

Supplementation of the General Budget of the State 2004-05

Information Document

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**Prepared by the Ministry of Planning and Finance
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Part 1 - User Guide

Introduction

The purpose of the mid year review of the *General Budget of the State 2004-05* is primarily to inform the National Parliament and other interested parties of the progress in the implementation of the 2004-05 budget. It provides an update of the medium-term fiscal position of Timor-Leste and the Government's fiscal strategy. Supplementary funds for certain areas of expenditure have also been requested for expenses which are urgent and were unforeseen at the time of the original *General Budget of the State 2004-05*.

Readers should also refer to the *Budget Paper 1 2004-05* which explains in further detail the original Budget Appropriation Bills. Readers are also referred to: the *National Development Plan (NDP)* and the *Sector Investment Packages (SIP)* for detail on the Government's medium to long term sectoral visions, goals, strategies and policies.

Styles and Conventions Used

The following notations are used:

- - (nil)
- \$m (\$ million)
- \$'000s (\$ thousand)

All currency figures are in US dollars. Current prices are used for 2003-04 and 2004-05 and constant 2004-05 prices are used for all other years. Budget year refers to 1 July 2004 to 30 June 2005. Figures in tables and in the text may be rounded. Discrepancies in tables between totals and sums of components are due to rounding.

Funding Sources

An explanation of the main sources of funding for Timor-Leste and an overview of the combined sources funding structure is provided at Annex D. A full list of acronyms is provided at Appendix F.

Classification of the Public Sector in Timor-Leste

For budgetary purposes Timor-Leste adopts the IMF principles for classifying the activities of the public sector, the *Government Finance Statistics (GFS) of Classifying the activities of Government*. The public sector Timor-Leste is made up of categories: General Government; Public non financial corporations; and Public Financial Corporations. The General Budget of the State covers the financing of activities on a Whole of Government basis which includes General Government and Public Non Financial Corporations. As shown in Annex C.

Enquiries

Enquires should be directed to: The Director, Budget Office, Ministry of Planning and Finance, Democratic Republic of Timor-Leste.

Part 2 - Executive Summary

The purpose of the mid year review is to enable the Government to review and supplement the *General Budget of the State 2004-05* on the basis of any new information and developments in the first part of 2004-05.

The Fiscal Position

The fiscal position of the Government has improved significantly since the release of the *General Budget of the State for 2004-05*. This has been primarily due to improvements in the revenue from activities in the Timor Sea. The estimated total revenue for the next four years (2004-05 to 2007-08) has nearly doubled. Total revenue to the Government from all sources for this period is now estimated at \$756.0m, an increase of \$315.8m. This is mainly due to the large contribution from the activities in the Timor Sea.

Increases in forecasts of Timor Sea revenue will have positive implications for total revenue over the next four years. In the next four years Timor Sea revenue will increase due to several factors:

- a significant increase in the world oil price;
- later implementation of the tax depreciation schedules; and
- good progress with the development of the Bayu Undan field.

Tables 2.1 and Table 2.2 summarise the current fiscal position of the Government.

Table 2.1¹²
General Budget of the State for the Whole of Government 2003-04 to 2007-08 (\$m)

	2003-04	2004-05	2005-06	2006-07	2007-08	Total
	Act	Est	Est	Est	Est	Est
General Government						
Total Revenue	105.4	192.3	176.8	179.4	166.0	714.6
Domestic Revenue	29.2	31.6	33.5	35.2	36.9	137.1
Domestic Taxes	24.8	27.0	28.4	29.8	31.3	116.4
Other Domestic Revenue	4.5	4.6	5.1	5.4	5.6	20.7
Timor Sea Revenue	41.4	129.8	143.4	144.2	129.2	546.6
Timor Sea Tax	38.0	93.9	104.9	106.2	91.5	396.5
Timor Sea Royalties and Interest (FTP)	3.4	35.9	38.4	38.0	37.6	150.0
Grants (TSP)	34.8	30.9	-	-	-	30.9
Total Expenditure	71.8	77.8	78.4	81.3	83.4	320.9
Salaries	24.0	27.3	28.9	29.5	30.0	115.7
Goods and Services	38.5	39.6	37.8	39.6	40.4	157.4
Minor Capital	2.8	2.1	2.4	2.1	2.0	8.7
Major Capital	6.5	8.7	9.3	10.1	10.9	39.1
General Government Budget Balance	33.6	114.5	98.4	98.1	82.6	393.7
Investments (BPA)	0.4	-	0.5	0.6	0.8	1.9
General Government Fiscal Balance	33.2	114.5	97.9	97.5	81.8	391.8
Non Financial Public Authorities						
Non Financial Public Authorities Revenue	5.7	7.6	10.3	11.5	12.2	41.6
Non Financial Public Authorities Expenditure	10.1	13.9	15.6	15.9	16.2	61.7
Non Financial Public Authorities Budget Balance	(4.4)	(6.3)	(5.3)	(4.4)	(4.0)	(20.1)
Whole of Government Fiscal Balance	28.8	108.2	92.6	93.1	77.8	371.7

Table 2.2³
General Budget of the State Total Savings for the Whole of Government 2003-04 to 2007-08 (\$m)

	2003-04	2004-05	2005-06	2006-07	2007-08
	Act	Est	Est	Est	Est
Consolidated Fund of East Timor	50.4	50.4	50.4	50.4	50.4
FTP Fund	13.9	122.1	214.7	307.8	385.6
Total Fiscal Savings	64.3	172.5	265.2	358.3	436.1

¹ Includes changes as a result of the Supplementary Budget

² Salaries figure for 2004-05 differs from that at Budget as it includes the amount sequestered by the Ministry for Planning and Finance in the first quarter of 2004-05 for salaries (\$0.93m) which were not realised.

³ The CFET balance differs from that shown at the end of year accounts for 2003-04 as it reflects the immediate finances available to the Government excludes the equity invested within the BPA which at the end of 2003-04 was \$6.6m.

Future of the TSP

The Government is keen to continue to receive integrated support from development partners and wishes to make simultaneous progress on the TSP, sector investment packages (SIP) and develop of it's own capacity as part of a coordinated and integrated package.

Timor-Leste has benefited from generous contributions in the form of the TSP and bilateral and multilateral aid projects. The TSP, currently in its third year, has formed a critical part of the General Budget of State and played an important role in bridging the fiscal gap to enable the Government to deliver effectively core services to the people of Timor-Leste.

The TSP provides advantages to Timor-Leste beyond the provision of additional financial resources. The TSP also contributes greatly to reinforcing the Government's internal performance management systems and strengthening its accountability through collaborative monitoring of its own performance. In addition, it adds coordination between development partners. The Government is committed to continue this collaboration during TSP III and is keen to continue the TSP.

The improvement in the revenue position has closed the fiscal gap and there is no longer a fiscal gap to justify the provision of TSP support. This situation occurs because the current composition of the General Budget of the State is somewhat artificial as not all the necessary ongoing Government service requirements are not funded through the General Budget of the State and are currently proposed in the SIPs. A significant fiscal gap will emerge when Government ultimately moves to a structure where all of the core and ongoing government services are financed through the General Budget of the State, this gap would require donor support through a general budget support vehicle such as TSP. .

The Government wishes to engage Development Partners in consultations to find a way forward with the future TSP that is mutually beneficial.

Sector Investment Program (SIP)

The development needs of Timor-Leste remain substantial, and the support of development partners is essential to achieve the Millennium Development Goal (MDG) targets by 2015. To achieve this goal, the SIPs outline a medium-term investment program for each sector to rejuvenate the economy of Timor-Leste and put it on a sustainable growth path.

As the primary vehicle for implementing the SIP, the Government is establishing a sector coordination mechanism. For each sector, a working group is being established to facilitate dialogue and coordination with Development Partners, under the leadership of the leading Government agency in that sector. The Sector Working Group (SWG) is to be the principal mechanism for the Government and donors to develop a common understanding of sectoral priorities, formulate coordinated policies of the whole sector, and match donor interests with specific projects in the SIP.

The government recognises that it needs to further improve its own capacity to manage and deliver development projects and activities. Development partners are requested to pay close and consistent attention to the need to improving the administrative capacity of government to plan and execute high quality expenditure programs. It is important through aid projects, the experience and expertise is transferred as effectively as possible to help improve the execution and service delivery capacity of government

The Government would welcome continued collaboration with its Development Partners in meeting the still significant developmental challenges in the future

Expenditure and Savings Policy and Establishment of a Petroleum Fund

Timor-Leste is adopting two policies to manage its petroleum wealth for the benefit of current and future Timorese. First, it has determined a policy on how much petroleum revenue to save or spend. Second, it is establishing a Petroleum Fund as an instrument to invest those savings.

The Government has adopted a policy to determine how much of Timor-Leste's revenue to save and how much to spend now on investments and the delivery of services to the community.

The Government has adopted a savings/expenditure policy based on maintaining the real value of petroleum wealth to ensure intergenerational equity and promote a sustainable level of government expenditure in the long-term in Timor-Leste.

Maintaining the real value of petroleum wealth is equivalent to spending the estimated sustainable income from petroleum. The latest estimate of sustainable income from petroleum is about \$70 million per year. Current estimates for 2004-05 are for domestic revenue of about \$31 million and permanent income from petroleum of about \$70 million providing a sustainable level of expenditure equal to about \$100 million rising to about \$113 million in 2007-08.

A level of expenditure of about \$113 million by 2007-08 is responsible and fully consistent with the Government's policy. To overcome concerns about the Government's capacity to spend the additional funding wisely a phased approach to allocating additional funding over the medium term will be adopted. The rate at which this phasing will proceed will be determined primarily by the success of Ministries in the process of planning and executing Government policies.

This policy complements and is consistent with the establishment of a petroleum fund. These savings will be put into the petroleum fund that is currently being established.

A discussion paper on the key policy issues surrounding the petroleum fund was released in October 2004, followed by broad public consultations. The public will be invited to comment on a draft law in early 2005, before the Government submits the Act establishing the petroleum fund to Parliament. Subject to the approval by Parliament and promulgation by the President, the petroleum fund can be operational from 1 July 2005 (the start of the 2005-2006 fiscal year).

The Petroleum Fund proposed in the discussion paper builds on international best practice and is based on the Petroleum Fund model used in Norway.

- **The Fund's income**: all of Timor-Leste's petroleum revenues will flow into the Fund, as well as the return on the Fund's investments;
- **The Fund's expenditure**: the outflow from the Fund will be the amount necessary to finance the Government's budget deficit (excluding petroleum revenues);
- **The management of the Fund**: the savings in the Fund are to be invested securely in low risk financial assets abroad;
- **Measures to safeguard a wise management of the petroleum wealth**: there will be a high degree of transparency of operations, including comprehensive and accessible reporting requirements.

The Petroleum Fund does not guarantee wise management of the petroleum wealth, but it can be a useful tool – provided it goes hand in hand with a fiscal policy framework that strikes the right balance between current consumption, investing in physical assets (infrastructure and human development) and saving in financial assets.

Budgetary Execution and Supplementary Budget Requirements

Progress in the execution of the 2004-05 Budget is broadly as expected, given the large carryover of funding mentioned above. The Government has focused much attention in 2004-05 on improving the execution of the budget. To this end, a major effort was made to ensure that planning for capital projects was completed in the first quarter of the financial year, leaving the remaining three quarters for project implementation.

Some supplementation adjustments to the 2004-05 Budget appropriations are required. These are listed below and are contained in a supplementary budget Law to be presented to parliament in January 2005.

- an additional appropriation within the Ministry of Planning and Finance to refund overpaid tax (as assessed by the Timor Leste Revenue Service) by contractors operating in the Timor sea;
- additional funds to the Secretariat of State for Defence to finance logistics services to the Defence force which are currently no longer financed by development partners, as well as capital funding to finalise the FDTL facility at Baucau;
- additional funds to the Ministry of Agriculture, Forestry and Fisheries to assist for the crop seed and pesticide required to assure crop replanting after recent crop damage caused by grasshoppers, establishment of the commercial fisheries and rehabilitative work at the National Abattoir in Tibar.
- additional funds to the Ministry of Health for the establishment of a forensic laboratory;
- increased funds to the Ministry of State Administration to support the Suco Chief and Suco Counsel elections in the first half of 2005;
- additional funds to the Ministry of Transport, Communication and Public Works to repair fire fighting equipment at Dili international Airport.
- a whole of government appropriation to cover increases in the cost of petroleum which is out of direct control of the Government.

Part 3 - Fiscal Policy Issues

Combined Sources Overview

The Government of Timor-Leste will be formulating the 2005-06 General Budget of the State in a combined sources format.

A combined sources approach to formulating the budget will allow the Government to take a holistic approach towards funding public services, infrastructure and initiatives which will lead to outcomes that correlate with the National Development Plan (NDP) and the Millennium Development Goals (MDG's). The sector investment packages (SIP) and Sector Working Groups (SWG) have been developed in conjunction with development partners to outline those activities which the Government believes will lead to such outcomes (and their subsequent costs) by 2015. As a result the SIPs will form the basis of the General Budget of the State 2005-06 on a combined sources basis.

Table 3.1 provides the fiscal position of the Government on a combined sources basis.

It is expected integrating the SIPs into the annual budget process will realise administrative and allocative efficiency gains in the delivery of public services, the building of physical and social infrastructure. The gains to be realised by taking such an approach to the the formulation of the General Budget of the State would include but are not limited to:

- more effective mid term expenditure planning on part of the Government and Development Partners;
- an increased stability in spending levels and technical capacity building within the public sector;
- a more integrated approach by Government and Development Partners towards achieving certain objectives and outcomes; and
- a reduction in duplication and waste.

The SIPs provide Development Partners with an integrated framework within various sectors which within they should contribute their resources and skills. Additionally, the SIPs allow Government to better plan and to fully consider what activities it is required to finance in the light of contributions by Development Partners.

Table 3.1⁴⁵
Combined Sources Budget 2003-04 to 2007-08 (\$m)

	2003-04	2004-05	2005-06	2006-07	2007-08	Total
	Act	Est	Est	Est	Est	Est
Total Combined Sources Revenue	243.9	305.5	237.6	221.7	192.3	957.1
Whole of Government Revenue	76.3	169.0	187.1	190.9	178.2	725.2
Timor Sea Revenue	41.4	129.8	143.4	144.2	129.2	546.6
Domestic Revenue	29.2	31.6	33.5	35.2	36.9	137.1
Autonomous Agency Revenue	5.7	7.6	10.3	11.5	12.2	41.6
Grants from Other Governments	167.6	136.5	50.5	30.8	14.1	231.8
TSP Revenue (Direct Budget Support)	34.8	30.9	0.0	0.0	0.0	30.9
Current Project Funding	132.9	105.6	50.5	30.8	14.1	200.9
Total Combined Sources Expenditure	211.7	250.3	259.3	253.5	192.5	955.6
Whole of Government Expenditure	75.3	86.4	97.2	104.8	97.0	385.5
General Government	71.8	77.8	78.4	81.3	83.4	320.9
Proposed Increase in Expenditure from SIPs	0.0	0.0	6.9	10.6	0.0	17.5
Non Financial Public Authorities	3.5	8.7	11.9	12.9	13.6	47.1
Bilateral and Multilateral Expenditure	132.9	155.2	150.2	135.8	81.8	523.0
Current Donor Programmes	132.9	105.6	50.5	30.8	14.1	200.9
Unfunded SIP Activities	0.0	49.7	99.7	104.9	67.8	322.0
Other Financial Transactions and Investments	3.7	108.2	93.1	93.7	78.6	373.6
Payments into Petroleum Fund	3.4	108.2	92.6	93.1	77.8	371.7
Investments	0.4	0.0	0.5	0.6	0.8	1.9
Changes to CFET Reserves	0.0	0.0	0	0	0	0.0
Combined Sources Financing Gap	28.4	-53.1	-114.8	-125.5	-78.8	-372.1

⁴ Whole of Government Revenue differs from table 2.1 as TSP budget support has been included in grants from other Governments.

⁵ Non Financial Public Authorities expenditure differs from Table 2.1 due to subsidy

Main Messages for Development Partners

Future of TSP

Timor-Leste has benefited from generous contributions from Development Partners, in the form of general budgetary support through the Transition Support Program (TSP) as well as bilateral and multilateral aid projects. The TSP, currently in its third year, has formed a critical part of the General Budget of State and played an important role in bridging the fiscal gap to enable the Government to deliver effectively core services.

The TSP provides advantages to Timor-Leste which are beyond the provision of additional financial resources. Not only does it provide the necessary financing to bridge the resourcing gap in the General Budget of the State, the TSP also contributes greatly to reinforcing the Government's internal performance management systems. An integral part of the TSP is policy dialogue with Development Partners, through which the Government can benefit from valuable lessons learned from all over the world. The TSP also helps the Government strengthen its accountability through collaborative monitoring of its own performance. In addition, it adds coordination between development partners. The Government recognises the value in the discipline the TSP placed on it to motivate and enhance the management of its performance. The Government is committed to continue this collaboration during TSP III and is keen to continue the TSP.

However, the recent improvement in the revenue position due to higher oil prices closes the fiscal gap in the General Budget of the State. This places the Government in a dilemma as there is no longer a fiscal gap to justify the provision of TSP support. This situation only occurs because the current composition of the CFET is somewhat artificial. That is, all necessary ongoing Government service requirements are not funded through CFET at this time. If all such requirements were to be funded through CFET, there would be a significant fiscal gap requiring donor support through a general budget support vehicle such as TSP.

Parts of projects currently proposed in the Sector Investment Program (SIP) for multilateral and bilateral support are, in fact, activities that are core and ongoing public services. Ultimately the Government needs to move to the structure where all of the core and ongoing government services are met through its consolidated fund budget (CFET). It may be appropriate therefore to move some or all of the abovementioned activities within the boundary of CFET. General budget support would be required to fill the fiscal gap that taking on these activities would create. This could be the basis of a new TSP.

The Government has commenced a process of consultations with Development Partners in order to find a way forward with the future TSP that is mutually beneficial. Development Partners have been open to this process and it is envisaged that consultations will lead to a mutually acceptable arrangement for implementation in the 2005-06 Budget.

Sector Investment Program (SIP)

The development needs of Timor-Leste remain substantial, and the support of Development Partners is essential to meet them as is clearly shown in Table 3.1. The Government aims to achieve the Millennium Development Goal (MDG) targets by 2015, for which great efforts are required and will need to be sustained over many years, as outlined in the SIPs Overview Paper, Volume 1.

Towards this goal, the SIP outlines a medium-term investment program for each sector to rejuvenate the economy of Timor-Leste and put it on a sustainable growth path.

As the primary vehicle for implementing the SIP, the Government is establishing a sector coordination mechanism. For each sector, a working group is being established to facilitate dialogue and coordination with Development Partners, under the leadership of the leading Government agency in that sector. The Sector Working Group (SWG) is to be the principal mechanism for the Government and donors to develop a common understanding of sectoral priorities, formulate coordinated policies of the whole sector, and match donor interests with specific projects in the SIP. The first batch of four SWG's are already established, with the remainder to be gradually established by the end of FY2004/05.

Capacity

Though improving, the government recognizes that it needs to further improve its capacity to manage and deliver development projects and activities. Through all aid projects, Development Partners are requested to pay close and consistent attention to the need to improve the administrative capacity of government agencies to plan and execute high quality expenditure programs. It is important that through aid projects, the experience and expertise of Development Partners are transferred as effectively as possible to help improve the execution and service delivery capacity of government agencies. This is also an essential factor for ensuring national ownership of Timor-Leste's development.

This is necessary regardless of the funding mechanism chosen, be they a new TSP arrangement, or the more traditional modalities for bilateral and multi lateral projects.

The Government would welcome continued collaboration with its Development Partners in meeting the still significant developmental challenges in the future.

Expenditure and Savings Policy

Timor-Leste is adopting two policies to manage its petroleum wealth for the benefit of current and future Timorese. First, it has determined a policy on how much petroleum revenue to save or spend. Second, it is establishing a Petroleum Fund as an instrument to invest those savings, as described in the next section.

