

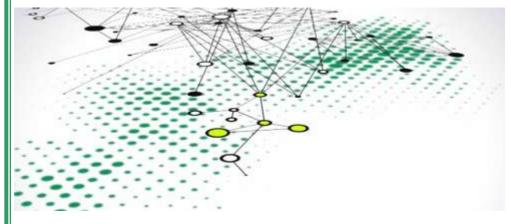
GFS Vol. 10



### Democratic Republic of Timor-Leste Ministry of Finance

# QUARTERLY FISCAL BULLETIN April – June 2015 Government Financial Statistics





### **Executive Summary**

By the 30<sup>th</sup> June 2015, the General Government of Timor - Leste (GGoTL), including the Petroleum Fund (PF) and Donor Fund (DF) ran a net operating balance of \$424.1 million and had a net lending capacity of \$365.9 million. This is a strong fiscal position, as this money is being invested in the PF. However, the GGoTL is still strongly reliant on the PF to run its current level of operations, as without the PF and DF, the GGoTL ran a net operating balance of \$126.9 million.

General Directorate of State Finance National Directorate for Economic Policy Dili 2015

#### 1. Revenues

By the end of June 2015 total revenues for the GGoTL, PF and DF amounted to \$881.7 million. This was divided into \$75.7 million from non-oil revenues<sup>1</sup>, \$742.6 million from oil revenues and \$63.3 million from DF.<sup>2</sup>

#### 1.1. Non-oil Revenues

Non-oil revenues are composed of taxes, grants and other revenue by the end of second quarter of 2015.

**Non-oil taxes** are the greatest source of revenue in the domestic non-oil economy (67.3% of total non-oil revenues) totalling \$50.9 million by the end second quarter of 2015. These are divided into:

Taxes on income, profits and capital gains were 16.0% higher at the end of June 2015 than during the same period last year, reaching \$22.4 million at the end of the second quarter of 2015.

Taxes on goods and services totalled \$23.3 million at the end of the second quarter of 2015. This collection was 16.0% lower than the \$27.7 million collected by the end of the second quarter 2014.

Taxes on international trade and transactions were 23.9% lower at the end of the second quarter of 2015 compared to the same period 2014 and amounted to \$5.2 million by the 30<sup>th</sup> June 2015.

Other taxes totalled \$0.1 million at the end of the second quarter 2015, compared to no other taxes collected during the same period of 2014.

**Grants:** By the end of second quarter of 2015, \$445.0 million were received in transfers from the PF, this is 33.5% of the budgeted ESI and excess withdrawals for the year.

**Other revenue** totalled \$24.8 million by the end of the second quarter 2015, 13.9% higher than the same period 2014. This increase was mostly due to a strong rise in property income (increased from \$2.3 million by the end of the second quarter of 2014 to \$6.9 million during the same period of 2015) together with an increase in the sale of goods and services, particularly in court fees, hospital and medical fees and sale of local produce.

#### 1.2. Donor Fund revenues

Revenues in the DF are obtained by means of grants received from all development partners. By the end of the second quarter of 2015, total DF revenues amounted to \$63.3 million.

#### 1.3. Oil Revenues

**Oil revenues** are the major source of revenues in Timor-Leste (representing 84.2% of total oil and non-oil revenues by the end of second quarter). These are divided into:

**Taxes** at the end of the second quarter of 2015 totalled \$263.8 million, mostly due to taxes on income, profits and capital gains (which reached \$235.4 million by the end of the second quarter of 2015).

<sup>&</sup>lt;sup>1</sup> This excludes grants received by the PF worth \$445.0 million.

<sup>&</sup>lt;sup>2</sup> Abstract: Petroleum Fund (PF), Donor Fund (DF), General Government of Timor - Leste (GGoTL).

**Other revenue** included profit from oil, second tranche petroleum, interest, and trust and dividend income and totalled \$478.9 million by 30<sup>th</sup> of June 2015.

### 2. Expenses

Expenses incurred by the end of the second quarter of 2015 by the GGoTL, PF and DF amounted to \$457.6 million. The GGoTL which spent \$393.8 million, DF spent \$55.7 million whilst \$8.1 million were expenditures in the PF<sup>3</sup>.

