



DEMOCRATIC REPUBLIC OF TIMOR - LESTE

Ministry of Finance

Quarterly Fiscal Bulletin

April - June 2016

Chart of Accounts (COA)

Executive Summary

By the 30th June 2016, the General Government of Timor-Leste (GGoTL), including the Petroleum Fund (PF), is running a Deficit of \$205.4 million. This means that the Government can sustain its current level of operations and is investing its surplus on purchasing financial assets in the PF.

GENERAL DIRECTORATE FOR STATE FINANCE
NATIONAL DIRECTORATE OF ECONOMIC POLICY
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1. Overall Fiscal Position (Oil and Non-oil)

Table 1: Overall Fiscal Position¹

Petroleum Fund and General Government			
	2016 Act Q1	2016 Act Q2	Total Actual
A. Total Expenditure	260.8	371.7	632.4
Recurrent Expenditure	254.9	253.6	508.4
Capital Expenditure	5.92	118.1	124.0
B. Total Revenue	247.7	179.4	427.1
Non oil Revenue	37.6	54.7	92.4
Oil Revenue	210.1	124.7	334.7
<i>Petroleum Fund Gross Receipts</i>	<i>125.3</i>	<i>26.8</i>	<i>152.1</i>
<i>Investment Income</i>	<i>84.8</i>	<i>97.9</i>	<i>182.7</i>
Surplus of (A-B):	-13.1	-192.3	-205.4
Financing	13.1	192.3	205.4
Foreign Loans	4.12	7.4	11.5
Net Purchase of Financial Assets	-104.9	218.6	113.7
Use of Cash Balance*	113.8	-33.7	80.1

By the end of the second quarter of 2016, total expenditures for the General Government of Timor-Leste (GGoTL) and the Petroleum Fund (PF) reached \$632.5 million. \$508.52 million was spent on recurrent expenditures while \$124.0 million was spent on capital expenditures.²

At the close of the second quarter of 2016, total revenues amounted to \$427.1 million. From petroleum revenues, \$334.8 million were recorded and \$92.4 million were obtained from non-oil revenues. PF revenues include PF gross receipts (taxes, royalties and first tranche petroleum) and investment income (dividends, interest and trust income, but excludes fair value gains and losses on profit/loss).³

Total surplus stood at \$205.4 million by the 30th June 2016, which is calculated as total revenue minus total expenditure. This means the GGoTL, including the FP, is in a strong fiscal position to make investments in financial assets.

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

² This includes expenditure from loans under capital and development.

³ The reason for excluding gains and losses on profit/loss and on exchange rates is due to these items being accrued but not cashed.

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Financing is broken down into three components. The GGoTL made use of \$80.1 million from the cash balance, \$11.5 million was received from loans and \$113.7 million was used to purchase financial assets in the PF.

2. General Government's Fiscal Position

Table 2: Non-Oil Fiscal Position

General Government					
	2016 Budget	2016 Act Q1	2016 Act Q2	Total Actual	% Execution
Total Expenditure by Appropriation Category	1,952.9	255.6	368.4	624.0	32.0%
Recurrent	1,106.9	249.7	250.3	499.9	45.2%
Salary and Wages	181.9	43.6	39.1	82.7	45.5%
Goods and Services (including HCDF)	449.0	36.3	70.7	107.1	23.8%
Public Transfers	476.0	169.8	140.4	310.2	65.2%
Capital	846.0	5.92	118.1	124.0	14.7%
Minor Capital	18.8	0.010	0.4	0.45	2.4%
Capital and Development (including all Infrastructure Exp.)	827.2	5.91	117.7	123.6	14.9%
Domestic Revenue	171.4	37.6	54.7	92.4	53.9%
Non-Oil Fiscal Balance	-1,781.5	-218.0	-313.7	-531.6	29.8%
Financing	1,781.5	218.0	313.7	531.6	29.8%
Estimated Sustainable Income (ESI)	544.8	100.0	340.0	440.0	80.8%
Excess Withdrawals from the PF	739.0	0.0	0.0	0.0	0.0%
Use of Cash Balance	390.7	113.8	-33.7	80.1	NA
Borrowing/Loans	107.0	4.1	7.4	11.5	10.7%

Note: Recurrent Expenditure was divided into Salary, Goods and Services, and Public Transfers

As seen in Table 2, by the 30th June 2016 the GGoTL, excluding the PF, had a non-oil deficit of \$531.6 million. \$440.0 million of this deficit was financed through the ESI, \$80.1 million was financed through the use of the cash balance and \$11.5 million was financed through loans.