Experiences from other countries show that petroleum wealth can easily become a curse instead of a blessing. In fact, many countries have ended up poorer and societies more divided after oil and gas discoveries. In order for Timor-Leste to achieve good management of the petroleum resources, it is important that the public is well informed and that a strategy can be established with as broad an agreement as possible. It is crucial to develop a clear sense of ownership of [these policies] amongst the Timorese people.

Timor-Leste possesses substantial wealth in the form of petroleum reserves in the Timor Sea. If managed wisely, this petroleum can be a catalyst to further wealth creation and deliver higher living standards to the Timorese people. However, the petroleum reserves are finite and may be exhausted within a period of just 20-30 years. Furthermore, the income from the extraction of petroleum is uncertain and is likely to fluctuate a lot in the future.

At the same time, Timor-Leste faces substantial economic and social expenditure demands. It is crucial that the right balance is struck between current expenditures that can help deliver economic growth, social services and political stability over the medium term, and the entitlements and choices of future generations. In this effort, a Petroleum Fund can be a useful instrument to conduct economic policy consistent with wise management of the petroleum wealth.

The Government has adopted a policy to determine how much of Timor-Leste's revenue to save and how much to spend now on investments and the delivery of services to the community.

The Government has adopted a savings/expenditure policy based on the Prime Minister's speech announced in June 2003 in London at the Extractive Industry Transparency Initiative. When discussing the Petroleum Fund, the Prime Minister explained "The Fund's objective is to maintain the real value of petroleum wealth (both financial assets from petroleum already produced and estimated revenues from petroleum still in the ground)".

This policy will ensure intergenerational equity and will promote a sustainable level of government expenditure in the long-term in Timor-Leste.

Maintaining the real value of petroleum wealth is equivalent to spending the estimated sustainable income from petroleum. The sustainable income is the amount that the Government can spend each year forever. (The estimated sustainable income from petroleum is often referred to by economists as the permanent income.)

The latest estimate of sustainable income from petroleum is about \$70 million per year. This is calculated from estimated future petroleum revenues.⁶

Current estimates for 2004-05 are for domestic revenue of about \$31 million and permanent income from petroleum of about \$70 million. That gives a sustainable level of expenditure equal to about \$100 million. Inflation and the expected increase in domestic revenues will see this rising to about \$113 million in 2007-08.

Therefore, a level of expenditure of about \$113 million by 2007-08 is responsible and fully consistent with the Government's policy. However, there are concerns about the Government's capacity to spend the additional funding wisely without compounding existing execution problems.

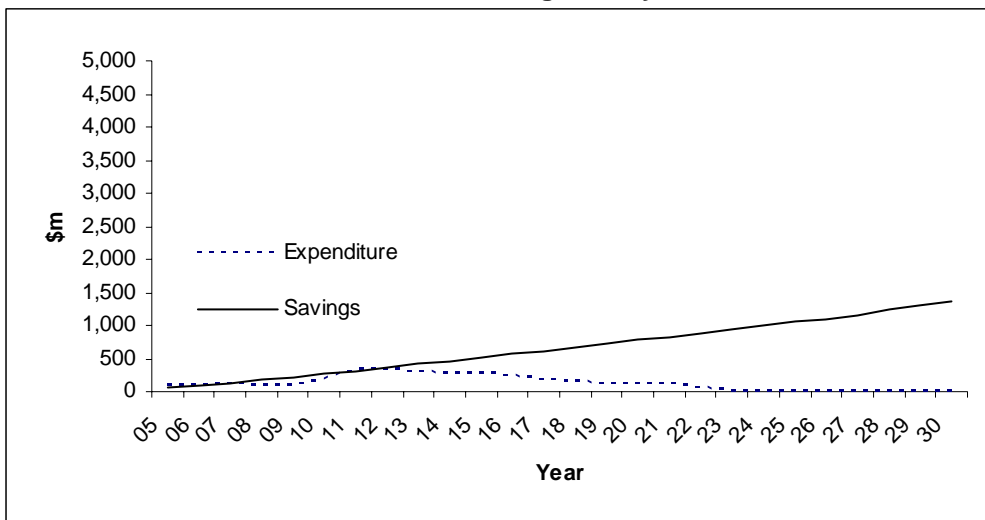
Accordingly, the Government will adopt a phased approach to allocating additional funding over the medium term. The rate at which this phasing will proceed will be determined primarily by the success of Ministries in the process of planning and executing Government policies. That is, the quality of expenditure proposals will determine the level of expenditure because the Government does not want to waste the petroleum resources of Timor-Leste. This will be the focus of the 2005-06 Budget.

The previous policy was to save only First Tranche Petroleum (FTP) and associated interest, and to spend all petroleum taxes. Charts 2.1 and 2.2 compares the estimated petroleum savings and expenditure from petroleum revenues under the old policy and under the proposed policy of spending the estimated sustainable income from petroleum.

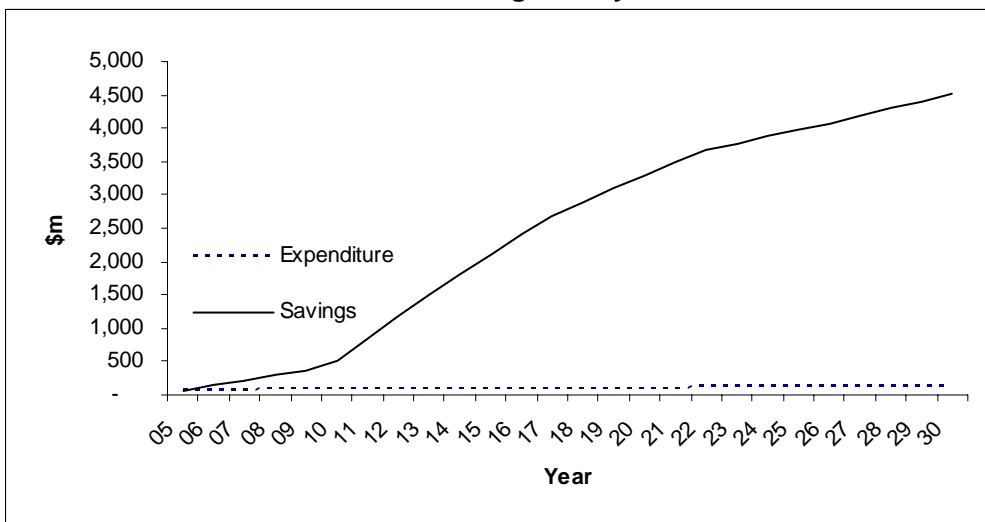
⁶ An accountant would define this sustainable income as the Net Present Value of petroleum wealth multiplied by the real rate of return.

- The Net Present Value of petroleum wealth is calculated as the accumulated petroleum savings plus the stream of expected petroleum revenues discounted for the fact that money is worth less in the future than now.
- A real rate of return of 3 per cent and an inflation rate of 2.5 per cent are being assumed

**Chart 2.1
Previous Savings Policy**



**Chart 2.2
New Savings Policy**



Petroleum saving is much higher under the proposed policy of spending the estimated sustainable income from petroleum, which maintains the real value of the petroleum wealth (the sum of the Petroleum Fund and estimated revenues from petroleum still in the ground). If the Government continues to only save FTP and spend petroleum taxes then it will consume most (about three quarters) of the petroleum wealth. The higher levels of expenditure in the next decade under the previous policy are unsustainable because sufficient funds will not be saved – this would then lead to large falls in expenditure beyond 2011.

Accordingly, the Government’s policy is to maintain the real value of petroleum wealth. Therefore, the Government’s savings/expenditure policy is to both:

increase the desired medium-term level of expenditure to a sustainable level, based on current estimates of petroleum revenue; and

adopt a strong savings policy that will maintain the value of petroleum wealth.

This policy complements and is consistent with the establishment of the Petroleum Fund. These savings will be put into the Petroleum Fund that is being established.

Establishment of a Petroleum Fund

It is the intention of the Government to establish a Petroleum Fund for Timor-Leste. A discussion paper on the key policy issues was released in October 2004, followed by broad public consultations. The public will be invited to comment on a draft law in early 2005, before the Government submits the act establishing the Petroleum Fund to Parliament Subject to the approval by Parliament and promulgation by the President, the Petroleum Fund can be operational from 1 July 2005 (the start of the 2005-2006 fiscal year).

The aim is that the Petroleum Fund will be a tool that can contribute to the wise management of Timor-Leste's petroleum resources, for the benefit of both current and future generations.

The Petroleum Fund proposed in the discussion paper builds on international best practice. It is based on the Petroleum Fund model used in Norway and is currently referred to as the "Norway Plus" model, reflecting additional transparency and information features. The "plus" in Timor-Leste will be a guideline that only sustainable income from our petroleum wealth should be spent, and also incorporates a range of accountability mechanisms, including an independent Council to oversee the operations of the Fund.

This Petroleum Fund reflects the circumstances of Timor-Leste. The Fund maintains the sovereignty of Parliament as given in the Constitution, and gives the Parliament exclusive power to authorise outflows from the Fund. The Fund also allows for a further strengthening of key government institutions like the Ministry of Planning and Finance and the Banking and Payments Authority. And there is to be a high degree of transparency in the operations of the Petroleum Fund, with comprehensive and accessible reporting.

The Fund is to be a tool that contributes to sound fiscal policy. The design of the Fund acknowledges that good planning and execution of public sector budgets are key to avoiding the resource curse found in so many petroleum producing countries. The Petroleum Fund is to be coherently integrated into the budget process. The government budget decides the level of domestic tax revenues and spending – be it on current public consumption or on investment in infrastructure and human capital. The budget thereby also determines (as a residual) the net allocation to the Petroleum Fund that gets invested in financial assets. As described in the previous section, the Government is at the same time adopting a savings/expenditure policy, outlining how much money should flow out of the Fund. Spending the estimated sustainable income from petroleum strikes a good balance between the interests of current and future generations.

- **The Fund's income**: all of Timor-Leste's petroleum revenues will flow into the Fund, as well as the return on the Funds's investments;
- **The Fund's expenditure**: the outflow from the Fund will be the amount necessary to finance the Government's budget deficit (excluding petroleum revenues);
- **The management of the Fund**: the savings in the Fund are to be invested securely in low risk financial assets abroad..
- **Measures to safeguard a wise management of the petroleum wealth**: there will be a high degree of transparency of operations, including comprehensive and accessible reporting requirements – both on the management of the Fund and on whether the spending of petroleum revenues is consistent with long-term considerations. One can also consider establishing an independent Council of Eminent Persons to inform Parliament on the operations of the Fund, acting as a "watchdog" and contributing to an informed public debate and a sound management of the petroleum wealth.

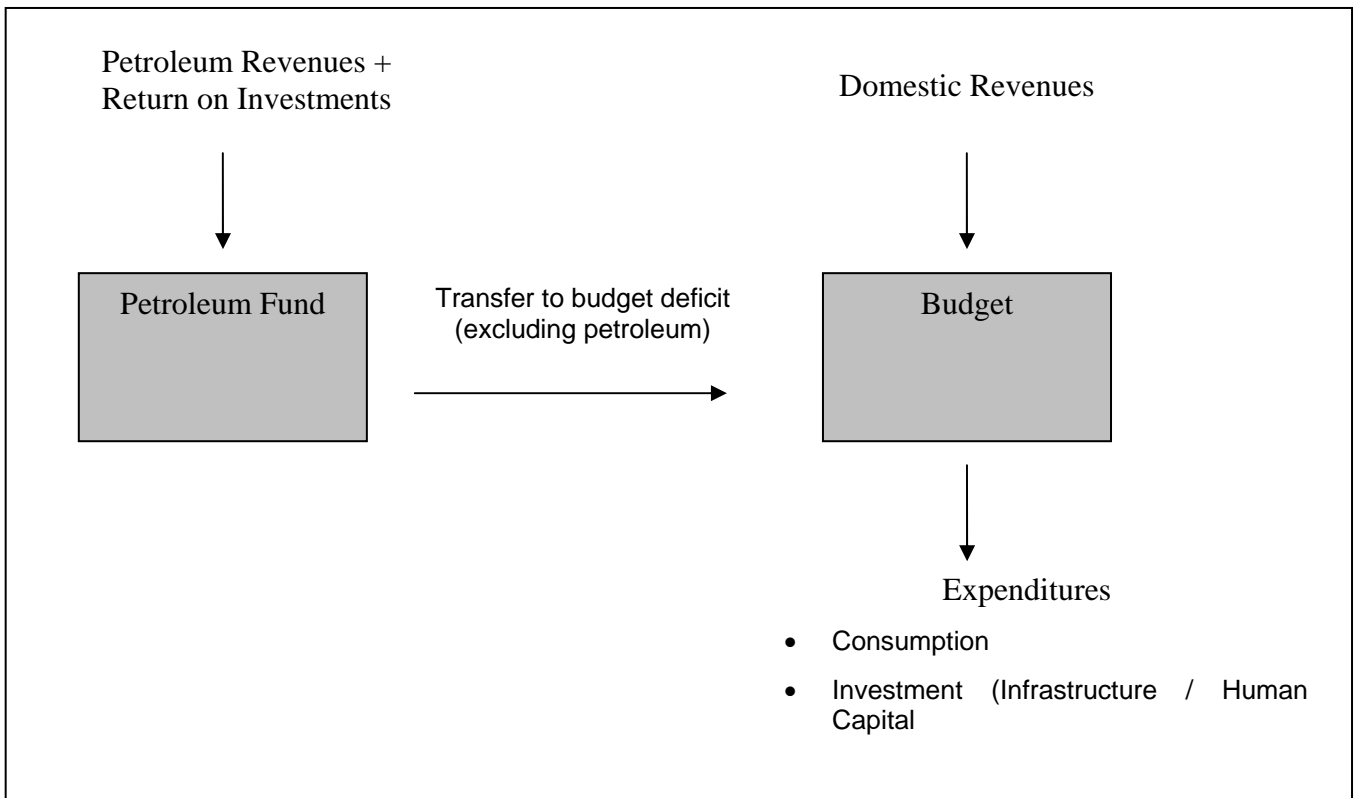
The Petroleum Fund does not guarantee wise management of the petroleum wealth, but it can be a useful tool – provided it goes hand in hand with a fiscal policy framework that strikes the right balance between current consumption, investing in physical assets (infrastructure and human development) and saving in financial assets.

While the discussion paper focuses on the establishment of a Petroleum Fund as a savings instrument, the Government has also outlined its savings policy that will determine the balance between saving and spending.

The Government's savings policy aims to maintain the real value of the petroleum wealth. This policy suggests a gradual increase in government expenditures based on current estimates of the petroleum wealth. The room for fiscal maneuvering should be used wisely to invest in human capital and infrastructure, which can deliver stronger economic growth and improved public services. This policy would at the same time ensure that sufficient financial savings are deposited in the Petroleum Fund so that in later years one is able to withdraw an equal amount from the Fund. Such a savings policy can therefore be seen to strike a good balance between the interests of current and future generations.

An illustration of how the Petroleum Fund is envisaged to operate is shown at illustration 3.1 and table 3.2,

Illustration 3.1
How the petroleum fund of Timor-Leste is envisaged to operate



**Table 3.3
Illustrative Example of the Operation of the Petroleum Fund (\$m)**

Non Petroleum Budget	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
General Government Domestic Revenue	31.6	33.5	35.2	36.9
Domestic Taxes	27.0	28.4	29.8	31.3
Other Domestic Revenue	4.6	5.1	5.4	5.6
Grants (TSP)	30.9	0.0	0.0	0.0
Total Expenditure	71.8	74.2	78.4	81.3
General Government Expenditure	71.8	74.2	78.4	81.3
Salaries	24.0	27.3	28.9	29.5
Goods and Services	33.2	33.1	34.8	37.0
Subsidies (Mainly EDTL)	5.3	3.7	3.0	2.6
Interest	0.0	0.0	0.0	0.0
Minor Capital	2.8	1.7	2.4	2.1
Capital and Development	6.5	8.4	9.3	10.1
General Government Budget Balance	-9.3	-40.7	-43.3	-44.4
Non Financial Public Authority Revenue	12.9	14.0	14.5	14.8
General Government Subsidy	5.3	3.7	3.0	2.6
Own Source Revenue	7.6	10.3	11.5	12.2
Non Financial Public Authority Expenses	8.3	9.8	10.9	11.5
Non Financial Public Authority Budget Balance (Excl Subsidy)	-0.7	0.5	0.6	0.7
General Government Investments (Equity Injection into the BPA)	0.0	0.5	0.6	0.8
Whole of Government Non Petroleum Fund Fiscal Balance	-10.0	-40.7	-43.3	-44.5
Transfer from the Petroleum Fund	10.0	40.7	43.3	44.5
Sustainable Income Draw downs	10.0	40.7	43.3	44.5
Unsustainable Draw downs	0	0	0	0
Whole of Government Non Petroleum Fund Fiscal Balance (Post PF)	0.0	0.0	0.0	0.0
Petroleum Budget				
	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
Timor Sea Revenue	129.8	143.4	144.2	129.2
Timor Sea Revenue	93.9	104.9	106.2	91.5
Timor Sea Interest	35.9	38.4	38.0	37.6
Less Domestic Whole of Government Fiscal Balance	10.0	40.7	43.3	44.5
Total Petroleum Fund Savings	119.8	102.7	100.9	84.7

Part 4 - Economy

Since the 2004-05 General Budget of the State there have been two significant new sources of information that increase the Government's understanding of the Timor-Leste economy, the estimates of Gross Domestic Product (GDP) and the SIPS process.

Estimates of Gross Domestic Product

Estimates of GDP are currently being prepared for 2001, 2002 and 2003 in both nominal and real terms, and include breakdowns of both production and expenditure components. These estimates supplement the GDP estimates previously prepared for 2000 and will provide the first time series on the GDP and its components.

While these estimates have been prepared and provide substantial information on the structure and changes in GDP, they have not been finalised or released. Accordingly, there are no finalised estimates of GDP growth in history available to be published in this document. Given these unusual circumstances, there are also no quantitative estimates of future GDP growth in this document. Nevertheless, the work already done on preparing GDP estimates increases the understanding of the past structure of the Timor-Leste economy.

The SIPS process is providing a much better comprehension of both the development needs of Timor-Leste and of the estimated contribution that Development Partners will make towards Timor-Leste. This better comprehension has important impacts on the outlook for economic development and arises from both the improved database on external assistance and from the process of analysis and policy development in the SIPS.

In particular, Table 11 in the *SIP Overview Paper, Volume I* shows trends in international assistance for Timor-Leste. Total assistance, excluding the United Nations Peace Keeping Force (UNPKF) and United Nations Police (UNPOL), is estimated to have been about \$200 million or more from 99-00 to 02-03 before declining by about 10% in 2003-04. While the UNPKF and UNPOL contributions are now much smaller than this, at their peak in 2000-01 they exceeded \$200 million. This implies considerable reductions in the grand total of international assistance.

The following qualitative analysis of the Timor-Leste economy focuses on three different issues:

- petroleum GDP;
- the international contribution to GDP and
- the remainder of GDP.

Petroleum GDP

Petroleum GDP, or the contribution to total GDP made by the petroleum industry on the production side of the National Accounts, has been a small but significant proportion due to the operation of the Elang Kakatua Kakatua North (EKKN) field. However, the operation of the much larger Bayu Undan field will lead to very large increases in Petroleum GDP in 2004-05. This increase in Petroleum GDP is reflected by the large increase in petroleum revenues.

While this increase in Petroleum GDP is welcome, it will only directly affect the lives of a few people in Timor-Leste. The largest and most general benefits of Petroleum GDP will come from the petroleum revenue that is funding government services and employment.

International Contribution to GDP

The international contribution to GDP in Timor-Leste is significant. International assistance is expected to be equivalent to more than half of GDP in 2004-05. The largest component of this is development and technical assistance.

The SIPS Overview Paper shows that the grand total of international assistance is expected to decline in 2004-05 and subsequent years. However, these reductions are smaller in both proportional and absolute terms than some of the reductions suffered in previous years. Accordingly, they are detracting from GDP growth to a smaller extent than previously.

