

PRELIMINARY ANALYSIS OF THE FY16 BUDGET

Parliamentary Commission C



MAIN MESSAGES

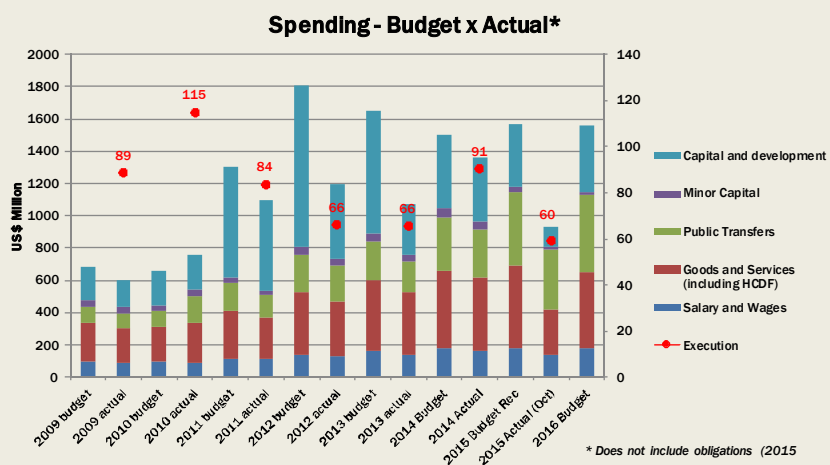
- 1. Macro observations.**
 - The budget cuts the 2014 and 2015 growth estimate from around 7% to respectively 4.1% and 5.1%. Projections for domestic revenue have also been lowered for 2016.
 - Inflation is back within (below) the SDP target range.
 - Estimated Petroleum production, and ESI has fallen.
- 2. Following large increase in 2014, and a slight increase in 2015, the budget will marginally decrease in 2016 (-0.5%), and is above the government's Yellow Road estimates of an appropriate fiscal envelope of \$1.3bn on assumptions of the pace and quality of economic growth.**
 - It exceeds the fiscal envelope set in May by \$262.2m.
 - The sliding (growing) hump. Medium term spending plans, while only indicative, and are not traditionally realised, are also growing from 8.9bn over 5 years from 2015, to 9.9bn over 5 years from 2016.
- 3. The government is planning considerable excess withdrawals from the Petroleum Fund over the next 5 years.**
- 4. The composition of the budget needs careful further analysis.**
 - Recurrent spending continues to grow, without visible emphasis on O&M.
 - The capital budget has grown slightly in 2016, driven by Tasi Mane, and Oecusse
- 5. Line ministries responsible for human and non-oil economic development will have their budget substantially reduced (Ag, Health, Education).**
- 6. To date budget execution is relatively low for some line ministries (overall actual 60%, actual + obligations 75%)**

THE 2016 BUDGET

	2011 Actual	2012 Actual	2013 Actual	2014 BB1	2015 Budget	2015 changes	2015 Rectified	2016 (2015 BB1)	2016 BB1
Total Exp. by App. Category (incl. loans)	1,105.30	1,247.00	1,081.40	1,500.00	1,570.00		1,570.00	2,046.10	1,562.20
Total Exp. by App. Category (excl. loans)	1,105.30	1,247.00	1,075.10	1,469.00	1,500.00		1,500.00	1,851.70	1,455.20
Recurrent	502.3	708.8	730.9	992.5	1,029.00	45.70	1,147.80	1,080.80	1,127.30
Salary and Wages	111.9	130.7	141.8	176.8	184.1	-1.5	177.5	191.4	181.5
Goods and Services (inc. HCDF)	246.8	358.2	392	480.3	504.7	-0.5	515.8	535.5	470.4
Public Transfers	143.7	220	197	335.5	340.3	47.7	454.5	353.9	475.4
Capital	603	538.2	350.5	507.5	541	-45.7	422.2	965.3	434.9
Minor Capital	33.9	46.8	40	52.1	36.7	4.6	31	38.2	16.6
Capital and Development (inc IF & loans)	569.1	491.4	310.6	455.4	504.3	-50.2	391.3	927.1	418.4
Domestic Revenue***	105.3	142.2	151.1	166.1	170.4		170.4	182	171.4
Non-Oil Fiscal Deficit	-1,000.0	-1,104.8	-930.3	-1,333.9	-1,399.6	0.0	1,399.6	-1,864.1	-1,390.8
Financing	1,000.00	1,104.80	930.3	1,333.90	1,399.60		1,399.60	1,864.10	1,390.80
ESI	734	665.3	730	632.3	638.5		638.5	632.4	544.8
Excess Withdrawals from the PF	321	829.6	0	270.6	689		689	1,037.30	739
Use of Cash Balance	-55	-390.1	194	400	2.1		2.1	0	
Borrowing/Loans	0	0	6.3	31.1	70		70	194.4	107