2.1 General Government Expenditures

At the close of the second quarter of 2016, expenditures amounted to \$624.0 million, which represented 32.0% of total budgeted expenditures for the year.

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2.1.1. Expenditure by Appropriation Category

Total expenditures are divided into recurrent and capital expenditures. Recurrent expenditures totalled \$499.9 million at the closing of the second quarter of 2016, which was an execution rate of 45.2%. In comparison, capital expenditures reached \$124.0 million by the 30th June 2016, which meant an execution rate of 14.7%.

Recurrent expenditures are divided into:

Salary and Wages totalled \$82.7 million at the close of the second quarter of 2016, reaching an execution rate of 45.5%. This is 2.6% higher than the \$80.6 million incurred in the same period of 2015.

Goods and Services reached \$107.1 million by the 30th June 2016, representing an execution rate of 23.8%. Expenditures to date in 2016 decreased by 18.3% compared to the \$131.2 million spent in the same period of 2015. This was mainly due to a decrease in Fuel for Generators (49.9% decrease), Training and Workshop (45.4% decrease) and Professional Services (46.9% increase). Expenditures on human capital through the HCDF reached \$5.1 million, 48.4% less those recorded in 2015.

Public Transfers totalled \$310.2 million by the end of the second quarter of 2016 and was therefore the largest category of recurrent expenditures. This total represented an execution of 65.2%. This expenditure was 51.9% higher than the \$204.2 million recorded by the 30th June 2015. This increase was mostly due to a rise in public grants, which doubled by the 30th June 2016 compared to the same period in 2015.

Capital expenditures are composed of:

Minor Capital totalled \$0.45 million by the 30th June 2016, which represented an execution rate of 2.4%. Total minor capital expenditure by the end of the second quarter 2016 were 91.9% lower than those recorded by the same date of 2015.

Capital & Development was \$123.6 million by the end of the second quarter of 2016, thus presenting an execution rate of 14.9%.

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2.2 Non-oil Revenues

Table 3. Non-oil Revenues

General Government					
	2016 Budget	2016 Act Q1	2016 Act Q2	Total Actual	% Execution
Total Domestic Non-oil Revenues	171.4	37.6	54.7	92.4	53.9%
Tax Revenue	116.4	27.7	37.5	65.2	56.0%
Taxes on commodities	61.1	16.9	17.6	34.5	56.4%
Taxes on income	52.3	9.9	19.1	29.1	55.6%
Service tax	2.8	0.8	0.7	1.42	50.7%
Other tax revenues	0.2	0.17	0.1	0.3	128.0%
Non tax Revenue (non-oil)	46.4	9.9	13.3	23.2	50.1%
Revenue Retention Agencies	8.6	0.0	3.9	3.9	45.3%

The Government has increased non-oil revenue in recent years and is planning further reforms to increase non-oil revenue collections. Total domestic non-oil revenues were \$92.4 million by the 30th June 2016, which represented 53.9% of the total revenue budgeted for the year. This was divided into:

Tax Revenue, which was the largest category and can be divided into:

Taxes on commodities was the largest tax category, reaching \$34.5 million at the closing of the second quarter of 2016 (34.3% lower than the \$13.1 million collected in the same period 2015). This is mainly due to the decrease in the international price of oil and the appreciation of the US dollar, which have resulted in lower sales tax and import duty collections.

Taxes on income totalled \$29.1 million at the end of 2016, 30% higher than the \$22.4 million collected in the second quarter of 2015. This was 55.6% of the total budgeted for the year.

Service tax decreased by 1.4% from the \$1.4 million collected by the end of the second quarter 2015, totalling \$1.42 million by the 30th June 2016.

Non-tax revenue totalled \$23.2 million by the close of the second quarter of 2016, 50.1% of the total budgeted for the year.

Revenue Retention Agencies recorded 25.8% lower revenues than 3.1 million during the same period of 2015, reaching \$3.9 million at end of the second quarter of 2016.

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3. Financing

Non-oil expenditures incurred by the GGoTL were financed through a combination of loans, ESI and use of the cash balance which totalled \$531.6 million. \$80.1 million was financed through the use of cash balance, \$440.0 was received from the PF and \$11.5 million through loans by the end of the second quarter 2016.