Remaining GDP

Developments in the remainder of GDP are characterised by increases in some areas and decreases in others. For example, there appears to have been a significant increase in recent years in the number and variety of retail outlets in Dili that cater to Timorese consumers. In contrast, the number of internationals going to restaurants and cafes has declined considerably leading to a contraction for these businesses. The overall result will depend on the magnitude of these different influences.

Inflation

Inflation in the twelve months to October 2004 was 2.3 per cent, about half the rate from the previous twelve month period.

Part 5 - Revenue

Total Revenue

Table 5.1 shows that estimated revenue for Timor-Leste in the medium term 2004-08 will experience a relatively high increase in all areas, such as

- Timor Sea taxes;
- Domestic taxes;
- Fees, User Charges and Other, and
- Autonomous Agencies.

From this perspective, total revenue for Timor-Leste in 2004-05 will experience a significant increase but fluctuations will follow in 2005-06. The highest increase in revenue received by the Government of Timor-Leste will come from the Timor Sea.

Table 5.2 shows the difference between the estimates for total revenue in 2004-05 at the time of the Budget and the Mid Year Review.

Table 5.1
Revised Estimates of Total Timor-Leste Whole of Government Revenue (\$m)

	2003-04	2004-05	2005-06	2006-07	2007-08	Total
	Act	Est	Est	Est	Est	Est
Taxes, Duties and Other Fees						
Timor Sea Taxes		93.9	104.9	106.2	91.5	396.5
Domestic Taxes		10.0	10.5	11.0	11.6	43.1
Customs Duties		17.0	17.9	18.7	19.7	73.3
User Fees and Charges		4.6	5.1	5.4	5.6	20.7
Non Financial Public Authorities		7.6	10.3	11.5	12.2	41.6
Total Taxes, Duties and Other Fees		133.1	148.7	152.9	140.6	575.2
Other Revenue						
FTP & Interest		35.9	38.4	38.0	37.6	150.0
Grants (confirmed TSP)		30.9	0	0	0	30.9
Total Other Revenue		66.8	38.4	38.0	37.6	180.9
Total Revenue		199.9	187.1	190.9	178.2	756.1

The comparison between estimated revenue for the 2004-05 revision and the 2004-05 General Budget indicates a significant change. The estimated total revenue for the next four years (2004-05 to 2007-08) has nearly doubled. Total revenue for this period is now estimated at \$756.1m, an increase of \$315.8m. This is mainly due to the large contribution from the activities in the Timor Sea, see Table as shown in Table 5.3.

Table 5.2⁷
Change since Budget 2004-05 total Timor-Leste Whole of Government Revenue (\$m) excluding Grants

	2003-04	2004-05	2005-06	2006-07	2007-08	Total
	Act	Est	Est	Est	Est	Est
Budget 2004-05	63.6	75.4	96.5	121.8	115.6	409.3
Mid Year Review	76.3	169.0	187.1	190.9	178.2	725.2
Change	12.7	93.6	90.6	69.1	62.6	315.9

Timor Sea Revenue

Increases in forecasts of Timor Sea revenue will have positive implications for total revenue over the next four years. In the next four years Timor Sea revenue will increase due to several factors:

- a significant increase in the world oil price;
- later implementation of the tax depreciation schedules
- good progress with the development of the Bayu Undan field

⁷ Includes all revenue from Timor Sea, Domestic Taxes and Public Authorities and excludes TSP grants

Table 5.3
Revised Estimates of Timor Sea Revenues

	2003-04	2004-05	2005-06	2006-07	2007-08	Total
	Act	Est	Est	Est	Est	Est
Budget 2004-05	31.3	44.1	62.6	85.7	77.3	269.7
Mid Year Review	41.4	129.8	143.4	144.2	129.2	546.6
Change	10.1	85.7	80.8	58.5	51.9	276.9

Chart 5.1 shows the revised estimates for petroleum revenues and the estimates in the 2004-05 Budget. As mentioned previously, there are significant upward revisions to revenue estimates until 2013, which to a large extent reflect higher oil price assumptions.

Chart 5.1
Estimated Petroleum Revenues (Petroleum Taxes and FTP)

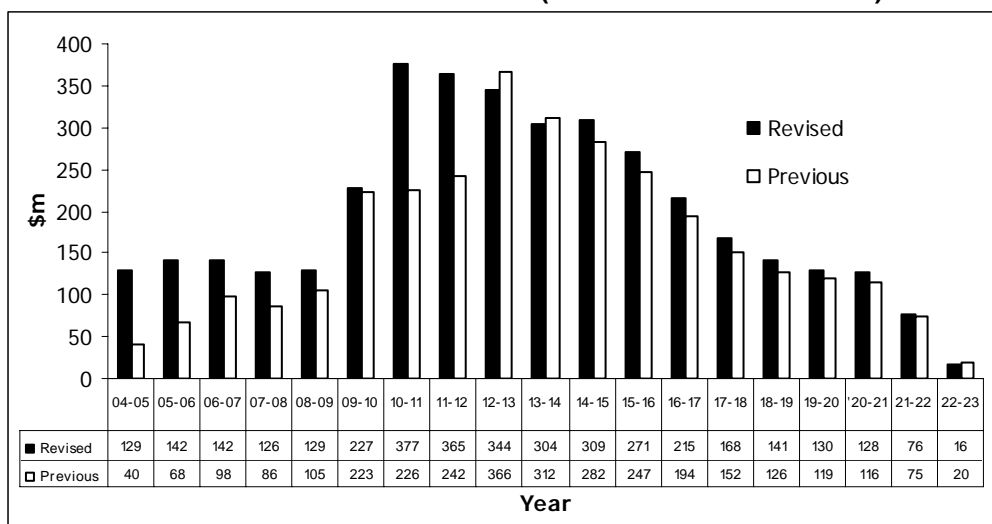
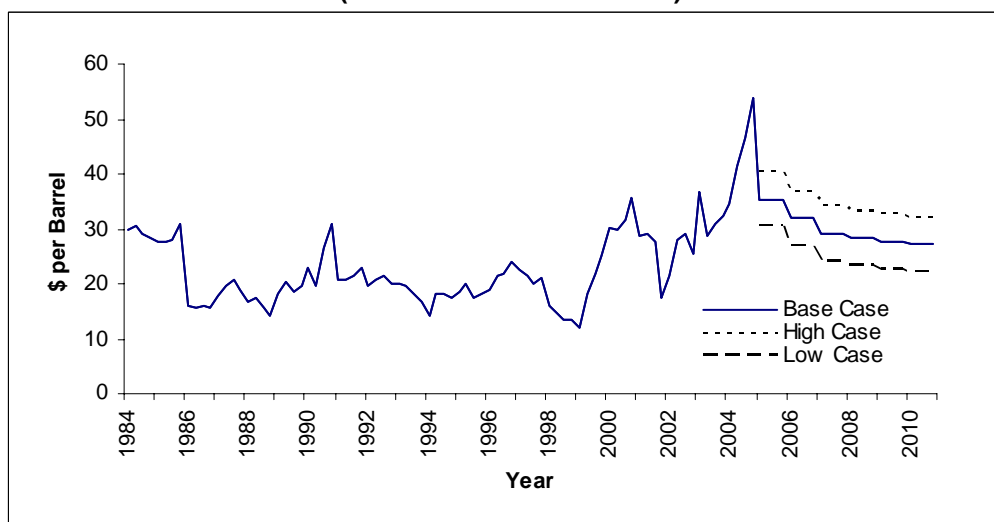


Chart 5.2 illustrates the volatility of oil prices shows the oil price assumptions that have been used in the revenue estimates. In the base case the oil price is assumed to develop in line with the NYMEX forward prices minus \$5. To illustrate the sensitivity of petroleum revenue estimates to changes in oil prices, there is also a high case and a low case where oil prices are assumed to remain \$5 higher and lower than the base case.

Chart 5.2 also illustrates that Timor-Leste's petroleum revenues are very sensitive to oil prices, showing the estimated petroleum revenues under the different oil price scenarios provided in Chart 5.2.

Chart 5.3
Historical and Assumed Oil prices per Barrel (\$ per Barrel) Scenarios for Estimated Petroleum Revenue (Petroleum Taxes and FTP)



Domestic Revenue

Domestic Revenue will also make significant contributions to total revenue. Table 5.3 shows a significant increase in the revenue estimate for 2004-05 continuing on every year until 2007-08. This is due to improvements in administration and income collection capacity of the institutions which collect revenue on behalf of the Government.

The Customs Division within the Ministry of Planning and Finance has implemented the ASICUDA computer system. Customs duties for 2004-05 are expected to increase \$11.5m to \$17.0m. Additionally the Timor-Leste Revenue Service has successfully implemented an audit system which has contributed to an increase for the Timor-Leste Revenue Service from \$7.5m to \$10.0m in 2004-05.

Table 5.3
Revised Estimates of Domestic Timor-Leste Revenues

	2003-04	2004-05	2005-06	2006-07	2007-08	Total
	Act	Est	Est	Est	Est	Est
Budget 2004-05	26.1	23.0	23.8	25.0	26.6	98.4
Mid Year Review	29.2	31.6	33.5	35.2	36.9	137.1
Change	3.1	8.6	9.7	10.2	10.3	38.7

Autonomous Agencies

Table 5.4
Non Financial Public Authorities

	2003-04	2004-05	2005-06	2006-07	2007-08	Total
	Act	Est	Est	Est	Est	Est
Budget 2004-05	6.2	8.3	10.1	11.1	11.7	41.2
Mid Year Review	5.7	7.6	10.3	11.5	12.2	41.6
Change	-	0.5	0.2	0.4	0.5	0.4

Transition Support Programme

Direct budget support for 2004-05 through the Transition Support Program (TSP) III has remained as a whole unchanged at \$30.9m. Exchange rate variations have offset an increased contribution from New Zealand.

Table 5.5
TSP Contributions for 2004-05 (\$m)

	Total Pledge	Exchange	Change in	Total Pledge
	Budget	Rate Impact	Pledge	
Australia	4.45	-0.26	0.00	4.19
Finland	1.34	0.00	0.00	1.31
Ireland	2.42	-0.04	0.00	2.38
New Zealand	0.32	0.00	0.32	0.65
Norway	3.67	-0.14	0.00	3.53
Portugal	3.00	0.00	0.00	3.00
UK	6.88	0.11	0.00	6.99
USA	3.92	-0.04	0.00	3.92
World Bank	4.89	0.00	0.00	4.96
Total	30.89	-0.37	0.32	30.93

Part 6 - Expenditure

Actual 2003-04 Outcome

At the time of publishing the *General Budget of the State 2004-05*, the 2003-04 fiscal year was not complete and a final outcome of the 2003-04 Budget unavailable. While the Annual Financial Report and Accounts 2003-04 are yet to be released, it is relevant to note that total budget execution for the year was around 93%. As a result, \$16.5m worth of funds has been carried forward to be obligated and spent in 2004-05.

The carrying over of commitments from previous years is unavoidable, particularly for spending on capital projects which take some time to complete. However, a carryover of this size is undesirable as it diverts effort from the execution of the current budget and can therefore lead, if not addressed, to even larger carryovers in the future.

Expenditure Outlook for 2004-05

Progress in the execution of the 2004-05 Budget is broadly as expected, given the large carryover of funding mentioned above. The Government has focused much attention in 2004-05 on improving the execution of the budget. To this end, a major effort was made to ensure that planning for capital projects was completed in the first quarter of the financial year, leaving the remaining three quarters for project implementation.

Salaries

Across the whole of the Government, salaries expenditure was running at xx% of the full year appropriation in the four months to the end of October. If all Organs of State were operating with their full staffing profile for all of the four months, it would be expected that around 33% of the full year budget would have been expended.

In the month of October 15,965 civil servants (14,916 permanent and 1,049 temporary) were on the Government payroll. This compares with a staffing totalling 17,150. Chart 6.2 illustrates this on a whole of government basis. Annex XX provides further information on staffing classifications within the Government of Timor-Leste.

Most Organs of State are understaffed relative to their staffing profile, and whilst actively seeking to fill current vacancies there are issues with an inability to find suitably skilled staff. Many organs of Government, however, have commenced recruitment and are expected to make recommendations on staff by December 2004. Despite the concerted effort to fill positions quickly, expenditure on salaries is likely to be under budget for 2004-05.

Goods and Services

On a Whole of Government basis around 27% of the overall allocation has been executed up until the end of October 2004. It is usual to have a lower execution rate for this category of spending in the first half of the year. It is therefore expected that this category of expenditure will be full expended by the end of the fiscal year. Additionally there is a large carryover of activity from the 2003-04 Appropriations which will have an impact on execution but is expected to lessen by the second quarter. The current estimate for salaries and wages expenditure has been reduced by \$0.93m to \$24m as a result of it being unspent in the first four months of the year.

Minor Capital

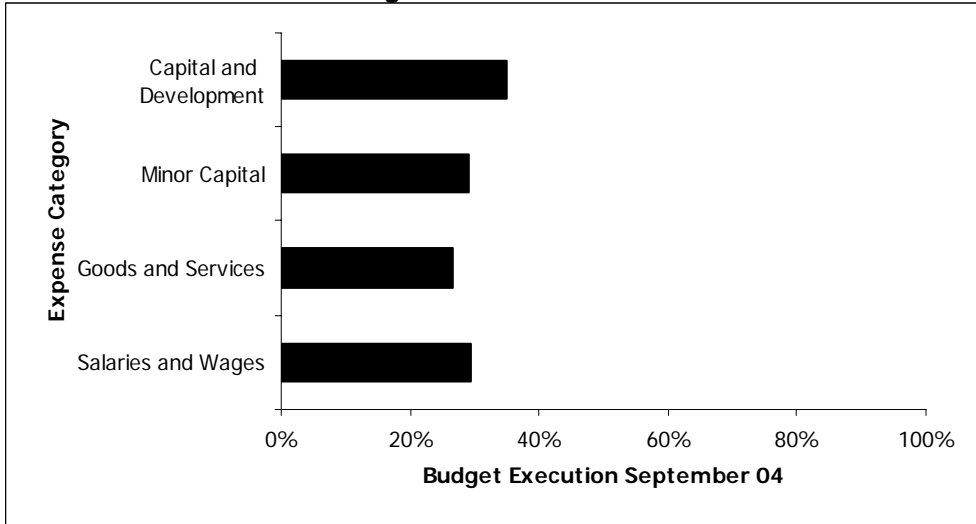
Although this is the first year in which this category has been separately reported, it is usual for these expenditure items to be accelerated in the second half of the fiscal year. This category is expected to be fully spent by the end of the fiscal year.

Capital and Development

The focus of activity in relation to this category in the first quarter is on planning the projects to be undertaken. It is not surprising therefore that the cash spent to date is at a very low level. However, the rate of commitment⁸ indicates good progress with the planning of capital projects. Nearly every Ministry and Secretary of State had completed capital development plans during the first quarter. Total budget execution (cash spent and commitments made) in the first four months of the fiscal years (to end October 2004) was 35%. The breakdown for each category of expenditure category is shown in Chart 6.1.

⁸ A financial commitment is incurred when an Organ of Government seeks a Commitment Payment Voucher (CPV) from the Ministry of Planning and Finance which authorizes funds for obligation and expenditure.

Chart 6.1
2004-05 Budget Execution to October 2004

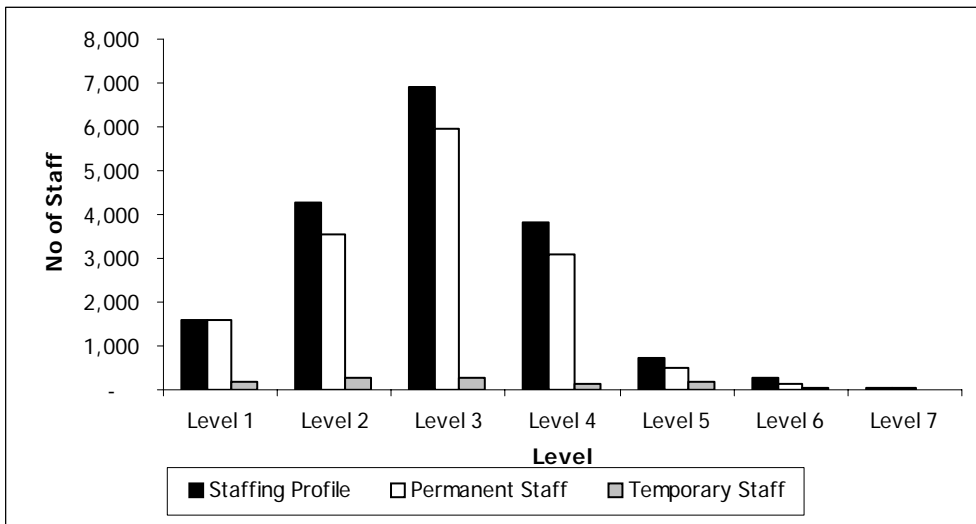


Performance of Non Financial Public Authorities (Self Funded Agencies)

Revenue collection of Non Financial Public Authorities are important to the General Budget of the State as any shortfall in collections could lead to a requirement for budget support for the authority. The position as at the end of October 2004 is as follows:

- revenue collections by Civil Aviation and Ports for 2004-05 are expected to be met; and
- current revenue collections from EDTL in the first quarter indicate that an improved level of revenue collection in relation to previous years will be achieved. At this early stage it appears that it may not reach the estimated revenue target for 2004-05 of \$6.5m. The estimate for EDTL revenue has fallen to \$5.7m.

Chart 6.2
2004-05 Staffing Profile and Actual Public Service Staff and Non Public Service Staff



Supplementary Funds for 2004-05

The focus on reviewing the 2004-05 General Budget of the State has been on execution and adjustments via a process of supplementation. It has not taken the form of a complete re-representation of the budget as it did in recent years. This demonstrates an increasing maturity of the budget process with the result that widespread changes are not required to the original annual budget at this half way mark.

Some supplementation adjustments to the 2004-05 Budget appropriations are required. These are listed below and are contained in a supplementary budget Law to be presented to parliament in January 2005.

- an additional appropriation within the Ministry of Planning and Finance to refund overpaid tax (as assessed by the Timor Leste Revenue Service) by contractors operating in the Timor sea;
- additional funds to the Secretariat of State for Defence to finance logistics services to the Defence force which are currently no longer financed by development partners, as well as capital funding to finalise the FDTL facility at Baucau;
- additional funds to the Ministry of Agriculture, Forestry and Fisheries to assist for the crop seed and pesticide required to assure crop replanting after recent crop damage caused by grasshoppers, establishment of the commercial fisheries and rehabilitative work at the National Abattoir in Tibar.
- additional funds to the Ministry of Health for the establishment of a forensic laboratory;
- increased funds to the Ministry of State Administration to support the Suco Chief and Suco Counsel elections in the first half of 2005;
- additional funds to the Ministry of Transport, Communication and Public Works to repair fire fighting equipment at Dili international Airport.
- a whole of government appropriation to cover increases in the cost of petroleum which is out of direct control of the Government.

Table 6.1
Final Budget Appropriations 2004-05⁹

Category of Expenditure	Original Budget (A) \$ million	Supplementary Budget (B) \$ million	Total Budget (A+B) \$ million
Salaries and Wages	28.2	0.1	28.2
Goods and Services	36.8	2.8	37.6
Minor Capital	1.7	0.4	2.2
Capital and Development	8.4	0.3	8.7
Total	75.1	3.6	78.7

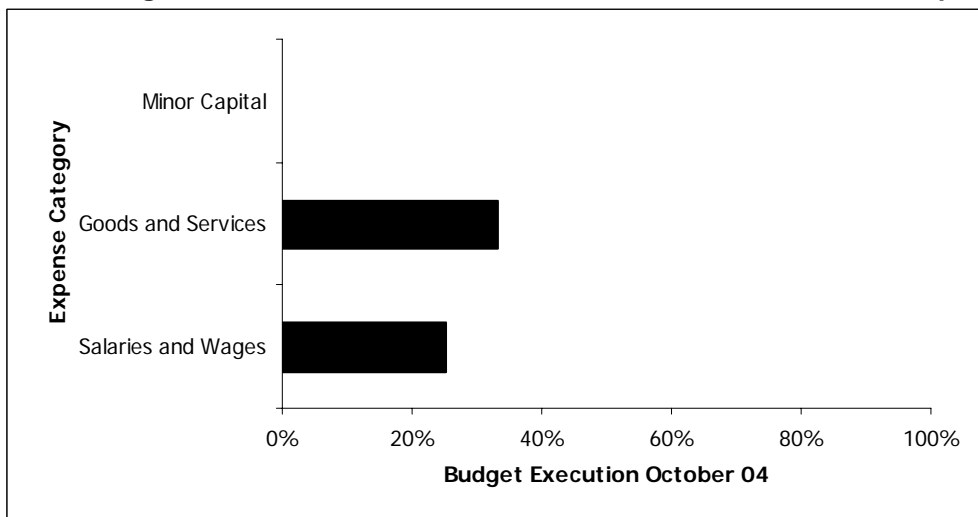
⁹ Transfers undertaken relate to Virements undertaken up until October 2004. Salaries appropriations is based on the original appropriation at budget and does not take the underspend of the first four months into account.

