2	-	27.7
Expense	2	83.0	224.4	254.0	-	561.4
Compensation of employees	21	36.0	39.1	43.4	-	118.5
Use of goods & services	22	24.7	103.5	111.4	-	239.5
Consumption of fixed capital	23	-	-	-	-	-
Interest	24	-	-	-	-	-
Grants	26	-	-	-	-	-
Social benefits	27	16.5	37.0	27.1	-	80.7
Other expense	28	5.9	44.8	72.0	-	122.7
Gross operating balance [1-2+23]	GOB	(47.5)	(184.2)	122.7	-	(109.1)
Net operating balance [1-2]	NOB	(47.5)	(184.2)	122.7	-	(109.1)
Net acquisition of nonfinancial assets	31	14.3	66.4	86.7	-	167.4
Acquisition of nonfinancial assets	311	14.3	66.4	86.7	-	167.4
Buildings & Structures	3111	14.3	61.8	79.0	-	155.1
Machinery & Equipment	3112	0.0	4.6	7.7	-	12.3
Consumption of fixed capital [=23]	313	-	-	-	-	-
Net lending / borrowing [1-2-31 = 1-2M]	NLB	(61.8)	(250.7)	35.9	-	(276.5)
Net acquisition of financial assets	32	(58.8)	(248.0)	36.4	-	(270.4)
<i>by instrument</i>		-	-	-	-	-
Currency and deposits	3202	(58.8)	(248.0)	36.4	-	(270.4)
Securities other than shares	3203	-	-	-	-	-
Loans	3204	-	-	-	-	-
Shares and other equity	3205	-	-	-	-	-
Other accounts receivable	3208	-	-	-	-	-
Net incurrence of liabilities	33	3.0	2.7	0.4	-	6.1
Loans	3304	3.0	2.7	0.4	-	6.1
Other accounts payable	3308	-	-	-	-	-
<i>Statistical discrepancy [32 - 33 - NLB-]</i>	NLBz	-	-	-	-	-
<i>Memorandum item:</i>		-	-	-	-	-
Total expenditure [2+31]	2M	97.3	290.8	270.1	-	658.2

*Note: Statistical Discrepancy should be zero.
Consumption of fixed capital will have to be calculated from inventory*

FISCAL BULLETIN TIMOR-LESTE

Government Financial Statistics

Table 3. Accumulated Statement of Government Operations for the Donor Fund

Data for 2014, in millions of US dollars.		Total Quarter 1	Total Quarter 2	Total Quarter 3	Total Quarter 4	Accumulated Total
Revenue	1	21.9	11.5	19.2	-	52.6
Taxes	11	-	-	-	-	-
Taxes on income, profits, and capital gains	111	-	-	-	-	-
Taxes on goods & services	114	-	-	-	-	-
Taxes on international trade & transactions	115	-	-	-	-	-
Other taxes	116	-	-	-	-	-
Grants	13	21.9	11.5	19.2	-	52.6
Other revenue	14	-	-	-	-	-
Property income	141	-	-	-	-	-
Other	142-145	-	-	-	-	-
Expense	2	17.6	11.2	16.9	-	45.7
Compensation of employees	21	3.3	0.2	0.3	-	3.9
Use of goods & services	22	8.8	5.4	0.6	-	14.8
Consumption of fixed capital	23	-	-	-	-	-
Interest	24	-	-	-	-	-
Grants	26	-	-	-	-	-
Social benefits	27	-	-	-	-	-
Other expense	28	5.5	5.6	15.9	-	27.0
Gross operating balance [1-2+23]	GOB	4.3	0.3	2.3	-	6.9
Net operating balance [1-2]	NOB	4.3	0.3	2.3	-	6.9
Net acquisition of nonfinancial assets	31	4.3	0.3	2.3	-	6.9
Acquisition of nonfinancial assets	311	4.3	0.3	2.3	-	6.9
Buildings & Structures	3111	4.3	0.3	2.3	-	6.9
Machinery & Equipment	3112	-	-	-	-	-
Consumption of fixed capital [=23]	313	-	-	-	-	-
Net lending / borrowing [1-2-31 = 1-2M]	NLB	0.0	0.0	-	-	0.0
Net acquisition of financial assets	32	-	-	-	-	-
<i>by instrument</i>		-	-	-	-	-
Currency and deposits	3202	-	-	-	-	-
Securities other than shares	3203	-	-	-	-	-
Loans	3204	-	-	-	-	-
Shares and other equity	3205	-	-	-	-	-
Other accounts receivable	3208	-	-	-	-	-
Net incurrence of liabilities	33	-	-	-	-	-
Loans	3304	-	-	-	-	-
Other accounts payable	3308	-	-	-	-	-
Statistical discrepancy [32 - 33 - NLB]	NLBz	0.0	0.0	60.0	0.0	60.0
Memorandum item:		-	-	-	-	-
Total expenditure [2+31]	2M	21.8	11.5	-	-	33.4

Note: Statistical Discrepancy should be zero.