* Amounts are in US\$ million

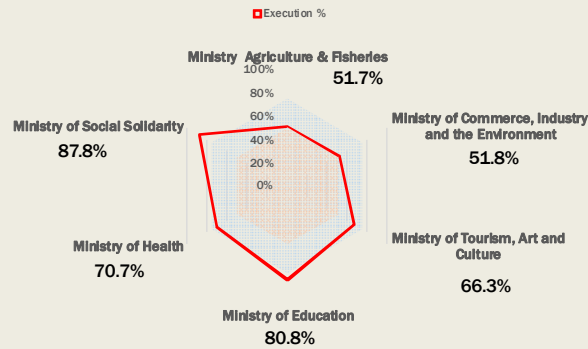
BUDGET EXECUTION - FY 14 EXECUTION IS UNLIKELY TO INCREASE ON FY15.



2015 STATE BUDGET EXECUTION FOR SELECTED MINISTRIES

Absorptive capacity relatively low in some sectors.

2015 state budget - execution % (11/10/2015)

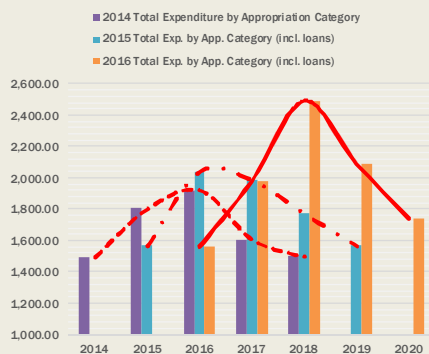


* Actual and Obligations - source: Budget Transparency portal

THE 2016 BUDGET

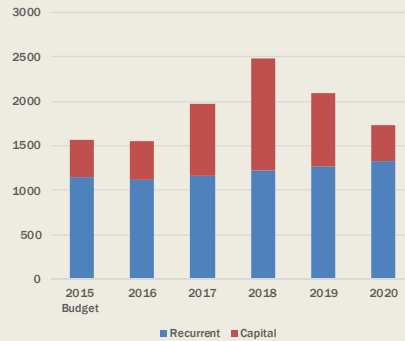
Medium Term Budget forecasts remain high..

Total Expenditure Forecasts



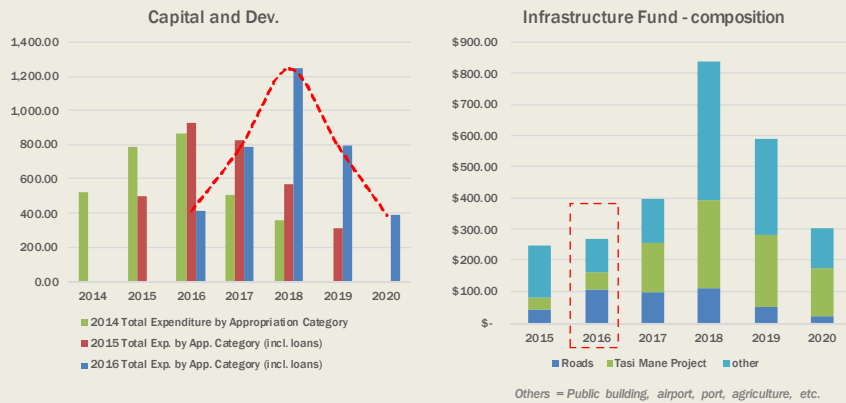
...with increasing capital spending.

Budget Composition



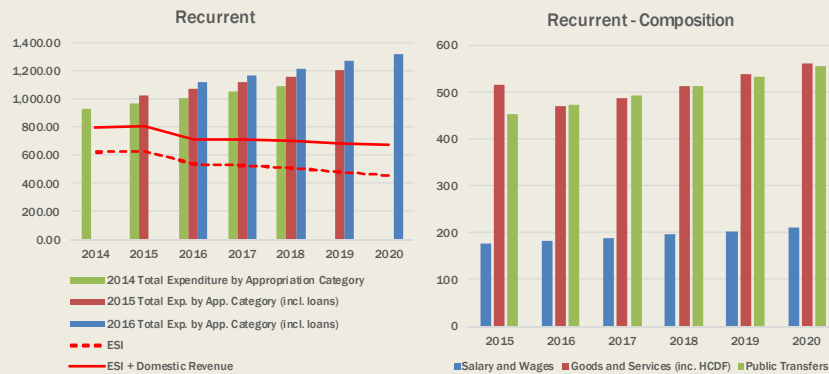
2016 BUDGET - CAPITAL

Capital and Development will peak on Medium Term...