A-1 Office of the President of the Republic

2004-05 Budget Execution Performance

Budget execution for salaries and wages is lower than expected. Further recruitment is expected in 2005 to improve staffing levels. Execution for goods and services is on target. There has been no spending on minor capital but purchase processes are underway.

Chart 6.1
2004-05 Budget Execution to October 2004 Office of the President of the Republic



There are no supplementary budgetary requirements for the Office of the President of the Republic.

Table 6.1
Budget Appropriations 2004-05 Office of the President of the Republic (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	140	-	-	140
Goods and Services	220	-	-	220
Minor Capital	20	-	-	20
Capital and Development	-	-	-	-
Total	380	-	-	380

B-1 National Parliament

2004-05 Budget Execution Performance

Budget execution for both salaries and wages and goods and services is less than expected. This is largely due the National Parliament not achieving their full staffing profile. It is expected that more staff will be recruited early in 2005. Spending on minor capital is scheduled to occur later in 2004.

Chart 6.3
2004-05 Budget Execution to October 2004 National Parliament

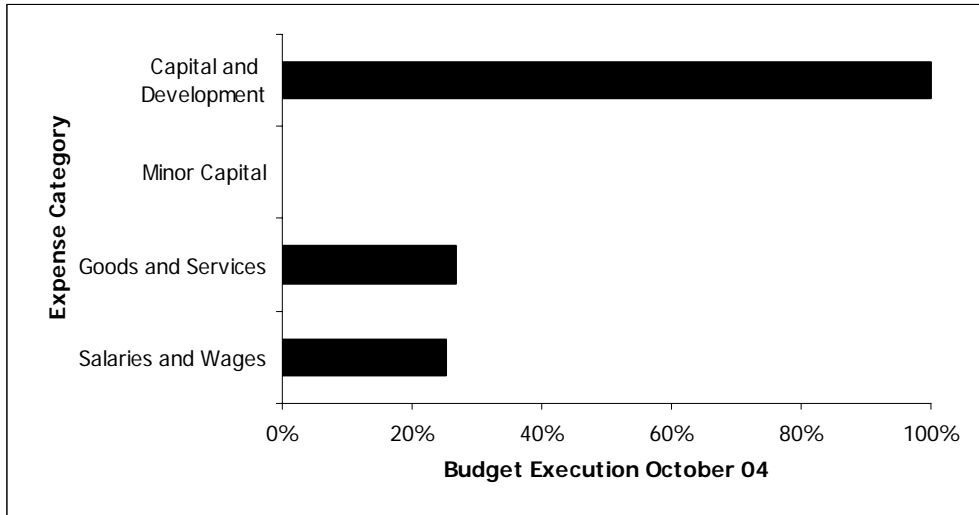
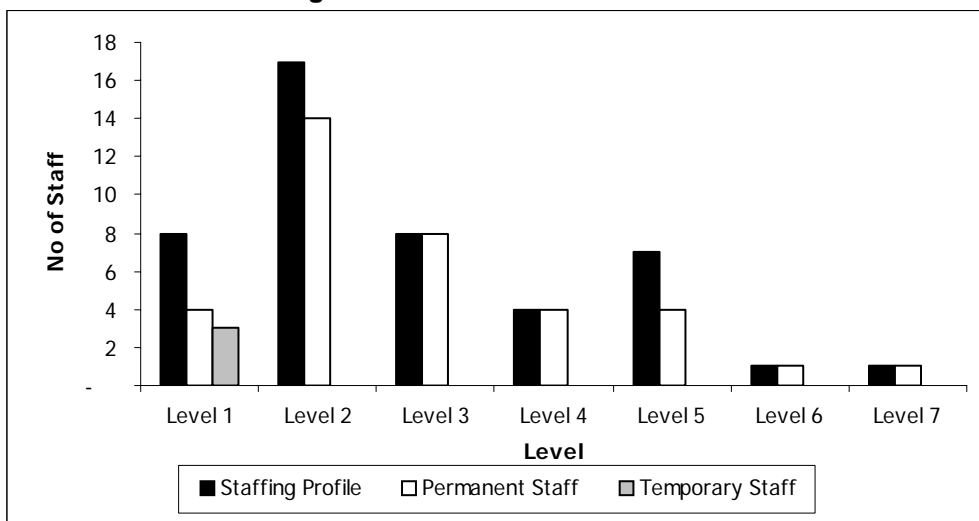


Chart 6.4
2004-05 Staffing Profile and Actual Staff National Parliament



There are no supplementary budgetary requirements for the National Parliament.

Table 6.2
Budget Appropriations 2004-05 National Parliament (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	579	-	-	579
Goods and Services	338	11	-	327
Minor Capital	13	-	-	13
Capital and Development	-	11	-	11
Total	930	-	-	930

C-1 Office of the Prime Minister and the President of the Council of Ministers

2004-05 Budget Execution Performance

Lower than expected budget execution levels in salaries and wages and goods and services are the result of delays in recruitment. In addition there are have been funding delays for expenditure on goods and services. Minor capital expenditure is high because office equipment was purchased early in the year. Funds for capital and investment have been completely used up.

Chart 6.5

2004-05 Budget Execution to October 2004 Office of the Prime Minister and the President of the Council of Ministers

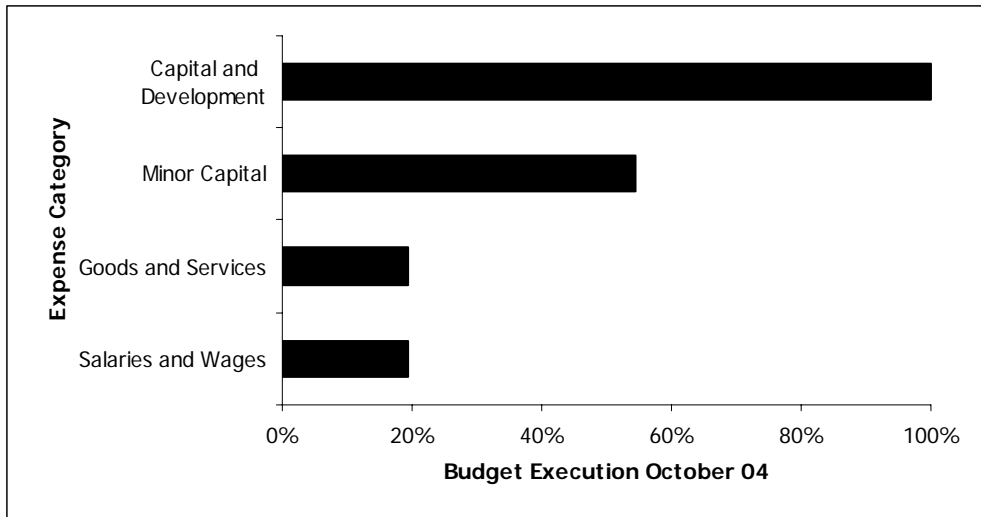
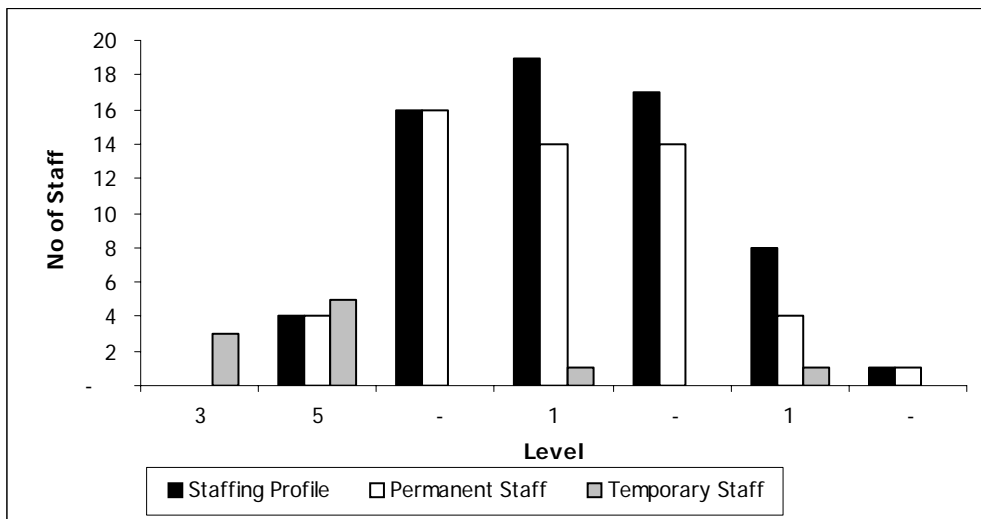


Chart 6.6

2004-05 Staffing Profile and Actual Staff Office of the Prime Minister and the President of the Council of Ministers



There are no supplementary budgetary requirements for the Office of the Prime Minister and the President of the Council of Ministers.

Table 6.3

Budget Appropriations 2004-05 Office of the Prime Minister and the President of the Council of Ministers (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	249	6	-	255
Goods and Services	682	6	-	676
Minor Capital	23	-	-	23
Capital and Development	50	-	-	50
Total	1,004	-	-	1,004

D-1 Secretariat of State for Defence

2004-05 Budget Execution Performance

Budget execution for both salaries and wages and goods and services is below expected levels as the FDTL has to recruit approximately 280 staff to achieve the desired staffing profile. In regard to goods and services there are delays in the processes for the order and supply of goods. There has been no minor capital expenditure so far this financial year, most of it is expected to take place in the middle of the financial year.

Chart 6.7
2004-05 Budget Execution to October 2004 Secretariat of State for Defence

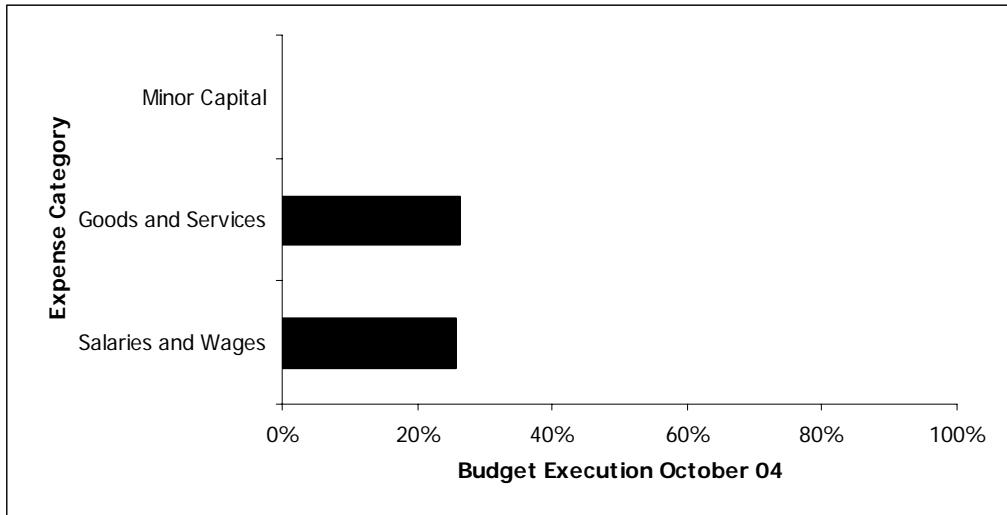
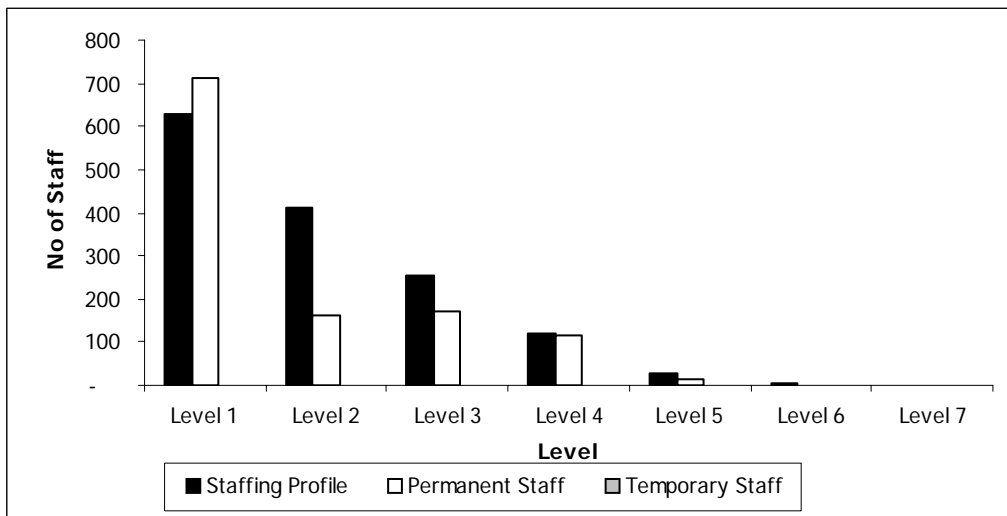


Chart 6.8
2004-05 Staffing Profile and Actual Staff Secretariat of State for Defence



The Secretariat of State for Defence budget will receive supplementation of \$643,000. Of this amount \$343,000 this will fund the completion Baucau installation, \$303,000 will be to meet the costs of defense logistics contracts which were previously paid for by donors. These contracts cover catering, cleaning and maintenance for defense bases. The ongoing annual cost of these contracts is estimated to be around \$747,000 per year. Further funding of these logistics will be considered in the context of the 2005-06 General Budget of State.

Table 6.4
Budget Appropriations 2004-05 Secretariat of State for Defence (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	1,712	-	-	1,712
Goods and Services	4,229	-	303	4,532
Minor Capital	53	-	-	53
Capital and Development	-	-	343	343
Total	5,994	-	646	6,640

E-1 Secretariat of State for the Council of Ministers

2004-05 Budget Execution Performance

Budget execution for wages and salaries is below the expected levels due to staffing levels being below the agreed staff profile. Budget execution for goods and services and minor capital is low due to delays in funding processes and ordering of supplies from overseas.

Chart 6.9
2004-05 Budget Execution to October 2004 Secretariat of State for the Council of Ministers

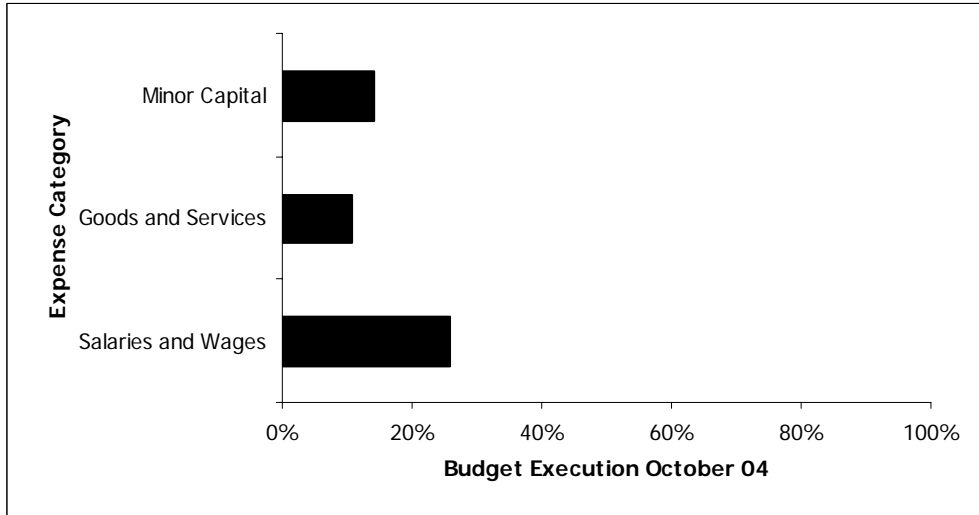
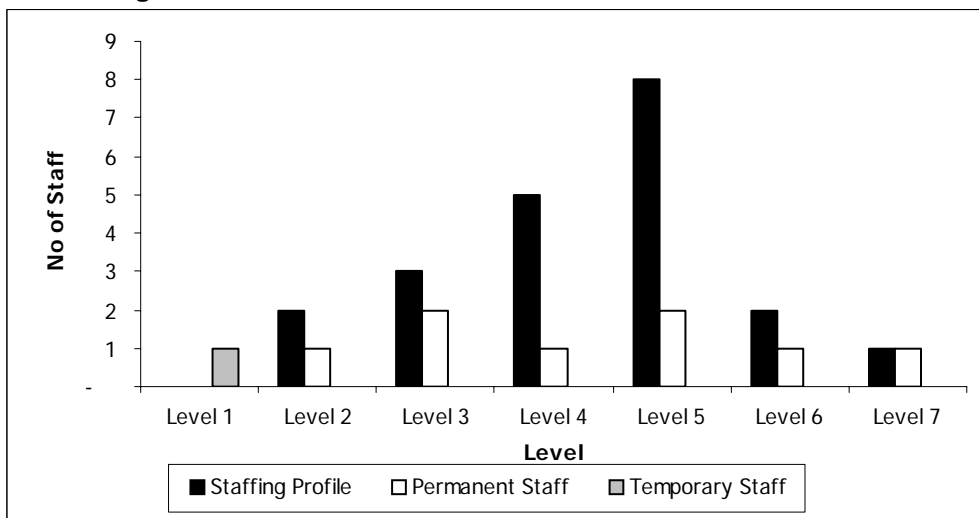


Chart 6.10
2004-05 Staffing Profile and Actual Staff Secretariat of State for the Council of Ministers



There are no supplementary budgetary requirements for the Secretariat of State for the Council of Ministers.

Table 6.5
Budget Appropriations 2004-05 Secretariat of State for the Council of Ministers (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	59	-	-	59
Goods and Services	280	-	-	280
Minor Capital	41	-	-	41
Capital and Development	-	-	-	-
Total	380	-	-	380

F-1 Ministry of State Administration

2004-05 Budget Execution Performance

Budget execution for salaries and wages is lower than expected as more permanent staff need to be recruited to achieve the agreed staffing profile. Budget execution for goods and services is also lower than expected partly as a result of delays in the processes of ordering and supplying goods. The high level of minor capital execution accords with plans to buy office equipment early in the financial year. The execution of major capital is also at a very high as a result of early planning rehabilitating district administration buildings.