### a. General Government Expenditures

Expenditure categories for GGoTL are composed of:

**Compensation of Employees** was 9.3% higher than the \$75.1 million spent by the end of the second quarter 2014, totalling \$82.1 million by the 30<sup>th</sup> June 2015.

**Use of Goods & Services** reached \$106.6 million by the end of the second quarter of 2015 (a 16.8% decrease compared to the same period of 2014).

**Social benefits** totalled \$35.2 million in the end of the second quarter of 2015, 34.3% lower than was recorded in the same period of 2014. This reduction was mainly affected by a decrease of the current transfer of personal benefits.

**Other expenses** more than doubled the amount recorded by the same date in 2014 and totalled \$169.9 million by the 30<sup>th</sup> June 2015. This was mostly due to a strong increase in current transfer of public grants, which amounted to \$165.3 million during the second quarter of 2015.

### b. Donor Fund Expenditures

DF expenditures reached \$55.7 million by the 30<sup>th</sup> June 2015. This was divided into \$10.0 million were expenditures on compensation of employees, \$22.6 million spent on use of goods and services and \$23.1 million spent on other expenses.

### c. Petroleum Fund Expenditures

PF expenses reached \$453.1 million by the end of the Second quarter of 2015. \$8.1 million were management fees and \$445.0 was 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.

At the end of the second quarter of 2015, the GGoTL, DF and the PF were running a net operating surplus of \$424.1 million. However petroleum revenues played a larger role in the overall fiscal surplus, as the net operating balance for the GGoTL without the PF and DF was \$126.9 million by the 30<sup>th</sup> June 2015.

<sup>&</sup>lt;sup>3</sup> \$8.1 million excludes grants from the PF to the GGoTL worth \$445 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. At the end of the second quarter 2015 total acquisition of non-financial assets for the GGoTL including DF and PF stood at \$58.2million. \$7.6 million was spent by DF and \$50.5 million was spent by the GGoTL (particularly on building and structures which totalled \$45.1 million by the end of the second quarter of 2015).

### 5. Net Lending/Borrowing

Net lending / borrowing is the difference between revenues and total expenditures, taking into account the net acquisition of non financial assets. Net lending for the GGoTL with the PF and DF was \$365.9 million at the end of the second quarter of 2015, taking into account the combination of total revenue, expenditures and acquisition of non-financial assets. This means that the GGoTL, the DF and the PF incurred a surplus which is being invested in financial assets, but which was also affected by \$6.3 million from loan disbursements at the close of the end of the second quarter 2015.

### 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 second quarter of 2015, the net acquisition of financial assets for the GGoTL, DF and the PF was \$372.2 million. This was composed of two parts: \$82.7 million was added to the cash balance in the CFTL and is equal to the gap between expenses and revenues in the GGoTL; whereas \$289.5 million was invested in financial instruments in the PF.

The unrealized market value of financial assets is recorded under Other Economic Flows and reached \$42.0 million by the end second quarter 2015<sup>4</sup>. 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.

#### 7. Net Incurrence of Liabilities

Net incurrence of liabilities shows the loans disbursement to date in the GGoTL. This totalled \$6.3 million by the  $30^{th}$  June 2015.

#### 8. Final Conclusion

At the closing of the second quarter of 2015, the GGoTL including the PF and DF had a strong fiscal position. However, the GGoTL is still strongly reliant on the petroleum sector as, without the PF and DF, it would have a net lending capacity of \$76.4 million. Comparatively, the GGoTL, together with the PF and DF ran a net operating balance of \$424.1 million and had a net lending capacity of \$365.9 million. Total net lending capacity is then being invested in financial assets in the PF.

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

<sup>&</sup>lt;sup>4</sup> \$42.0 million is obtained by combining total Other Economic Flows for Q1 and Q2 2015.