Consumption of fixed capital will have to be calculated from inventory

FISCAL BULLETIN TIMOR-LESTE

Government Financial Statistics

Table 4. Accumulated Statement of Government Operations for the Petroleum Fund

Data for 2014, in millions of US dollars.		Total Quarter 1	Total Quarter 2	Total Quarter 3	Total Quarter 4	Accumulated Total
Revenue	1	631.0	660.8	567.0	-	1,858.8
Taxes	11	231.2	183.8	194.6	-	609.6
Taxes on income, profits, and capital gain	111	223.3	175.1	189.0	-	587.3
Taxes on goods & services	114	7.9	8.7	5.6	-	22.2
Taxes on international trade & transactio	115	-	-	-	-	-
Other taxes	116	-	-	-	-	-
Grants	13	-	-	-	-	-
Other revenue	14	399.8	476.9	372.5	-	1,249.2
Property income	141	399.8	476.9	365.3	-	1,242.1
Other	142-145	-	-	7.2	-	7.2
Expense	2	3.1	3.9	345.3	-	352.3
Compensation of employees	21	-	-	-	-	-
Use of goods & services	22	3.1	3.9	5.3	-	12.3
Consumption of fixed capital	23	-	-	-	-	-
Interest	24	-	-	-	-	-
Grants	26	-	-	340.0	-	340.0
Social benefits	27	-	-	-	-	-
Other expense	28	-	-	-	-	-
Gross operating balance [1-2+23]	GOB	627.9	656.9	221.7	-	1,506.4
Net operating balance [1-2]	NOB	627.9	656.9	221.7	-	1,506.4
Net acquisition of nonfinancial assets	31	-	-	-	-	-
Acquisition of nonfinancial assets	311	-	-	-	-	-
Buildings & Structures	3111	-	-	-	-	-
Machinery & Equipment	3112	-	-	-	-	-
Consumption of fixed capital [=23]	313	-	-	-	-	-
Net lending / borrowing [1-2-31 = 1-2M]	NLB	627.9	656.9	221.7	-	1,506.4
Net acquisition of financial assets	32	627.9	656.9	221.7	-	1,506.4
<i>by instrument</i>		-	-	-	-	-
Currency and deposits	3202	79.1	62.8	68.0	-	210.0
Securities other than shares	3203	319.2	343.6	58.8	-	721.7
Loans	3204	-	-	-	-	-
Shares and other equity	3205	194.6	229.1	39.2	-	462.9
Other accounts receivable	3208	34.9	21.4	55.6	-	112.0
Net incurrence of liabilities	33	-	-	-	-	-
Loans	3304	-	-	-	-	-
Other accounts payable	3308	-	-	-	-	-
<i>Statistical discrepancy [32 - 33 - NLB-]</i>	<i>NLBz</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Memorandum item:</i>		-	-	-	-	-
Total expenditure [2+31]	2M	3.1	3.9	5.3	-	12.3

FISCAL BULLETIN TIMOR-LESTE

Government Financial Statistics

Table 5. Analytical Framework for the Petroleum Fund

GFS Analytical Framework for the Petroleum Fund	2013				2014		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Opening Balance	11,775.4	12,977.9	13,624.0	14,558.1	14,952.1	15,670.7	16,634
Net Acquisition of Financial Assets	994.6	861.2	582.6	119.9	627.9	656.9	221.67
Other Economic Flows	208.8	(215.1)	351.9	247.8	92.4	311.6	-270.00
Closing Balance	12,977.9	13,624.0	14,558.1	14,952.1	15,670.7	16,633.7	16,584
<i>Statistical discrepancy</i>	<i>(0.9)</i>	<i>0.0</i>	<i>(0.5)</i>	<i>26.4</i>	<i>(1.7)</i>	<i>(5.5)</i>	<i>-0.92</i>

FISCAL BULLETIN TIMOR-LESTE

Government Financial Statistics

Terminology

Compensation of employees are remuneration in cash or kind, payable to an employee in return for work done and social insurance contributions made by a general government unit on behalf of its employees. Compensation of employees is incurred on a monthly basis in Timor-Leste.

Expenses include all transactions that decrease the net worth of the general government sector. Expenditures are financed from the ESI, excess withdrawals from the Petroleum Fund, loans or the use of cash balance.

General Government of Timor-Leste is the combination of the Consolidated Fund (CFTL), Human Capital and Development Fund (HCDF) and the Infrastructure Fund in Timor-Leste.

Grants: are non-compulsory current or capital transfers from one government unit to another government unit or an international organization. These are divided into estimated sustainable income (ESI) and excess withdrawals.

Gross Operating Balance is the revenue minus expenses other than consumption of fixed capital. It indicates whether the government is able to sustain its current level of operations and ideally should portray a surplus. However consumption of fixed capital is not measured in Timor-Leste, therefore Gross Operating Balance is equal to Net Operating Balance.

Net lending/borrowing is a balancing item defined as the net acquisition of all financial assets less the net incurrence of all liabilities from transactions. It is thus a summary measure indicating the extent to which GGoTL is either putting financial resources at the disposal of other sectors in the economy or utilizing the financial resources generated by other sectors.

Net Operating Balance is equal to revenue minus expenses and indicates whether the government is able to sustain its current level of operations.

Other Revenue includes a variety of forms of revenue earned by GGoTL including property income, sales of goods, fines & penalties and other miscellaneous revenue.

Revenues are all transactions that increase the net worth of general government sector and exclude domestic and external borrowing. Revenues tend to increase by the end of the last period of the year, due to the collection of accumulated taxes.

Social benefits are current transfers to households to provide for needs arising from events such as sickness, unemployment, retirement, housing or family circumstances.

Taxes on goods & services are taxes levied on the production, extraction, sale, transfer, leasing or delivery of goods and rendering of services.

Taxes on income, profits, and capital gains are composed of corporate taxes in Timor-Leste.

Taxes on international trade & transactions include sales tax and other import duties in Timor-Leste.

Transactions in financial assets and liabilities record financial transactions. I.e. they record transactions that change a government's holdings of financial assets and liabilities. In Timor-Leste financial assets are all composed of currency and deposit.

Transactions in nonfinancial assets and liabilities record transactions that change a government's holdings of nonfinancial assets. In Timor-Leste these assets are classified as Buildings & Structures and Machinery & Equipment.

Use of goods & services includes total value of goods and services purchased by the general government sector for use in a production process or acquired for resale less the net change in inventories of those goods and services.