Chart 6.11
2004-05 Budget Execution to October 2004 Ministry of State Administration

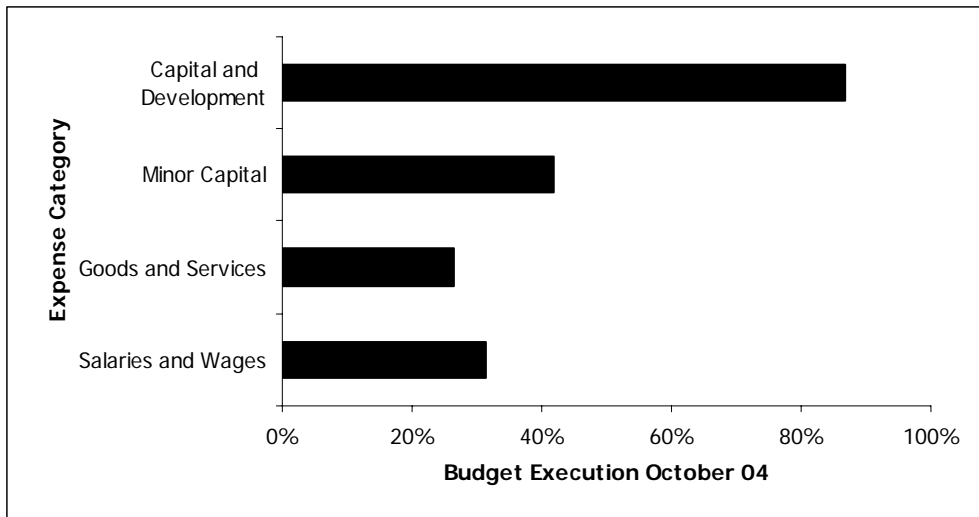
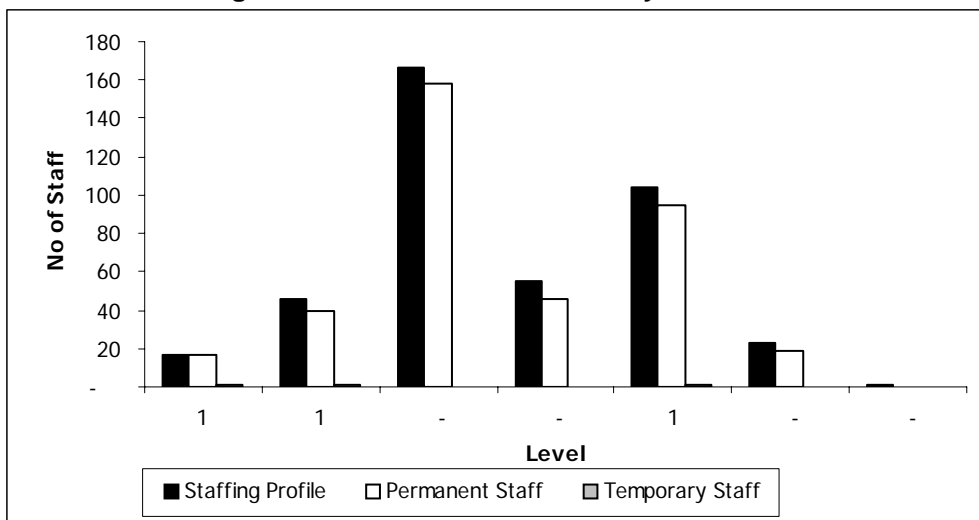


Chart 6.12
2004-05 Staffing Profile and Actual Staff Ministry of State Administration



Budget Supplementation of \$253,000 has been provided to the Ministry of State Administration to provide support for the upcoming Chief of Suco and Suco Council elections.

Table 6.6
Budget Appropriations 2004-05 Ministry of State Administration (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	776	-	-	776
Goods and Services	1,611	-	253	1,864
Minor Capital	35	-	-	35
Capital and Development	300	-	-	300
Total	2,722	-	253	2,975

G-1 Ministry of the Interior

2004-05 Budget Execution Performance

Budget execution for salaries and wages is not far off target as the Ministry has progressed towards full recruitment. Execution for goods and services is below target because of delays in the funding process. Budget execution for minor capital is on target, with most expenditure scheduled for 2005. Budget execution for capital and investment (building rehabilitation) is awaiting procurement.

Chart 6.13
2004-05 Budget Execution to October 2004 Ministry of the Interior

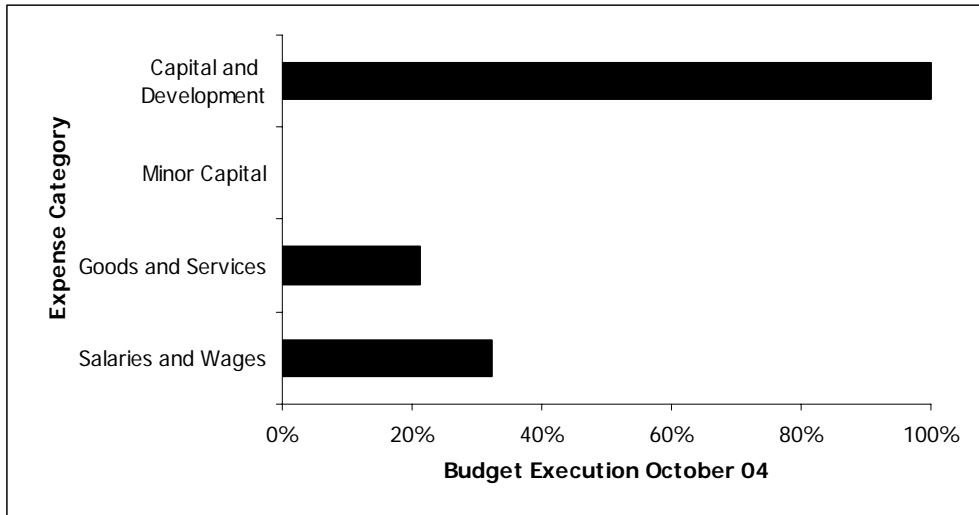
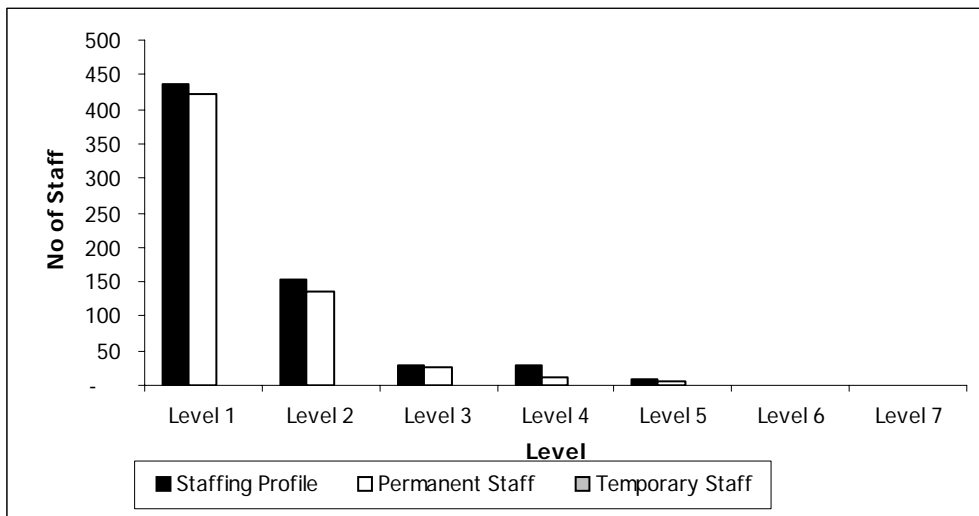


Chart 6.14
2004-05 Staffing Profile and Actual Staff Ministry of the Interior



There are no supplementary budgetary requirements for the Ministry of the Interior.

Table 6.7
Budget Appropriations 2004-05 Ministry of the Interior (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	722	-	-	722
Goods and Services	560	-	-	560
Minor Capital	5	-	-	5
Capital and Development	20	-	-	20
Total	1,307	-	-	1,307

G-4.1 National Police of Timor-Leste

2004-05 Budget Execution Performance

Budget execution for salaries and wages is close to target as the National Police are progressing towards full recruitment. Recruitment of civilian staff is now underway and other PNTL staff should be recruited by May 2005. Execution for goods and services is below target because of delays in the funding process. Most minor capital expenditure is planned for May 2005.

Chart 6.14
2004-05 Budget Execution to October 2004 National Police of Timor-Leste

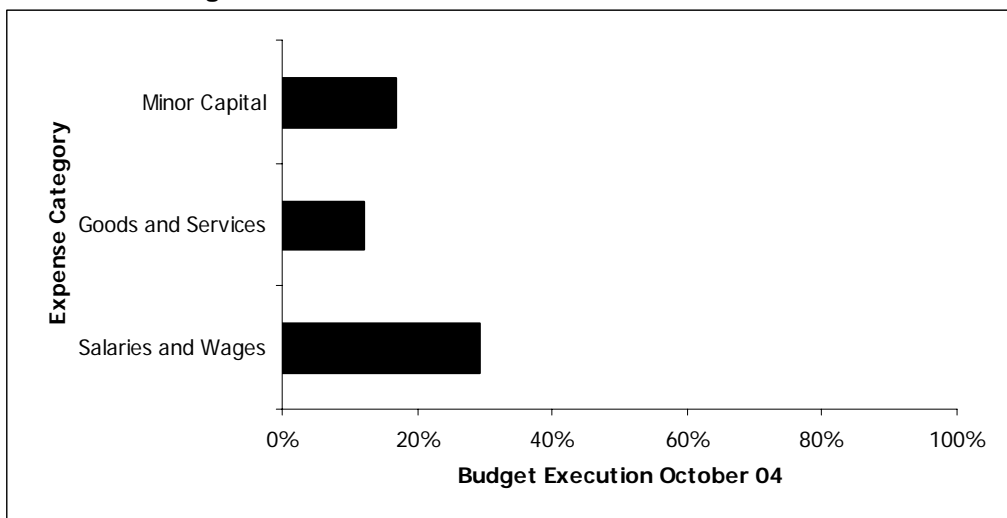
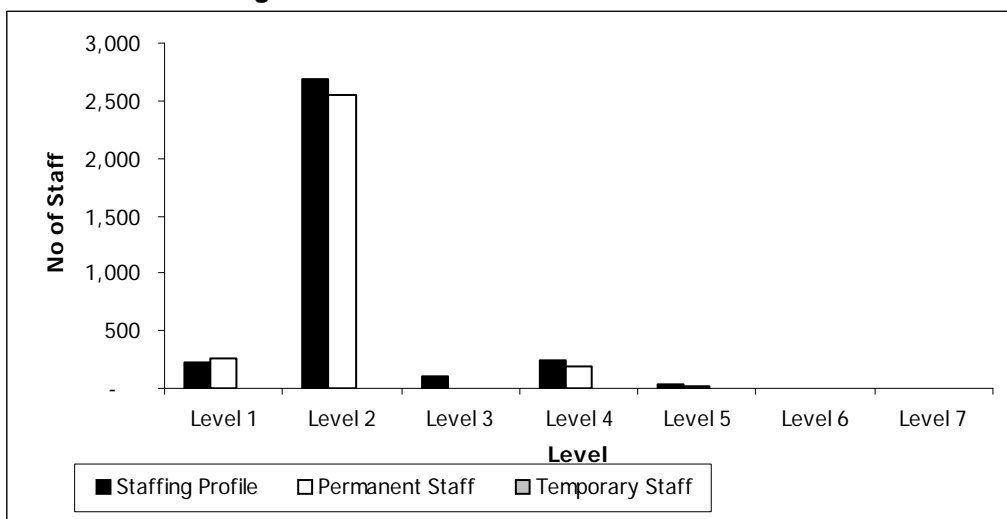


Chart 6.15
2004-05 Staffing Profile and Actual Staff National Police of Timor-Leste



There are no supplementary budgetary requirements for the National Police of Timor-Leste.

Table 6.8
Budget Appropriations 2004-05 National Police of Timor-Leste (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	4,061	-	-	4,061
Goods and Services	3,398	-	-	3,398
Minor Capital	291	-	-	291
Capital and Development	-	-	-	-
Total	7,750	-	-	7,750

H-1 Ministry of Development and Environment

2004-05 Budget Execution Performance

Recruitment for the remaining unfilled positions within the Secretariat of State for Development and Environment has been undertaken and is now in the approval stages. Execution in goods and services remains low due to some processing delays. Minor capital expenditure is planned for the third quarter.

Chart 6.16
2004-05 Budget Execution to October 2004 Ministry of Development and the Environment

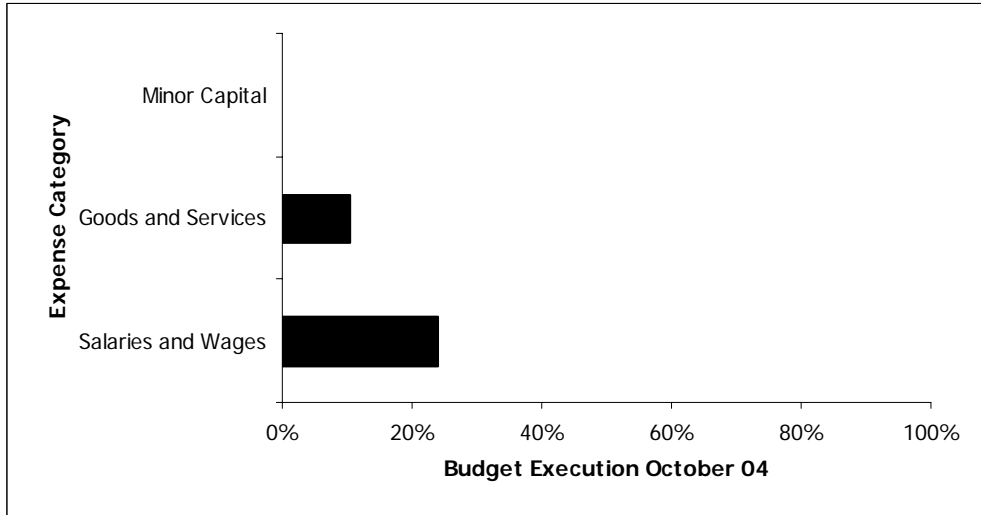
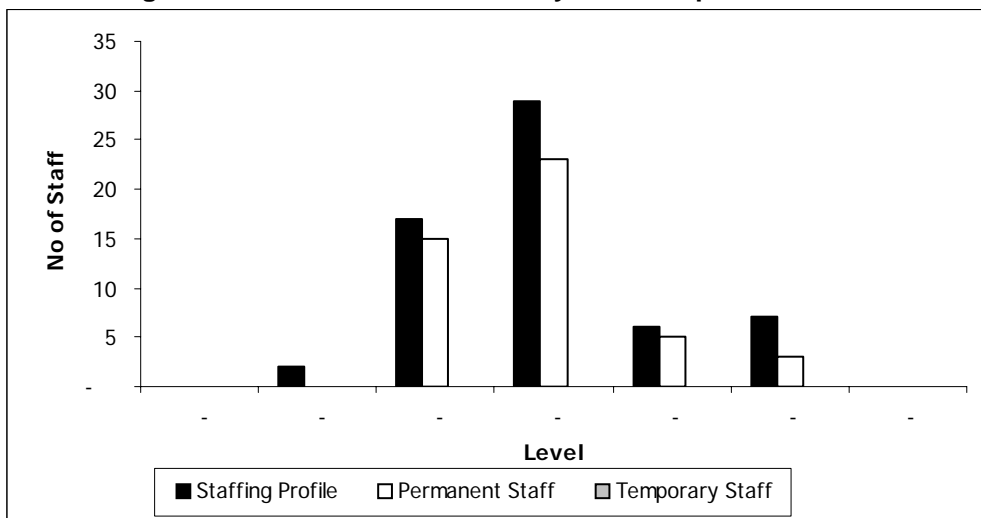


Chart 6.17
2004-05 Staffing Profile and Actual Staff Ministry of Development and the Environment



There are no supplementary budgetary requirements for the Ministry of Development and the Environment.

Table 6.9
Budget Appropriations 2004-05 Ministry of Development and the Environment (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	172	-	-	172
Goods and Services	276	-	-	276
Minor Capital	32	-	-	32
Capital and Development	-	-	-	-
Total	480	-	-	480

I-1 Secretariat of State Commerce and Industry

2004-05 Budget Execution Performance

Budget execution is on target for salaries and wages despite differences in the agreed and actual staffing profile. Execution for goods and services is lower than expected because of delays in payment processes. Execution for minor capital is on target, with most spending scheduled for the fourth quarter.

Chart 6.18
2004-05 Budget Execution to October 2004 Secretariat of State Commerce and Industry

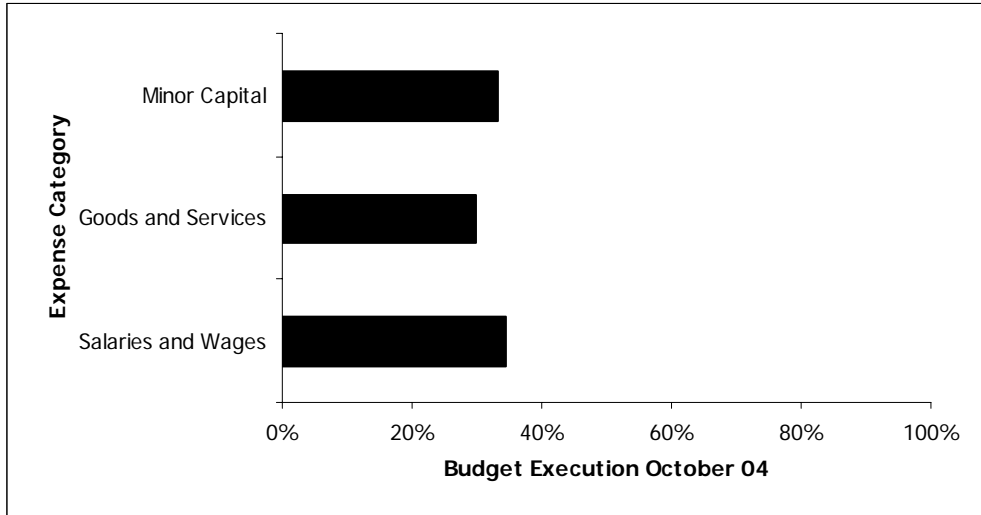


Chart 6.19
2004-05 Staffing Profile and Actual Staff Secretariat of State Commerce and Industry



There are no supplementary budgetary requirements for the Secretariat of State for Commerce and Industry.

Table 6.10
Budget Appropriations 2004-05 Secretariat of State Commerce and Industry (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	74	-	-	74
Goods and Services	85	-	-	85
Minor Capital	18	-	-	18
Capital and Development	-	-	-	-
Total	177	-	-	177

J-1 Ministry of Justice

2004-05 Budget Execution Performance

The Ministry of Justice is notably understaffed, particularly in the Public Notary and Registry, Prison Services and the Public Defender. The Ministry is currently undertaking measures to reduce the gap, the Ministry is confident it will be able to recruit rapidly enough to reach its agreed staff profile by 30 June 2004. Understaffing within the Ministry of Justice has until now impacted on spending in goods and services as purchases correlate with staff (e.g. office supplies). There have also been issues in the districts due to changes in petty cash arrangements in the first quarter which have led to some difficulties. The minor capital budget has been executed in line with the plan agreed with the Budget Office.