Data for 2015, in millions of US dollars.		Total Quarter 1	Total Quarter 2	Total Quarter 3	Total Quarter 4	Accumulated Total
Revenue	1	408.0	473.7	0.0	0.0	881.7
Taxes	11	174.1	140.6	0.0	0.0	314.7
Taxes on income, profits, and capital gains	111	140.3	117.5	0.0	0.0	257.9
Taxes on goods & services	114	31.2	20.4	0.0	0.0	51.6
Taxes on international trade & transactions	115	2.5	2.6	0.0	0.0	5.2
Other taxes	116	0.0	0.1	0.0	0.0	0.1
Grants	13	21.5	41.8	0.0	0.0	63.3
Other revenue	14	212.4	291.2	0.0	0.0	503.6
Property income	141	203.9	281.8	0.0	0.0	485.7
Other	142-145	8.5	9.4	0.0	0.0	17.9
Expense	2	217.3	240.3	0.0	0.0	457.6
Compensation of employees	21	47.0	45.1	0.0	0.0	92.1
Use of goods & services	22	40.8	96.5	0.0	0.0	137.3
Consumption of fixed capital	23	0.0	0.0	0.0	0.0	0.0
Interest	24	0.0	0.0	0.0	0.0	0.0
Grants	26	0.0	0.0	0.0	0.0	0.0
Social benefits	27	18.2	17.0	0.0	0.0	35.2
Other expense	28	111.3	81.7	0.0	0.0	193.0
Gross operating balance [1-2+23]	GOB	190.7	233.4	0.0	0.0	424.1
Net operating balance [1-2]	NOB	190.7	233.4	0.0	0.0	424.1
Net acquisition of nonfinancial assets	31	5.5	52.7	0.0	0.0	58.2
Acquisition of nonfinancial assets	311	5.5	52.7	0.0	0.0	58.2
Buildings & Structures	3111	4.7	46.9	0.0	0.0	51.6
Machinery & Equipment	3112	0.8	5.8	0.0	0.0	6.6
Consumption of fixed capital [=23]	313	0.0	0.0	0.0	0.0	0.0
Net lending / borrowing [1-2-31 = 1-2M]	NLB	185.2	180.7	0.0	0.0	365.9
Net acquisition of financial assets	32	185.7	186.5	0.0	0.0	372.2
by instrument		0.0	0.0	0.0	0.0	0.0
Currency and deposits	3202	186.8	123.3	0.0	0.0	310.1
Securities other than shares	3203	-25.8	22.8	0.0	0.0	-3.0
Loans	3204	0.0	0.0	0.0	0.0	0.0
Shares and other equity	3205	-17.2	15.2	0.0	0.0	-2.0
Other accounts receivable	3208	41.9	25.2	0.0	0.0	67.2
Net incurrence of liabilities	33	0.5	5.8	0.0	0.0	6.3
Loans	3304	0.5	5.8	0.0	0.0	6.3
Other accounts payable	3308	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy [32 - 33 - NLB-]	NLBz	0.0	0.0	0.0	0.0	0.0
Memorandum item:						
Total expenditure [2+31]	2M	222.8	293.0	0.0	0.0	515.8

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 2. Accumulated Statement of Government Operations for the GGoTL

Data for 2015, in millions of US dollars.		Total Quarter 1	Total Quarter 2	Total Quarter 3	Total Quarter 4	Accumulated Total
Revenue	1	249.2	271.5	0.0	0.0	520.7
Taxes	11	24.0	26.9	0.0	0.0	50.9
Taxes on income, profits, and capital gains	111	10.1	12.3	0.0	0.0	22.4
Taxes on goods & services	114	11.3	11.9	0.0	0.0	23.3
Taxes on international trade & transactions	115	2.5	2.6	0.0	0.0	5.2
Other taxes	116	0.0	0.1	0.0	0.0	0.1
Grants	13	215.0	230.0	0.0	0.0	445.0
Other revenue	14	10.2	14.6	0.0	0.0	24.8
Property income	141	1.7	5.2	0.0	0.0	6.9
Other	142-145	8.5	9.4	0.0	0.0	17.9
Expense	2	193.9	199.9	0.0	0.0	393.8
Compensation of employees	21	42.2	39.9	0.0	0.0	82.1
Use of goods & services	22	28.6	78.0	0.0	0.0	106.6
Consumption of fixed capital	23	0.0	0.0	0.0	0.0	0.0
Interest	24	0.0	0.0	0.0	0.0	0.0
Grants	26	0.0	0.0	0.0	0.0	0.0
Social benefits	27	18.2	17.0	0.0	0.0	35.2
Other expense	28	105.0	64.9	0.0	0.0	169.9
Gross operating balance [1-2+23]	GOB	55.3	71.6	0.0	0.0	126.9
Net operating balance [1-2]	NOB	55.3	71.6	0.0	0.0	126.9
Net acquisition of nonfinancial assets	31	3.3	47.2	0.0	0.0	50.5
Acquisition of nonfinancial assets	311	3.3	47.2	0.0	0.0	50.5
Buildings & Structures	3111	2.5	42.5	0.0	0.0	45.1
Machinery & Equipment	3112	0.8	4.7	0.0	0.0	5.5
Consumption of fixed capital [=23]	313	0.0	0.0	0.0	0.0	0.0
Net lending / borrowing [1-2-31 = 1-2M]	NLB	51.9	24.4	0.0	0.0	76.4
Net acquisition of financial assets	32	52.5	30.2	0.0	0.0	82.7
by instrument						
Currency and deposits	3202	52.5	30.2	0.0	0.0	82.7
Securities other than shares	3203	0.0	0.0	0.0	0.0	0.0
Loans	3204	0.0	0.0	0.0	0.0	0.0
Shares and other equity	3205	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	3208	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	33	0.5	5.8	0.0	0.0	6.3
Loans	3304	0.5	5.8	0.0	0.0	6.3
Other accounts payable	3308	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy [32 - 33 - NLB-]	NLBz	0.0	0.0	0.0	0.0	0.0
Memorandum item:		0.0	0.0	0.0	0.0	0.0
Total expenditure [2+31]	2M	197.3	247.1	0.0	0.0	444.3