2016 BUDGET - RECURRENT

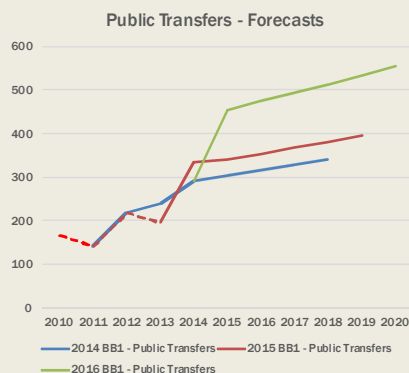
...and recurrent spending – plans are steadily increasing.



2016 BUDGET - PUBLIC TRANSFERS

...with a substantial increase in Public Transfers

...driven by ZEESM and Social Transfers

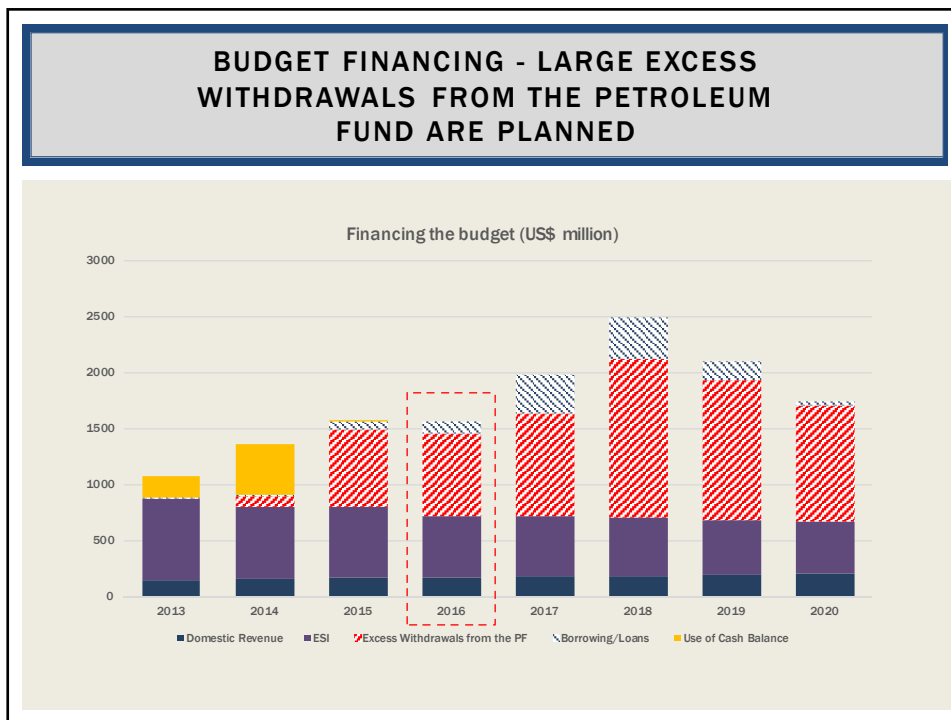
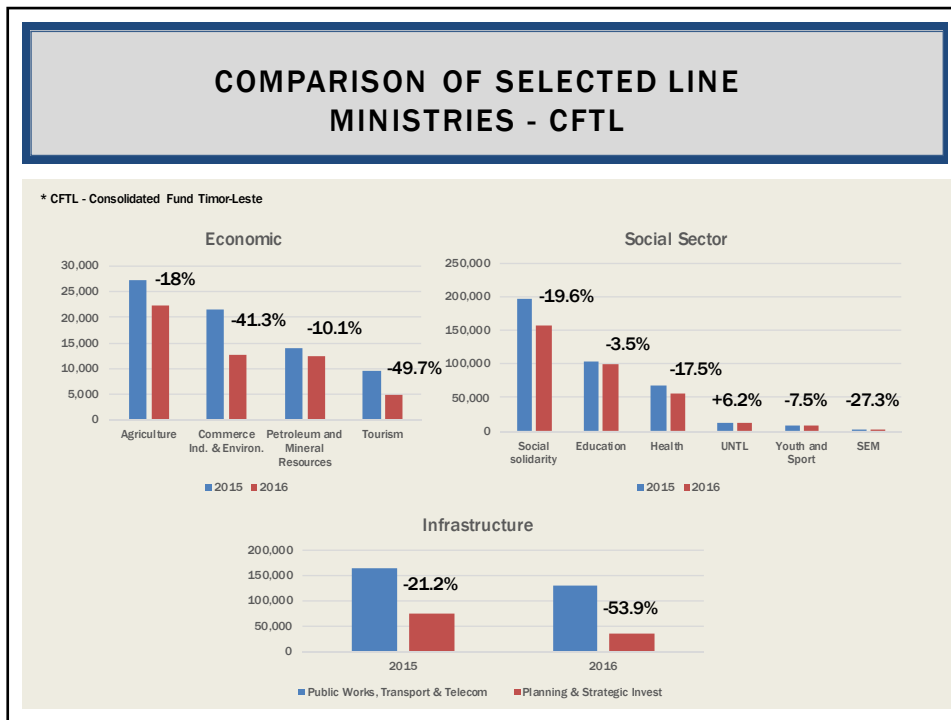