Chart 6.20
2004-05 Budget Execution to October 2004 Ministry of Justice

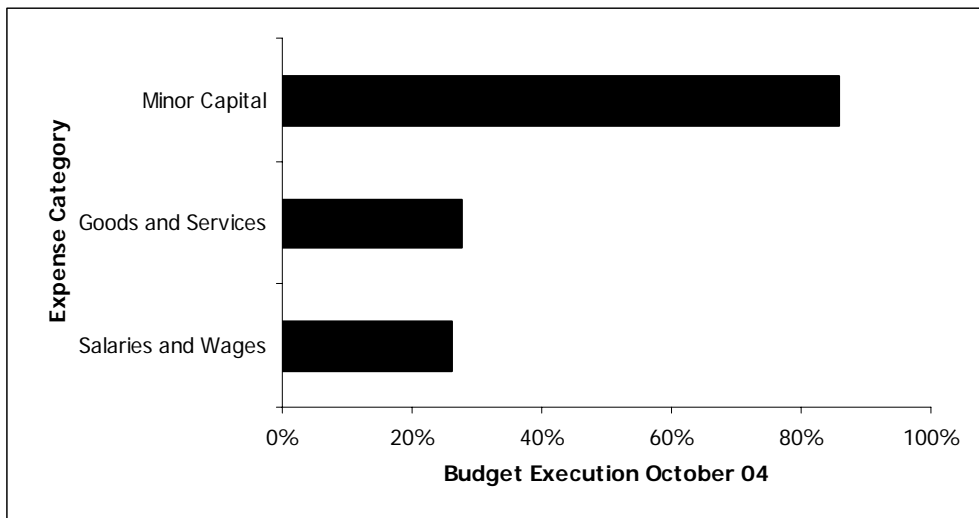
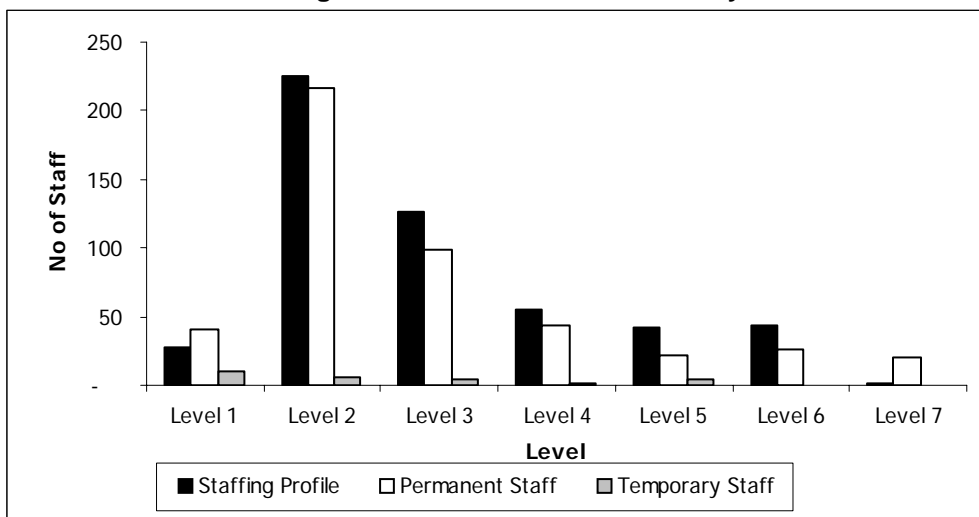


Chart 6.21
2004-05 Staffing Profile and Actual Staff Ministry of Justice



There are no supplementary budgetary requirements for the Ministry of Justice.

Table 6.11
Budget Appropriations 2004-05 Ministry of Justice (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	876	-	-	876
Goods and Services	891	-	-	891
Minor Capital	15	-	-	15
Capital and Development	-	-	-	-
Total	1,782	-	-	1,782

K-1 Ministry of Agriculture, Forests and Fisheries

2004-05 Budget Execution Performance

Budget execution is slightly lower than expected for salaries and wages largely because of under-recruitment. There are no administrative obstacles in the recruitment process, but in some cases no suitable applicants were available. The Ministry is on target with budget execution of goods and services, whilst spending on minor capital is scheduled mostly in the fourth quarter. All budgeted capital and investment funds have already been spent on irrigation rehabilitation.

Chart 6.22
2004-05 Budget Execution to October 2004 Ministry of Agriculture, Forests and Fisheries

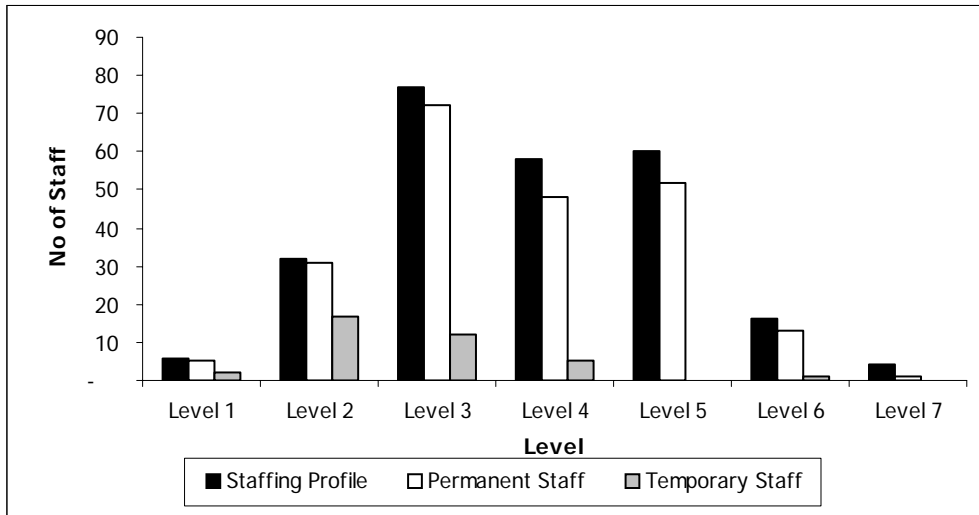
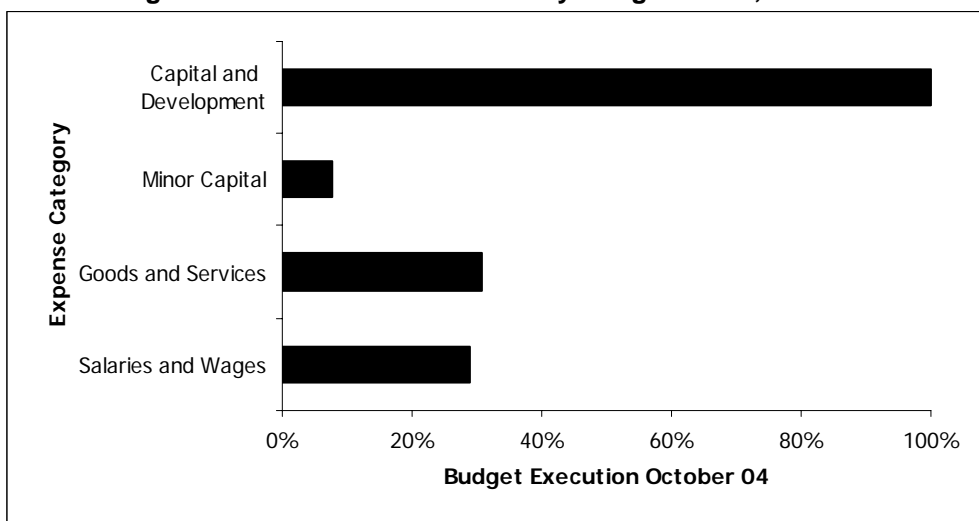


Chart 6.23
2004-05 Staffing Profile and Actual Staff Ministry of Agriculture, Forests and Fisheries



Budgetary supplementation of \$98,000 has been provided for the Ministry of Agriculture, Forests and Fisheries for the crop seed and pesticide required to assure crop replanting after recent crop damage caused by grasshoppers, establishment of the commercial fisheries and rehabilitative work at the National Abattoir in Tibar.

Table 6.12
Budget Appropriations 2004-05 Ministry of Agriculture, Forests and Fisheries (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	507	-	53	560
Goods and Services	906	-	21	927
Minor Capital	22	-	24	46
Capital and Development	138	-	-	138
Total	1,573	-	98	1,671

L-1 Ministry of Education, Culture, Youth and Sports

2004-05 Budget Execution Performance

The budget execution performance for the Ministry of Education, Culture, Youth and Sports varies across expense categories, as illustrated in chart 6.24. Spending on Salaries and Wages is below expected levels as there still remains a number of staff and teachers to be recruited. The Ministry expects 224 newly recruited permanent teachers (the majority of whom are in the Primary Education) will commence in December 2004 or January 2005. Budget execution in the first quarter in the goods and services is lower than the expected level due to the start of the school year in October. Investment in capital is high but there are delays with building designs being completed due to capacity restrictions in the Public Works Division of the Ministry of Transport and Communications.

Chart 6.24
2004-05 Budget Execution to October 2004 Ministry of Education, Culture, Youth and Sports

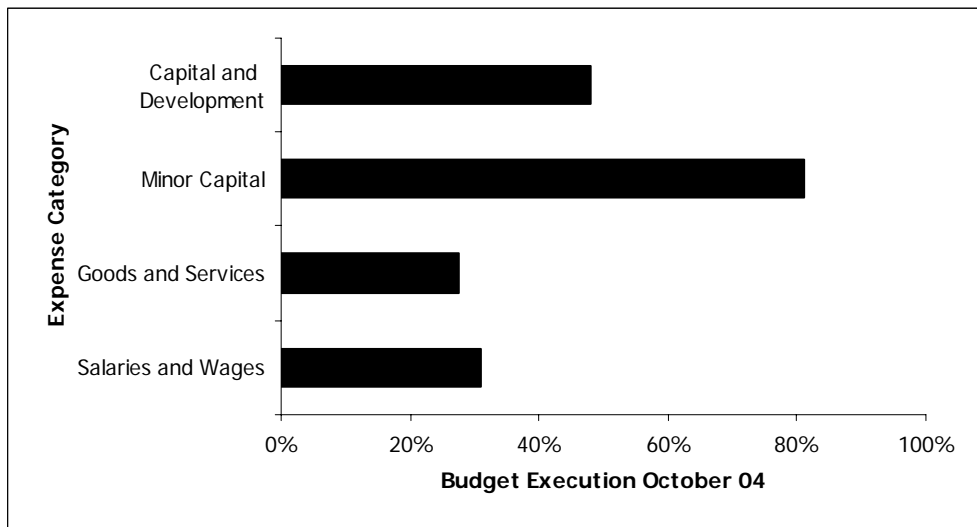


Chart 6.25
2004-05 Staffing Profile and Actual Staff Ministry of Education, Culture, Youth and Sports



There are no supplementary budgetary requirements for the Ministry of Education, Culture, Youth and Sports.

Table 6.13
Budget Appropriations 2004-05 Ministry of Education, Culture, Youth and Sports (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	11,828	-	-	11,828
Goods and Services	3,500	-	-	3,500
Minor Capital	217	-	-	217
Capital and Development	943	-	-	943
Total	16,488	-	-	16,488

M-1 Ministry of Health

2004-05 Budget Execution Performance

Budget execution for salaries and wages and goods and services just below expected levels as approximately 220 permanent positions remain unfilled. Recruitment processes have been undertaken and offers of employment are expected to be provided by January 2005. Minor capital is significantly behind target and complete execution may be difficult to achieve during 2004-05. Capital and investment expenditure is very low as rehabilitation projects for last financial year are still being completed. Rehabilitation of 49 Health Centres and Health Posts using 2004-05 funds will go to tender by the end of December.

Chart 6.26
2004-05 Budget Execution to October 2004 Ministry of Health

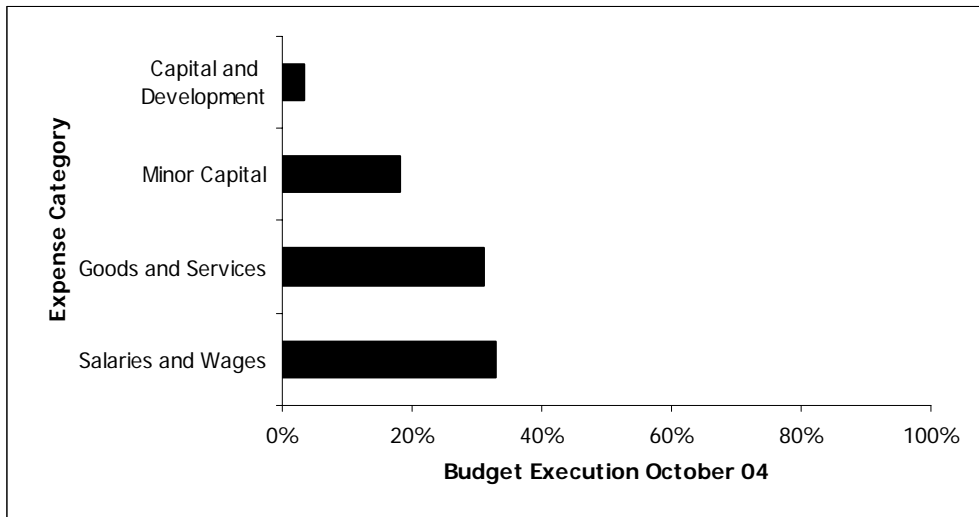
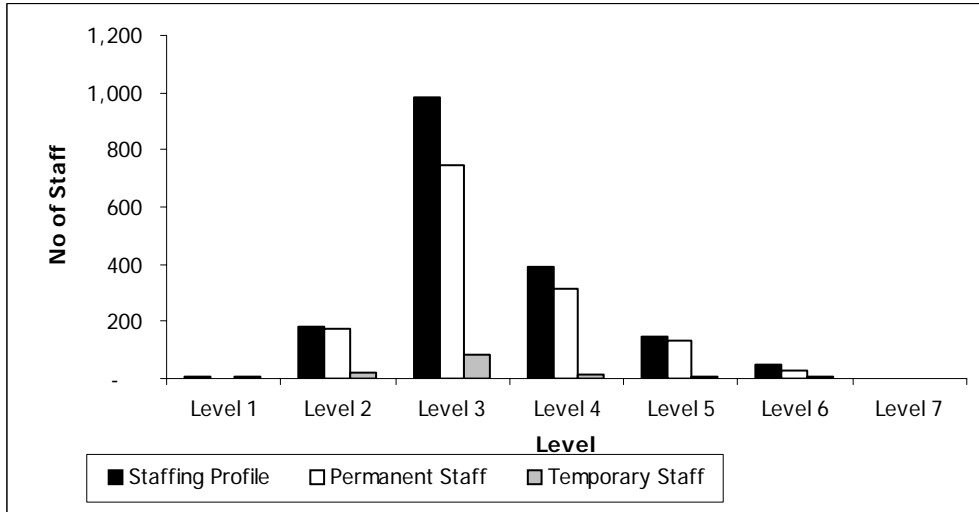


Chart 6.27
2004-05 Staffing Profile and Actual Staff Ministry of Health



Supplementation of \$81,000 will be provided to the Ministry of Health for the establishment of a forensic laboratory facility. Forensic services were previously provided by the United Nations. The ongoing annual cost of operating the laboratory is estimated to be \$140,000.

Table 6.14
Budget Appropriations 2004-05 Ministry of Health (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	3,013	-	-	3,013
Goods and Services	5,673	-	41	5,714
Minor Capital	439	-	40	479
Capital and Development	600	-	-	600
Total	9,725	-	81	9,806

N-1 Secretariat of State Labour and Solidarity

2004-05 Budget Execution Performance

Budget execution is on target for salaries and wages and minor capital. Recruitment is largely complete, though one senior position remains to be filled. Execution of the goods and services budget is below expected levels due to delays in the funding process.

Chart 6.28
2004-05 Budget Execution to October 2004 Secretariat of State Labour and Solidarity

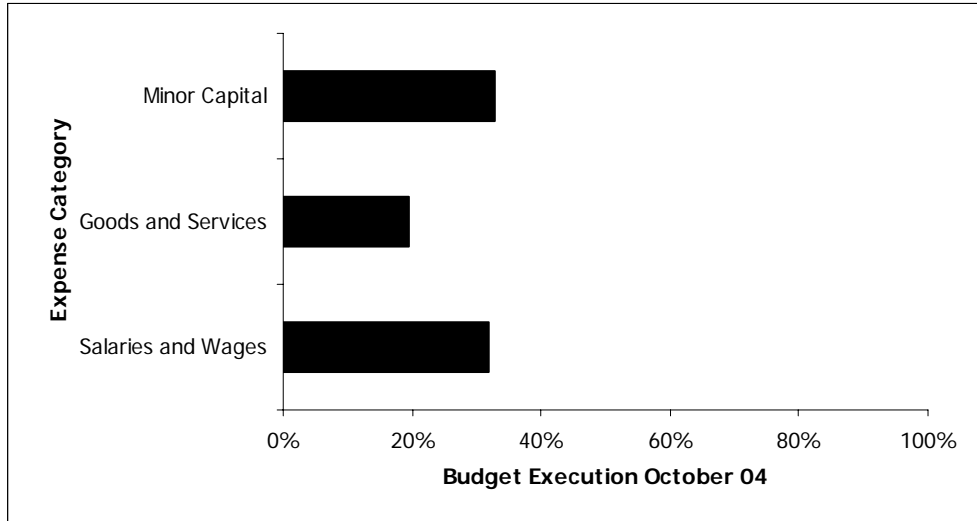
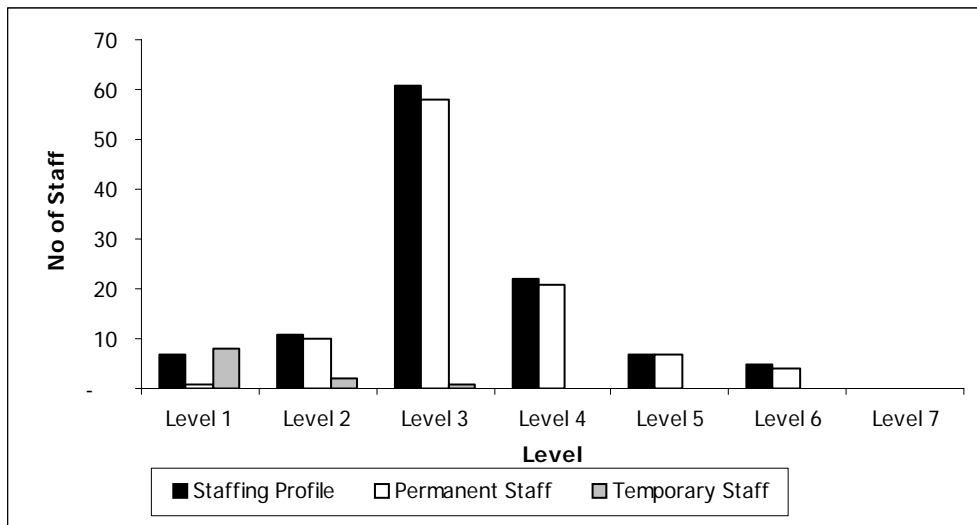


Chart 6.29
2004-05 Staffing Profile and Actual Staff Secretariat of State Labour and Solidarity



There are no supplementary budgetary requirements for the Secretariat of State for Labour and Solidarity.

Table 6.15
Budget Appropriations 2004- 05 Secretariat of State Labour and Solidarity (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	199	-	-	199
Goods and Services	279	-	-	279
Minor Capital	12	-	-	12
Capital and Development	-	-	-	-
Total	490	-	-	490

O-1 Minister of Foreign Affairs and Cooperation

2004-05 Budget Execution Performance

Execution in salaries and wages is lower than expected. Substantial recruitment is required in Headquarters and some embassies at levels 4, 5 and 6 to achieve the agreed profile as is illustrated in Chart 6.31. Minor capital follows the spending plan agreed with Budget Office.

Chart 6.30
2004-05 Budget Execution to October 2004 Minister of Foreign Affairs and Cooperation

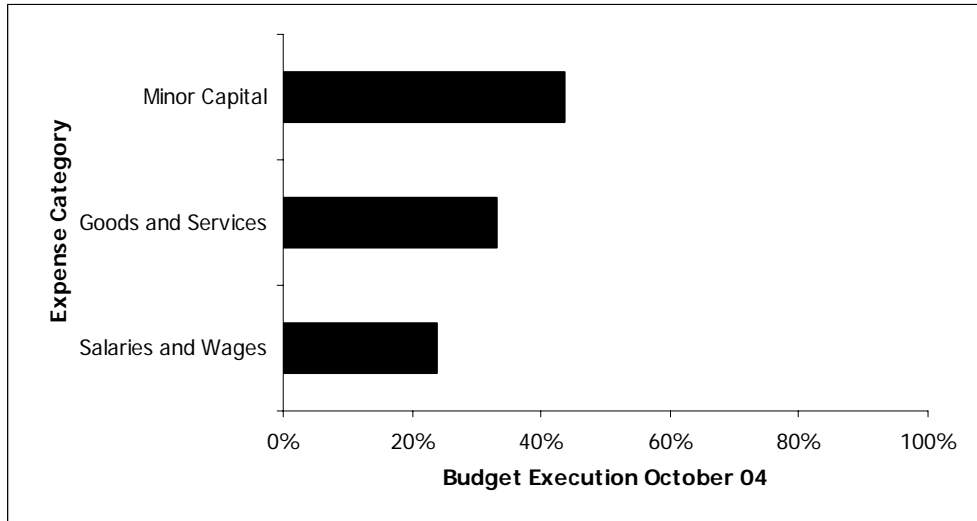
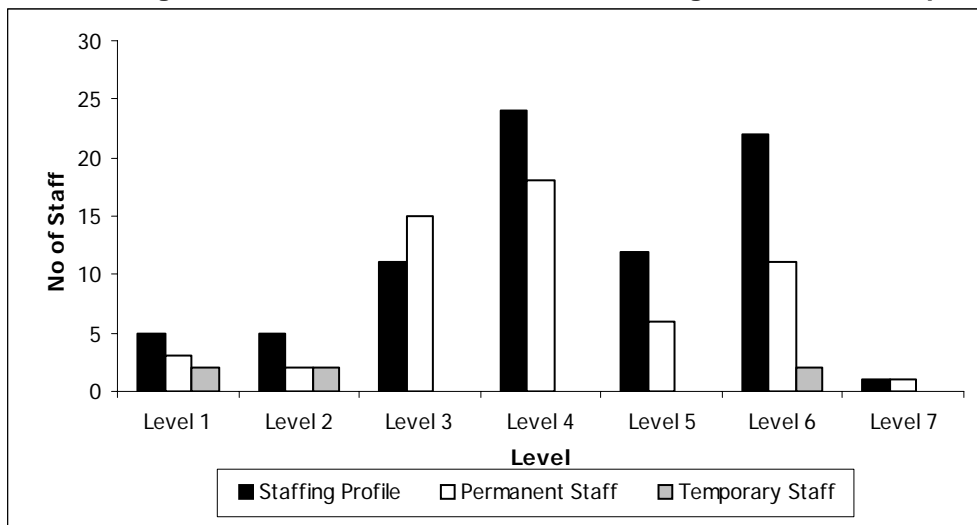


Chart 6.31
2004-05 Staffing Profile and Actual Staff Minister of Foreign Affairs and Cooperation



There are no supplementary budgetary requirements for the Ministry of Foreign Affairs and Cooperation.