 ${\it Note: Statistical \, Discrepancy \, should \, be \, zero.}$ 

 $Consumption\ of\ fixed\ capital\ will\ have\ to\ be\ calculated\ from\ inventory$ 

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

Data for 2015, in millions of US dollars	5.	Total Quarter 1	Total Quarter 2	Total Quarter 3	Total Quarter 4	Accumulated Total
Revenue	1	21.5	41.8	0.0	0.0	63.3
Taxes	11	0.0	0.0	0.0	0.0	0.0
Taxes on income, profits, and capital gains	111	0.0	0.0	0.0	0.0	0.0
Taxes on goods & services	114	0.0	0.0	0.0	0.0	0.0
Taxes on international trade & transactions	115	0.0	0.0	0.0	0.0	0.0
Other taxes	116	0.0	0.0	0.0	0.0	0.0
Grants	13	21.5	41.8	0.0	0.0	63.3
Other revenue	14	0.0	0.0	0.0	0.0	0.0
Property income	141	0.0	0.0	0.0	0.0	0.0
Other	142-145	0.0	0.0	0.0	0.0	0.0
Expense	2	19.3	36.3	0.0	0.0	55.7
Compensation of employees	21	4.8	5.2	0.0	0.0	10.0
Use of goods & services	22	8.2	14.4	0.0	0.0	22.6
Consumption of fixed capital	23	0.0	0.0	0.0	0.0	0.0
Interest	24	0.0	0.0	0.0	0.0	0.0
Grants	26	0.0	0.0	0.0	0.0	0.0
Social benefits	27	0.0	0.0	0.0	0.0	0.0
Other expense	28	6.3	16.8	0.0	0.0	23.1
Gross operating balance [1-2+23]	GOB	2.1	5.5	0.0	0.0	7.6
Net operating balance [1-2]	NOB	2.1	5.5	0.0	0.0	7.6
Net acquisition of nonfinancial assets	31	2.1	5.5	0.0	0.0	7.6
Acquisition of nonfinancial assets	311	2.1	5.5	0.0	0.0	7.6
Buildings & Structures	3111	2.1	4.4	0.0	0.0	6.5
Machinery & Equipment	3112	0.0	1.1	0.0	0.0	1.1
Consumption of fixed capital [=23]	313	0.0	0.0	0.0	0.0	0.0
Net lending / borrowing [1-2-31 = 1-2M]	NLB	0.0	0.0	0.0	0.0	0.0
Net acquisition of financial assets	32	0.0	0.0	0.0	0.0	0.0
by instrument		0.0	0.0	0.0	0.0	0.0
Currency and deposits	3202	0.0	0.0	0.0	0.0	0.0
Securities other than shares	3203	0.0	0.0	0.0	0.0	0.0
Loans	3204	0.0	0.0	0.0	0.0	0.0
Shares and other equity	3205	0.0	0.0	0.0	0.0	0.0
Other accounts receivable	3208	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	33	0.0	0.0	0.0	0.0	0.0
Loans	3304	0.0	0.0	0.0	0.0	0.0
Other accounts payable	3308	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy [32 - 33 - NLB]	NLBz	0.0	0.0	0.0	0.0	0.0
					<b>.</b>	1
Memorandum item:		0.0	0.0	0.0	0.0	0.0