- **2015 top 2 transfers:**
 - US\$176,400,000 - MoSS - social programs (including the veterans', old age and disability pension schemes and Bolsa de Mãe).
 - US\$ 133,430,000 - ARAOEA and ZEESM
- **2016 top 2 transfers:**
 - US\$ 217,900,000 - ARAOEA and ZEESM
 - US\$144,100,000 - MoSS - social programs (including the veterans', old age and disability pension schemes and Bolsa de Mãe).

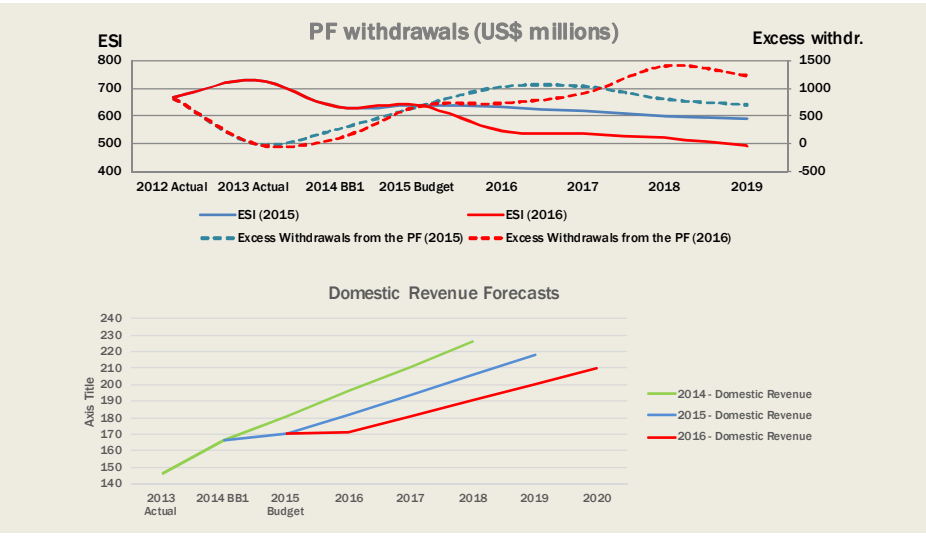
SELECTED MINISTRIES' SHARE OF THE TOTAL 2016 BUDGET.

CFTL - Consolidated Fund Timor-Leste // IF - Infrastructure Fund // HCDF - Human Capital Development Fund