Table 6.16
Budget Appropriations 2004-05 Minister of Foreign Affairs and Cooperation (\$000)

	Budget Appropriation	Supplementary Appropriation	Transfers Undertaken	Total 04-05
Salaries	217	-	-	217
Goods and Services	2068	-	-	2,068
Minor Capital	151	-	-	151
Capital and Development	0	-	-	-
Total		-	-	2,436

P-1 Ministry of Planning and Finance

2004-05 Budget Execution Performance

Execution in Salaries and wages is lower than expected due to delays in staff recruitment. Recruitment for lower level staff has commenced in key operational areas. Spending in goods and services has been lower due to a delay in access to funds along with fewer staff utilizing those consumables purchased through the goods and services category. Current expenditure on minor capital is low, but has been planned in the later quarters of 2004-05. Capital and development spending has not commenced as it is still in the design phase and also awaiting endorsement from the Land and Property Division within the Ministry of Justice.

Chart 6.32
2004-05 Budget Execution to October 2004 Minister of Planning and Finance

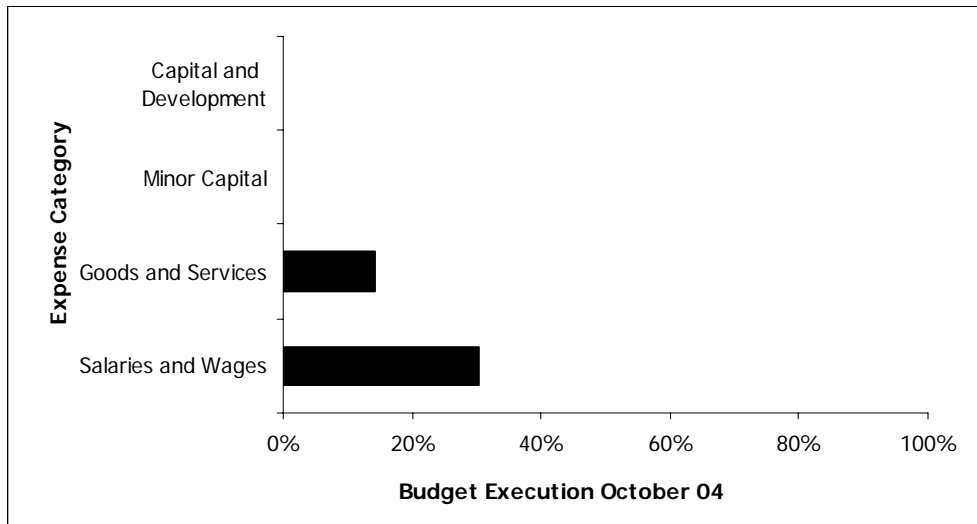
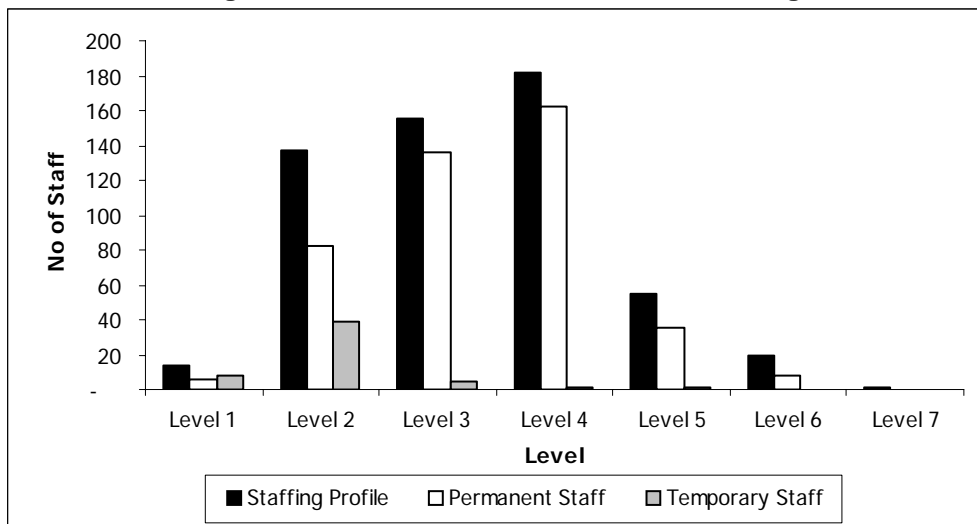


Chart 6.33
2004-05 Staffing Profile and Actual Staff Minister of Planning and Finance



Supplementation of \$2,500,000 has been provided to the Ministry. Of this amount \$1,500,000 will be to repay over-paid taxation payments from contractors no longer working in the Timor Sea and \$1,000,000 will be in a Whole of Government fund to compensate Organs of State as required for increases in fuel costs.

Table 6.17
Budget Appropriations 2004-05 Minister of Planning and Finance (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	981	-	-	981
Goods and Services	2,582	-	2,500	5,082
Minor Capital	77	-	-	77
Capital and Development	35	-	-	35
Total	3,675	-	2,500	6,175

Q-1 Ministry of Transport, Communications and Public Works (General Government)

2004-05 Budget Execution Performance

Expenditure on salaries and wages is below the level expected, as approximately only 75% of the staff have been recruited thus far, leaving approximately 60 staff to be recruited. It is expected that recruitment will take place early in 2005. Expenditure on all other expense categories is on target, as is overall budget execution.

Chart 6.34

2004-05 Budget Execution to October 2004 Minister of Transport and Communications (General Government)

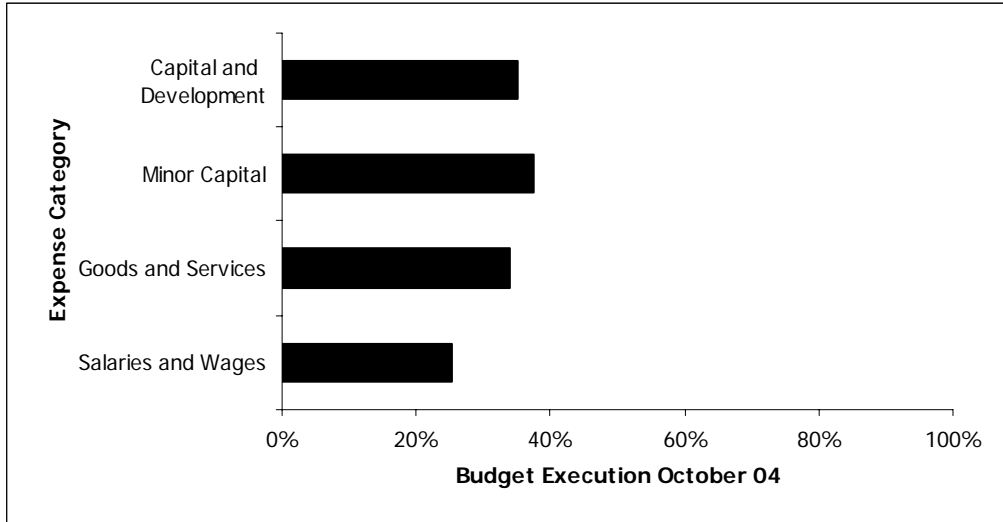
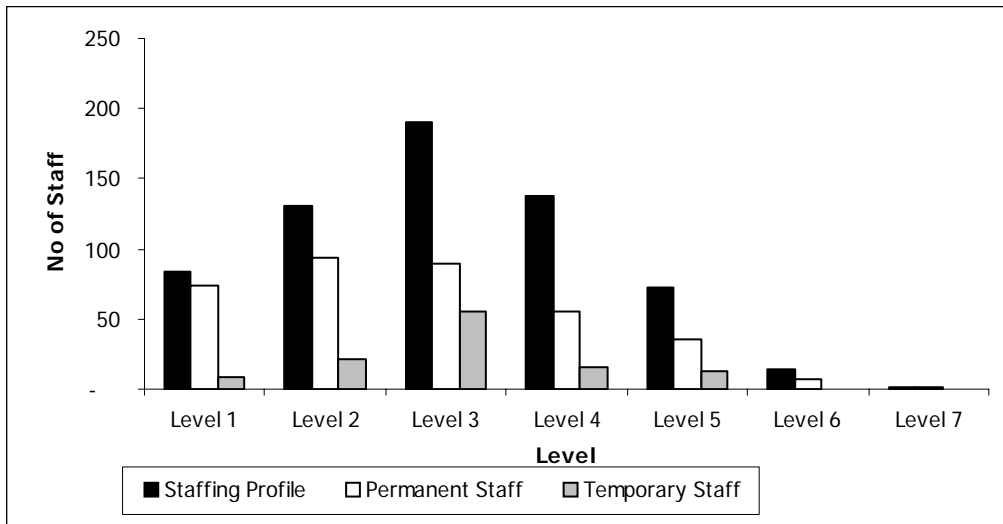


Chart 6.35

2004-05 Staffing Profile and Actual Staff Minister of Transport and Communications (General Government)



There are no supplementary budgetary requirements for the Ministry of Transport and Communications.

Table 6.17
Budget Appropriations 2004-05 Ministry of Transport and Communications (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	1,441	-	-	1,441
Goods and Services	8,294	-	-	8,294
Minor Capital	235	-	-	235
Capital and Development	6,265	-	-	6,265
Total	16,235	-	-	16,235

Q-1 Ministry of Transport, Communications and Public Works (Non Financial Public Authorities)

Chart 6.36

2004-05 Budget Execution to October 2004 Minister of Transport and Communications (Non Financial Public Authorities)

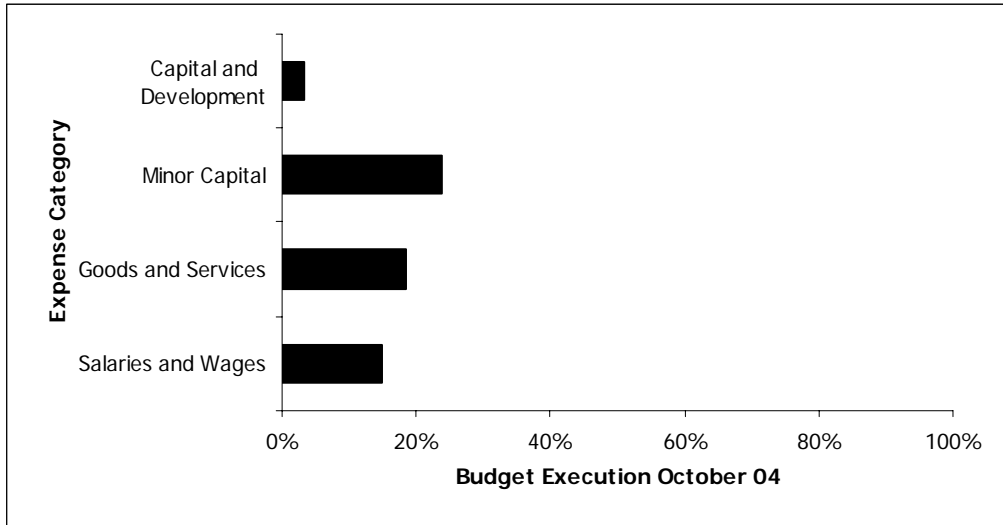
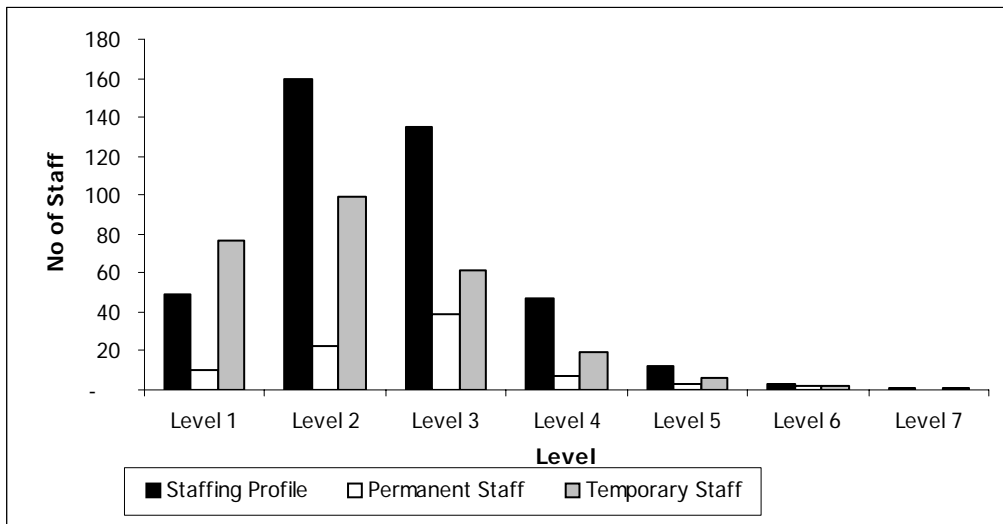


Chart 6.37

2004-05 Staffing Profile and Actual Staff Minister of Transport and Communications (Non Financial Public Authorities)



Supplementation of \$81,000 was provided to Civil Aviation for the repair of fire equipment at Dili International Airport.

Table 6.17

Budget Appropriations 2004-05 Minister of Transport and Communications (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	288	-	-	288
Goods and Services	6,915	-	-	6,915
Minor Capital	322	-	20	342
Capital and Development	743	-	-	743
Total	8,268	-	20	8,288

R-1 Judiciary

2004-05 Budget Execution Performance

A significant amount of recruitment remains to be undertaken within the Judiciary. Recruitment has not yet been conducted for the District Tribunal, the Court of Appeal, and the Superior Council. Some permanent staff are currently employed within the Serious Crimes Unit are currently paid by UNMISSET. The employment of these staff will be return to the Government through the Court of Appeal in 2005. The recruitment of permanent staff to Judiciary is expected in the third and fourth quarters. However, it is unlikely that the Ministry will spend all its salaries and wages funds during 2004-05. Expenditure on goods services is correspondingly low at 21% as a result of the lower than expected staffing levels. Expenditure on minor capital is expected to commence in the second quarter as agreed by the Budget Office.

Chart 6.38
2004-05 Budget Execution to October 2004 Judiciary

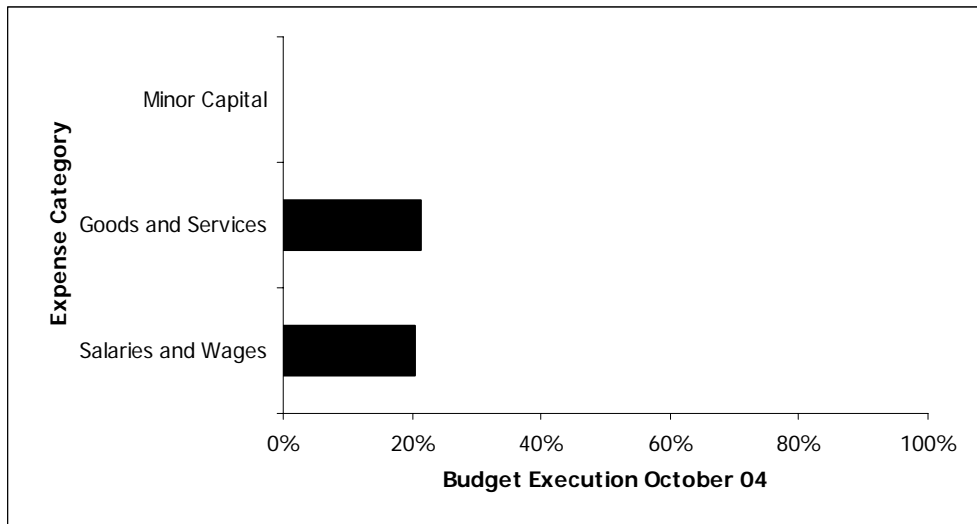
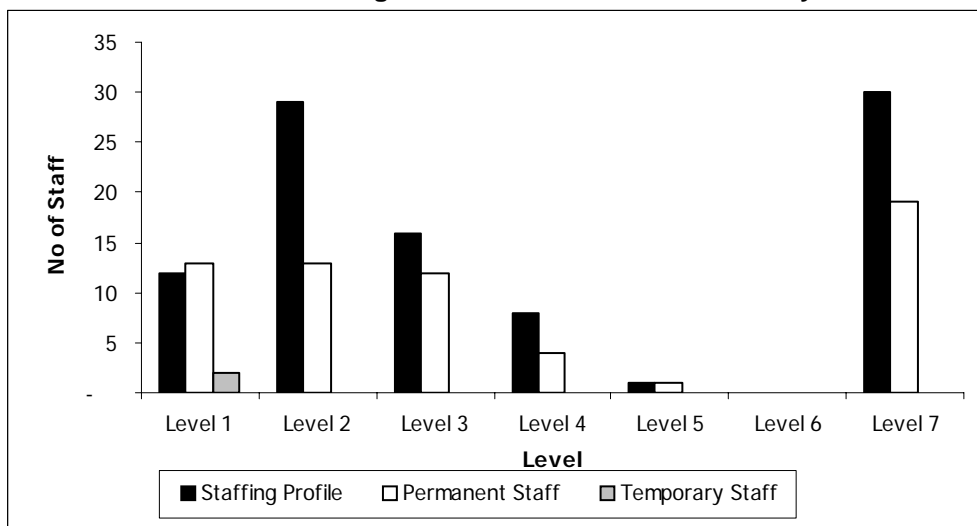


Chart 6.39
2004-05 Staffing Profile and Actual Staff Judiciary



There are no supplementary budgetary requirements for the Judiciary.

Table 6.18
Budget Appropriations 2004-05 Judiciary (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	226	-	-	226
Goods and Services	118	-	-	118
Minor Capital	16	-	-	16
Capital and Development	-	-	-	-
Total	360	-	-	360

S-1 Banking and Payments Authority

2004-05 Budget Execution Performance

The Authority has drawn down on all its funds in 2004-05 as goods and services.. The staffing profile shows a mild level of under recruitment.