 ${\it Note: Statistical \, Discrepancy \, should \, be \, zero.}$ 

Consumption of fixed capital will have to be calculated from inventory

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

Data for 2015, in millions of US dollars.		Total Quarter 1	Total Quarter 2	Total Quarter 3	Total Quarter 4	Accumulated Total
Revenue	1	352.3	390.3	0.0	0.0	742.6
Taxes	11	150.1	113.7	0.0	0.0	263.8
Taxes on income, profits, and capital gains	111	130.2	105.2	0.0	0.0	235.4
Taxes on goods & services	114	19.9	8.5	0.0	0.0	28.3
Taxes on international trade & transactions	115	0.0	0.0	0.0	0.0	0.0
Other taxes	116	0.0	0.0	0.0	0.0	0.0
Grants	13	0.0	0.0	0.0	0.0	0.0
Other revenue	14	202.2	276.6	0.0	0.0	478.9
Property income	141	202.2	276.6	0.0	0.0	478.9
Other	142-145	0.0	0.0	0.0	0.0	0.0
Expense	2	219.1	234.1	0.0	0.0	453.1
Compensation of employees	21	0.0	0.0	0.0	0.0	0.0
Use of goods & services	22	4.1	4.1	0.0	0.0	8.1
Consumption of fixed capital	23	0.0	0.0	0.0	0.0	0.0
Interest	24	0.0	0.0	0.0	0.0	0.0
Grants	26	215.0	230.0	0.0	0.0	445.0
Social benefits	27	0.0	0.0	0.0	0.0	0.0
Other expense	28	0.0	0.0	0.0	0.0	0.0
Gross operating balance [1-2+23]	GOB	133.3	156.3	0.0	0.0	289.5
Net operating balance [1-2]	NOB	133.3	156.3	0.0	0.0	289.5
Net acquisition of nonfinancial assets	31	0.0	0.0	0.0	0.0	0.0
Acquisition of nonfinancial assets	311	0.0	0.0	0.0	0.0	0.0
Buildings & Structures	3111	0.0	0.0	0.0	0.0	0.0
Machinery & Equipment	3112	0.0	0.0	0.0	0.0	0.0
,						
Consumption of fixed capital [=23]	313	0.0	0.0	0.0	0.0	0.0
Net lending / borrowing [1-2-31 = 1-2M]	NLB	133.3	156.3	0.0	0.0	289.5
Net acquisition of financial assets	32	133.3	156.3	0.0	0.0	289.5
by instrument						
Currency and deposits	3202	134.4	93.1	0.0	0.0	227.5
Securities other than shares	3203	-25.8	22.8	0.0	0.0	-3.0
Loans	3204	0.0	0.0	0.0	0.0	0.0
Shares and other equity	3205	-17.2	15.2	0.0	0.0	-2.0
Other accounts receivable	3208	41.9	25.2	0.0	0.0	67.2
Net incurrence of liabilities	33	0.0	0.0	0.0	0.0	0.0
Loans	3304	0.0	0.0	0.0	0.0	0.0
Other accounts payable	3308	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy [32 - 33 - NLB-]	NLBz	0.0	0.0	0.0	0.0	0.0
I			0.0			0.0
Memorandum item:		0.0	0.0	0.0	0.0	0.0

Note: Statistical Discrepancy should be zero.

Consumption of fixed capital will have to be calculated from inventory

**Table 5. Analytical Framework for the Petroleum Fund** 

	2014				2015		
	Q1	Q2	Q3	Q4	Q1	Q2	
Opening Balance	14,952.1	15,670.7	16,633.7	16,584.5	16,538.6	16,823.1	
Net Acquisition of Financial Assets	627.9	656.9	221.7	(112.4)	133.3	156.3	
Other Economic Flows	92.4	311.6	(270.0)	67.7	153.1	(111.1)	
Closing Balance	15,670.7	16,633.7	16,584.5	16,538.6	16,823.1	16,862.7	
Statistical discrepancy	(1.7)	(5.5)	(0.9)	-1.16	-1.85	(5.5)	

### **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 during 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.