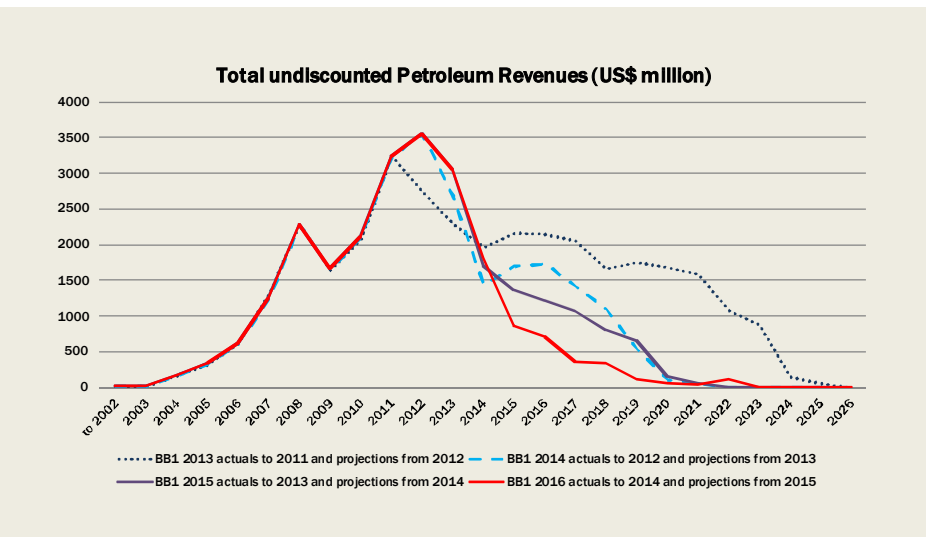
	CFTL*		IF		HCDF		Total		var.	%budget 2015	%budget 2016
	2015	2016	2015	2016	2015	2016	2015	2016			
Education	114222	111521	8000	600	11622	10493	133844	122614	-8.39%	8.5%	↓ 7.8%
Health	67393	55456	4000	1700	2600	4000	73993	61156	-17.35%	4.7%	↓ 3.9%
Social Sol.	196593	158850	0	0	102	344	196695	159194	-19.07%	12.5%	↓ 10.2%
Agriculture	27289	22343	7200	2035	330	150	34819	24528	-29.56%	2.2%	↓ 1.6%
Tourism	8664	4865	1000	200	250	193	9914	5258	-46.96%	0.6%	↓ 0.3%
MCIE	21456	12696	0	0	150	140	21606	12836	-40.59%	1.4%	↓ 0.8%



LARGE EXCESS WITHDRAWALS FROM THE PETROLEUM FUND ARE PLANNED



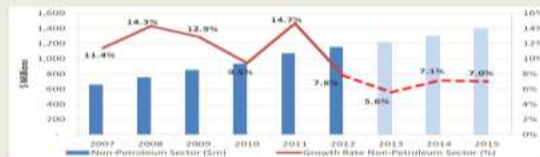
THE FORECAST FOR PETROLEUM REVENUES HAS FALLEN THIS YEAR



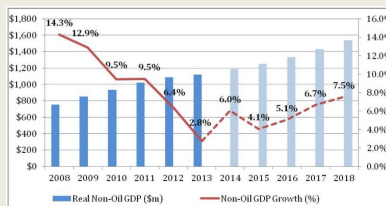
GROWTH PROJECTIONS HAVE FALLEN

- Growth projections depend on different assumptions on government and private demand

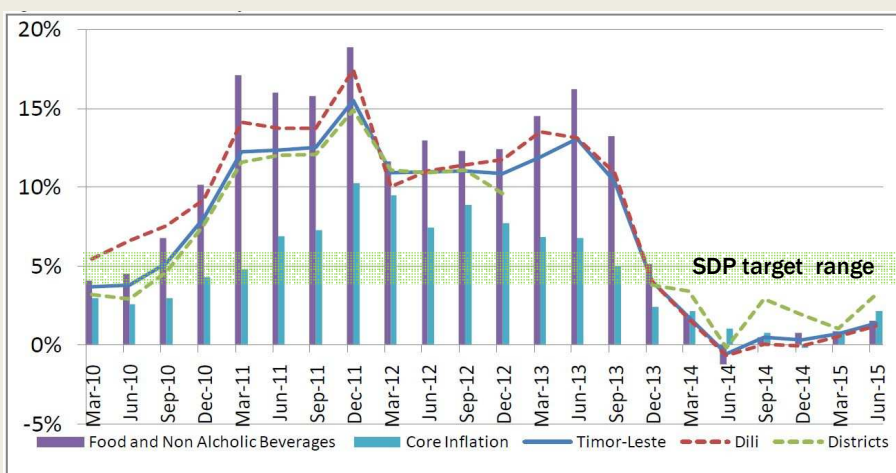
2015 BB1 Projections



2016 BB1 Projections



INFLATION STAYS WITHIN (BELOW) SDP TARGET RANGE



OFFICIAL DEVELOPMENT ASSISTANCE TO TIMOR LESTE