Chart 6.37
2004-05 Budget Execution to October 2004 Banking and Payments Authority

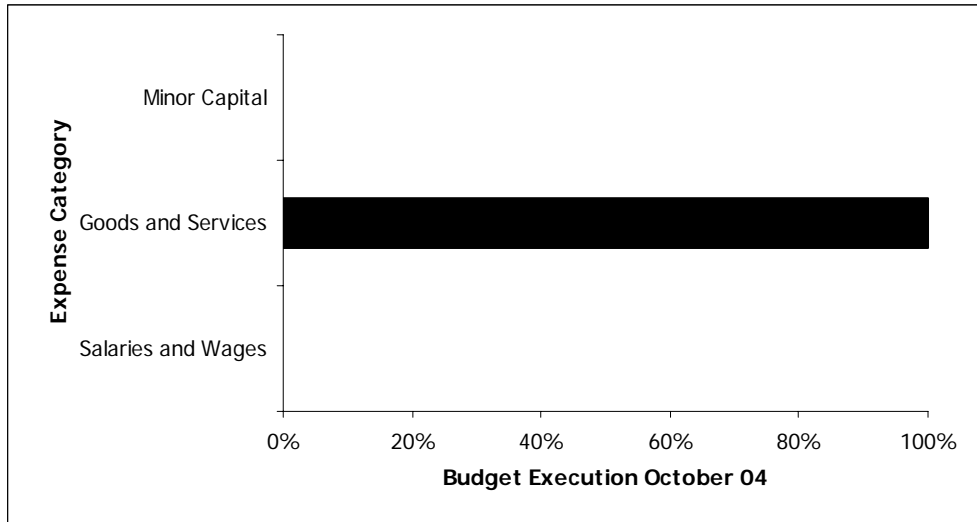
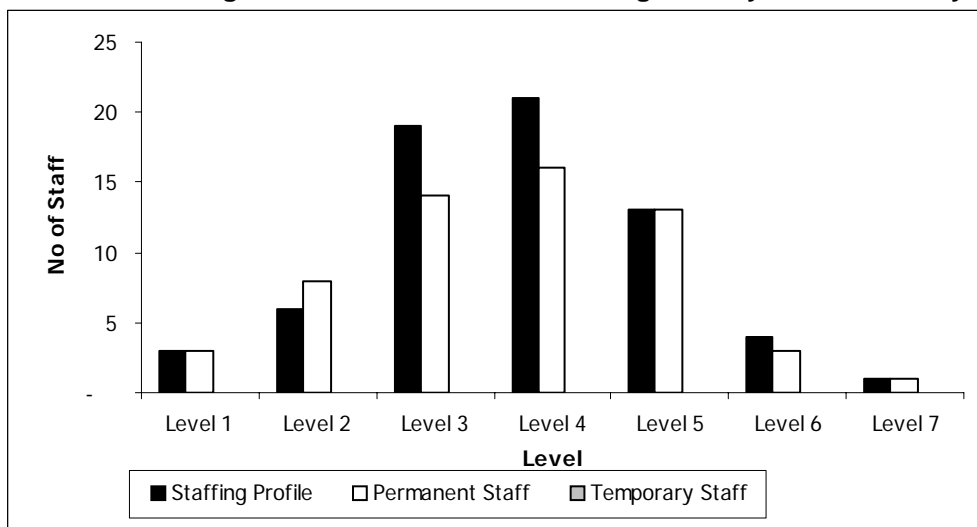


Chart 6.38
2004-05 Staffing Profile and Actual Staff Banking and Payments Authority



There are no supplementary budgetary requirements for the Banking and Payments Authority.

Table 6.19
Budget Appropriations 2004-05 Banking and Payments Authority (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	-	-	-	-
Goods and Services	620	-	-	620
Minor Capital	-	-	-	-
Capital and Development	-	-	-	-
Total	620	-	-	620

T-1 Public Broadcasting Timor-Leste

2004-05 Budget Execution Performance

Budget execution for salaries and wages is substantially below target because of under recruitment. A recruitment process is expected to be completed during December 2004. Budget execution for goods and services is below target because of slow processing of funds. There is no capital budget in 2004-05.

Chart 6.39
2004-05 Budget Execution to October 2004 Timor-Leste Radio and Television

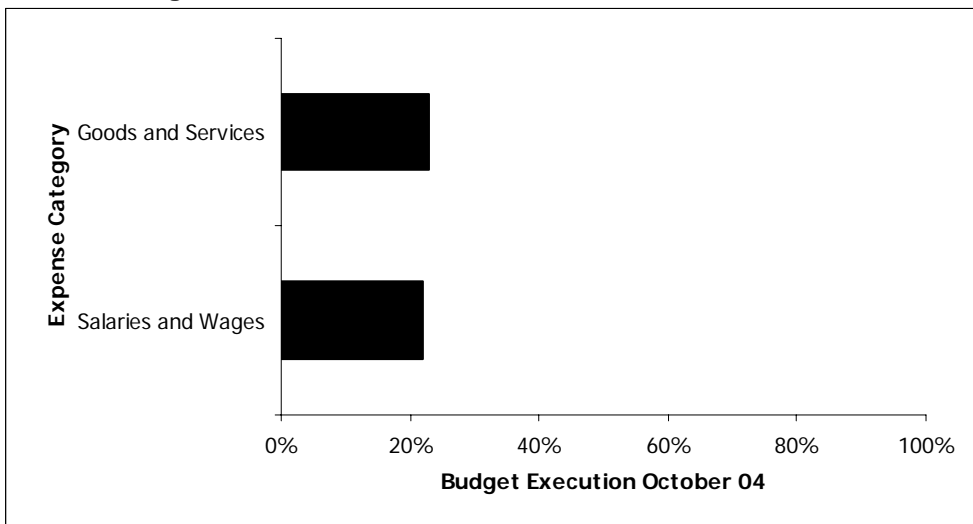
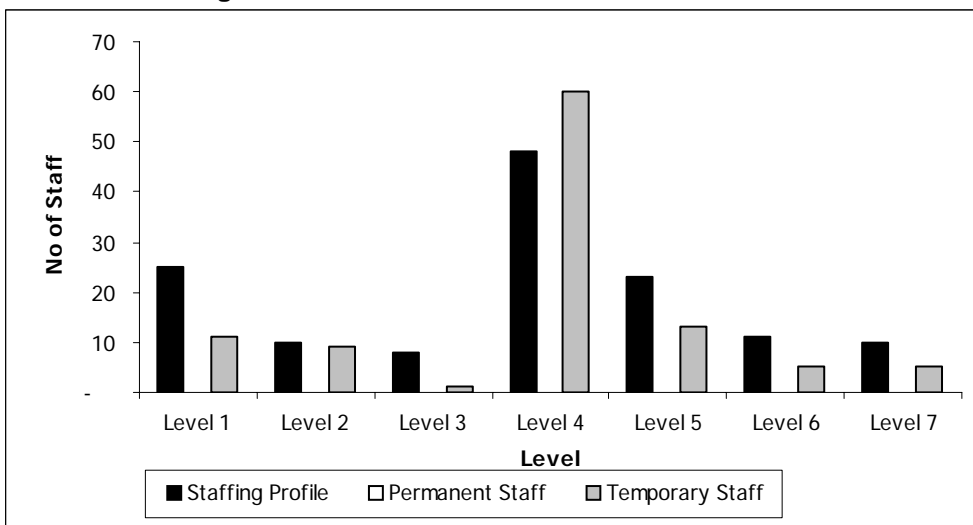


Chart 6.40
2004-05 Staffing Profile and Actual Staff Timor-Leste Radio and Television



There are no supplementary budgetary requirements for the TVTL.

Table 6.20
Budget Appropriations 2004-05 Timor-Leste Radio and Television (\$000)

	Budget Appropriation	Transfers Undertaken	Supplementary Appropriation	Total
Salaries	272	-	-	272
Goods and Services	78	-	-	78
Minor Capital	-	-	-	-
Capital and Development	-	-	-	-
Total	350	-	-	350

Annexes

Annex A – The Whole of Government Fiscal Balance

The fiscal balance on a Whole of Government (WOG) relates to the resources available to the Government for budgetary purposes. The following table indicates illustrates how this is calculated.

Table A.1
Whole of Government Fiscal Balance Calculation

	2003-04	2004-05	2005-06	2006-07	2007-08	Total
	Act	Est	Est	Est	Est	Est
Revenue Available to the Government of Timor Leste	111.0	199.9	187.1	190.9	178.2	756.2
The sum of						
1. Timor Sea Revenue	41.4	129.8	143.4	144.2	129.2	546.6
2. Domestic Revenue	29.2	31.6	33.5	35.2	36.9	137.1
3. Autonomous Agency Revenue	5.7	7.6	10.3	11.5	12.2	41.6
4. Direct Budget Support	34.8	30.9	0.0	0.0	0.0	30.9
Less						
Expenditure of the Government of Timor-Leste	75.3	86.4	97.2	104.8	97.0	385.5
The sum of						
1.General Government Sector	71.8	77.8	78.4	81.3	83.4	320.9
2.General Government Sector Expenditure Identified in SIPs	0.0	0.0	6.9	10.6	0.0	17.5
3.Non-Financial Public Authorities	3.5	8.7	11.9	12.9	13.6	47.1
Less						
Investments Made (Direct Capital into the BPA)	0.4	0.0	0.5	0.6	0.8	1.9
Equals						
Fiscal Resources Available to Government (Fiscal Balance)	35.3	113.5	89.4	85.5	80.4	368.8

Annex B – Total Supplementary Budgetary Requirements

Existing Appropriations

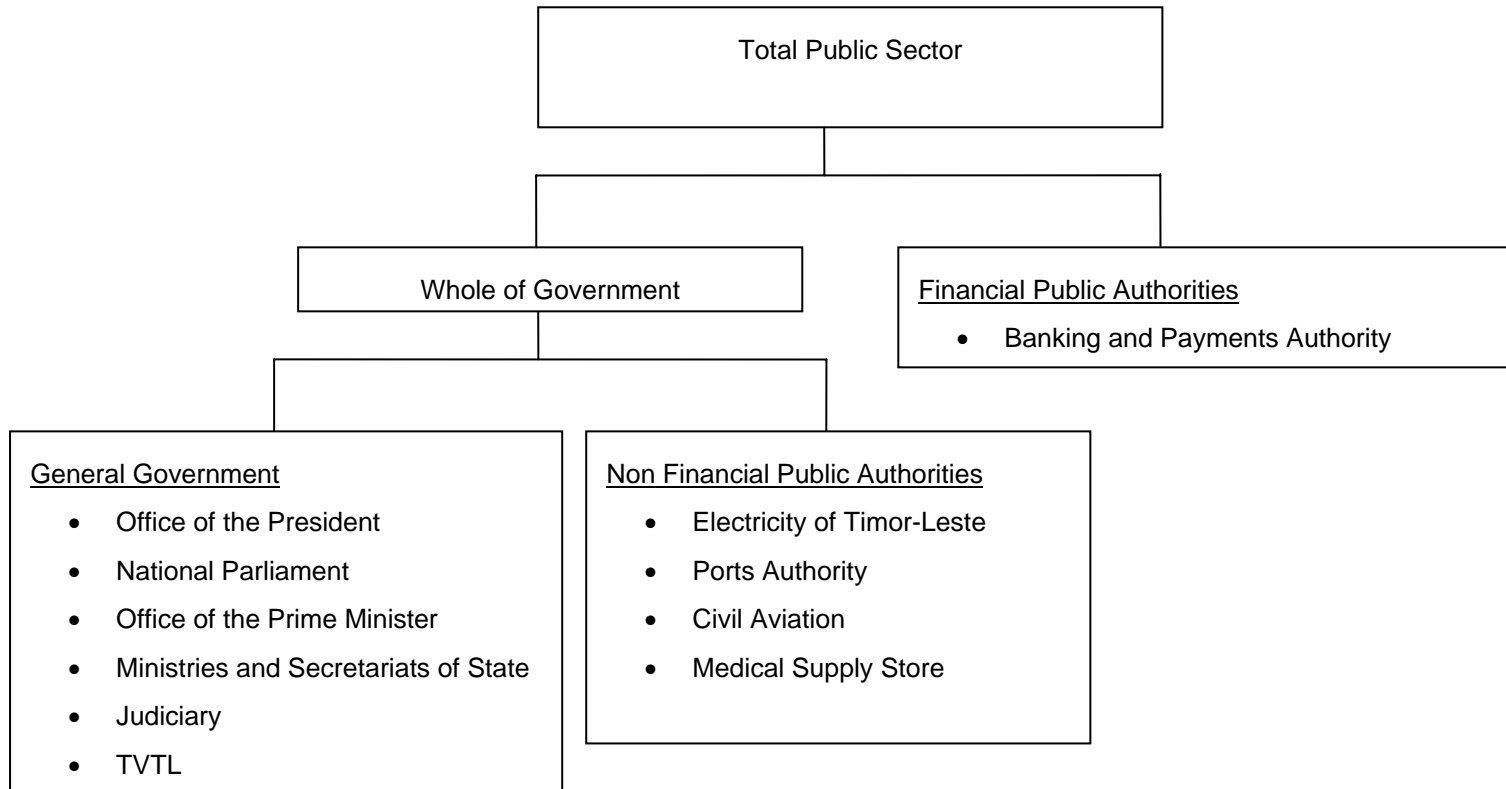
Code	Program	Salaries and Wages	Goods and Services	Minor Capital	Capital e Development	Total
D-1.3	Falintil – FDTL Defence Forces of Timor-Leste	0	0	303,000	0	303,000
F-2.8	Technical Secretariat for Electoral Administration	0	253,000	0	0	253,000
K-2.6	National Directorate for Livestock Services	0	0	20,100	0	20,100
K-2.7	Direcção de Serviço da Industrial Production and Horticulture	0	20,900	3,000	0	23,900
K-2.8	National Directorate for Fisheries	52,988	0	0	0	52,988
M-2.1	Personalised Services	0	41,200	40,000	0	81,200
Q-5.8.4	Civil Aviation	0	0	20,000	0	20,000
	Total	52,988	315,100	386,100	0	754,188

New Appropriations

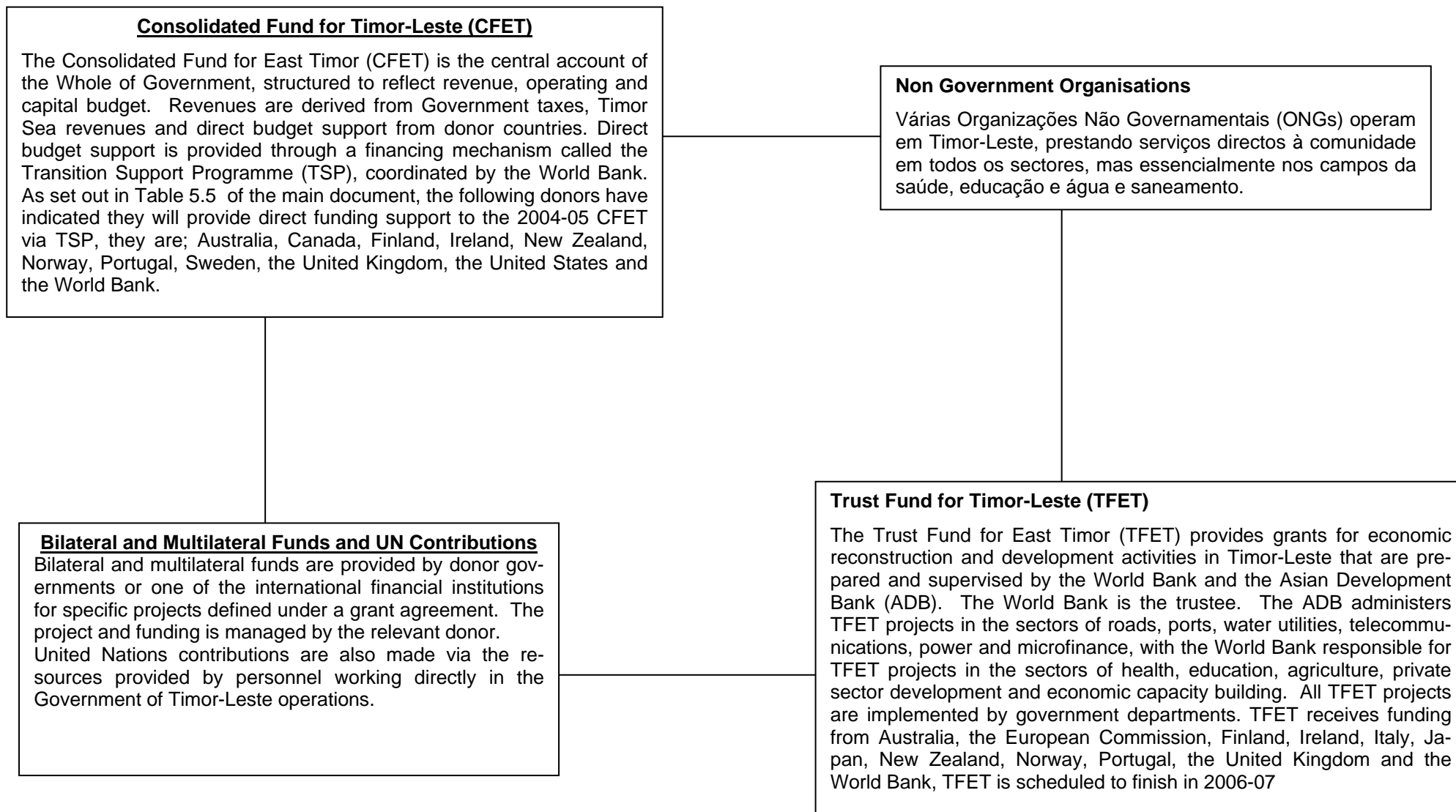
Code	Program	Salaries and Wages	Goods and Services	Minor Capital	Capital e Development	Total
D-1.4	Baucau Installation	0	0	0	343,000	343,000
P-3.7	Tax Reimbursements	0	1,500,000	0	0	1,500,000
P-3.8	Provision for Fuel Whole of Government	0	1,000,000	0	0	1,000,000
	Total	0	2,500,000	0	343,000	2,843,000

	Total Suplementar	52,988	2,815,100	386,100	343,000	3,597,188
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Annex C – Structure of the Public Sector of Timor-Leste



Annex D - The Combined Sources Guide to Timor-Leste



Annex – E Classification of Staff in the Public Sector

Payments for staff from the salaries category cover payments to permanent and temporary staff. The definition of a permanent staff member is someone who is employed under the Public Service Statute (Law 8/2004).

The definition of a temporary staff member is someone who is employed for a finite period of time under contract. Staff who are politically appointed such as those in the office of a Minister are in the Office of the President of the Republic are employed as temporary staff.

Total public sector staff are broken up into three categories, public service staff, non public service staff and autonomous agency staff. Public Service Staff are those who are employed in the General Government sector, excluding:

- operational police or police in training at the police academy,
- actual soldiers within the military (administrative staff are counted as civil service staff),
- Judges within the whole Judiciary
- University of Timor-Leste staff; and
- employees of non financial and financial public corporations (who are autonomous agency staff.

Non Public Service Staff include the following:

- operational police or police in training at the police academy,
- actual soldiers within the military (administrative staff are counted as civil service staff),
- Judges within the Judiciary: and
- University of Timor-Leste staff;

Autonomous agency staff include all those employed within a public financial authority such as EDTL, Civil Aviation, Maritime Ports or a public non-financial authority such as the Banking and Payments Authority

Annex F – Acronyms

ADB	Asian Development Bank
BPA	Banking and Payments Authority
CBO	Community Based Organisation
CFET	Consolidated Fund for Timor-Leste
CoM	Council of Ministers
CPV	Commitment Payment Voucher
EAN	Expenditure Authorisation Notices
EKKN	Elang Kakatua Kakatua North
FDTL	Defence Force of Timor-Leste
TLRS	Revenue Service of Timor-Leste
FTP	First Tranche Petroleum
GG	General Government
GDP	Gross Domestic Product
IFI	International Financial Institutions
IMF	International Monetary Fund
MDG	Millenium Development Goal
MTFF	Medium Term Fiscal Framework
NDP	National Development Plan
NGO	Non-Government Organisation
NFPC	Non Financial Public Corporations
FPC	Public Broadcasting Corporation
PFC	Public Financial Corporations
SIP	Sector Investment Package
TFET	Trust Fund for East Timor
TSP	Transition Support Programme
TVTL	Television Timor Leste
UN	United Nations
UNDP	United Nations Development Programme
UNMISSET	United Nations Mission in Suport of East Timor
UNTAET	United Nations Transitional Administration in East Timor
WB	World Bank
WOG	Whole of Government