



REPÚBLICA DEMOCRÁTICA DE TIMOR-LESTE

# State Budget Approved

# 2015

## Budget Overview

# Book 1



## Book 1 – Budget Overview

### Preface

The Organic Law of the Ministry of Finance specifies the responsibility of the National Directorate of Budget to collect and manage financial information relating to the public sector and publish the statistical results.

In accordance with this provision and to raise the transparency of the public finances, the Ministry of Finance is publishing the final version of the documents relating to the General Budget of the State 2015, promulgated by His Excellency President of the Republic, following the debate in the plenary session of the National Parliament.

The documentation for the General Budget of the State 2015 consists of the Budget Law, which is published in the *Journal of the Republic*, plus six supporting budget books:

<b>Book 1</b>	<b>: Budget Overview</b>
Book 2	: Annual Action Plans
Book 3A	: Districts
Book 3B	: RAE & ZEESM Oe-Cusse Ambeno
Book 4a and 4b	: Budget Line Items
Book 5	: Development Partners
Book 6	: Special Funds

Book 1 *Budget Overview* describes the overall budget strategy of the Government. It provides information on the international and domestic economic outlook, expected domestic and oil-based revenue including expected sustainable income, and overall expenditure in the medium term and the main new initiatives in the coming year.

Budget documentation is available on the website of the Ministry of the Finance, [www.mof.gov.tl](http://www.mof.gov.tl). Inquiries relating to this publication should be directed to the National Director of Budget, Mr. Salomão Yaquim on email [syaquim@mof.gov.tl](mailto:syaquim@mof.gov.tl) or telephone +670 333 9518.

I consider that this document will increase awareness and understanding of the Government's finances and help people to become good citizens and heroes to our nation by providing them with relevant information on the 2015 State Budget.

**Emília Pires**  
Ministry of Finance

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## Acronyms

ADB	Asian Development Bank
ADF	Asian Development Fund
ANP	Agencia Nacional do Petroleu
CFTL	Consolidated Fund Timor-Leste
COP	Conoco Phillips
CPI	Consumer Price Index
CPLP	Comunidade dos Países de Língua Portuguesa
DHS	Demographic Health Survey
ESI	Estimated Sustainable Income
EU	European Union
FAO	Food and Agriculture Organization
FNS	Food and Nutrition Survey
GDP	Gross Domestic Product
GFS	General Financial Statistics
HCDF	Human Capital Development Fund
IAB	Investment Advisory Board
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IF	Infrastructure Fund
IFC	International Financial Corporation
IMF	International Monetary Fund
JICA	Japanese International Development Agency
KPI	Key Performance Indicators
LFS	Labour Force Survey
LPG	Liquefied Natural Gas
MDG	Millennium Development Goal
MoF	Ministry of Finance
NGO	Non-governmental Organization
OCR	Ordinary Capital Resources
PF	Petroleum Fund
PFM	Public Financial Management
PNDS	Programa Nasional Dezenvolvimentu Suku
PNTL	Polícia Nacional de Timor-Leste
PPP	Public-Private Partnership
SDR	Special Drawing Rights
SEAPRI	Secretary of State for the Promotion and Support of the Private Sector
SEFPOPE	Secretary of State for Professional Training and Employment Policy
SERVE	Serviço Registro Verificação Empresarial
SISKA	Integrated Community Health Services
SDP	Strategic Development Plan
TLCLS	Timor-Leste Standard of Living Survey
UNTL	Universidade Nacional Timor Lorosa'e
WB	World Bank
WTI	West Texas Intermediate

# Part 1: Speech of the Prime Minister

Your Excellency President of the National Parliament

Your Excellences Vice-Presidents of the National Parliament

Your Excellences Honourable Members of Parliament

Fellow Government Members

Ladies and gentlemen,

It is once again a privilege to address Your Excellency the Speaker of Parliament and all the Honourable Members of Parliament in this Great House of Democracy to present the 2015 State General Budget.

Fulfilling the State's objectives, embedded in the Constitution of the Republic, this Government continues to be committed to transforming Timor-Leste into an upper-middle income country, with a prosperous, healthy and educated population. The Strategic Development Plan and the Government Program outline the path we need to take in order to achieve these goals.

The budget presented here today sets the necessary appropriations for funding the policies designed to transform Timor-Leste in secure steps. These policies, which are cross-cutting and integrated, have been developed in view of the inherent challenges to our new nation, the needs of our People and the obstacles that are specific to the current stage of our development.

The development, ladies and gentlemen, that we have achieved during these twelve years of independence would not have been possible without the State's collective effort from the beginning to consolidate the democratic exercise and without the sound foundations we have built to secure peace and stability. All of this can be felt and experienced in every community of Timor-Leste.

In short, today as before, the challenges faced by our country must continue to be faced with a consensual approach and in a collective effort to overcome all difficulties. The democratic debates and the participation by State agencies and Civil Society looking for common solutions – in other words, the sense of State and the sense of citizenship – are key factors in the transformation we wish to see in Timor-Leste.

In fulfilment of its executive competency, the Government considers that this transformation – from poverty to true development of Timor-Leste– must be inclusive, balanced and sustainable.

As such, when considering the 2015 State General Budget we cannot lose sight of four fundamental goals:

Firstly, that tax policy is sustainable in the medium and long term.

Secondly, that there is high quality sustainable economic growth that benefits all Timorese, from our urban to our rural areas.

Thirdly, that we invest in high quality infrastructure and qualified human resources to underpin economic growth, service delivery and the development of all productive sectors of the Nation.

Fourthly, that we protect all the Timorese, particularly the vulnerable and deserving who do not always directly benefit from economic growth.

For these reasons, and once again, in presenting the 2015 State General Budget we do so with the conviction that it represents a solution to the desires that make Timor-Leste a resilient Nation, in an act of genuine responsibility and democracy.

For this reason, the management of the petroleum revenues and making use of the Petroleum Fund requires responsibility and transparency. Nevertheless, it also requires courage and astuteness, since these are the resources that, properly invested, will enable us to continue the process of building our Nation and improving human development in our country.

It is the prudent investment of these resources, with responsibility and transparency, that enables us to feed our common dream of having our children go to school and being properly fed, of having our young people educated, qualified and employed and of having our elderly citizens receive the proper care after the sacrifices they have made for the homeland.

Consequently, ladies and gentlemen, the management and protection of our natural resources is a matter that concerns every Timorese. It is a matter of dignity and national sovereignty!

Your Excellencies,

As we enter into 2015, we cannot help but to reflect on both the national and international events of this year 2014, which impact on the decision making of the Timorese State.

We all know that the international context is currently troubled. Timor-Leste is sufficiently removed from the global centres of power to be able to observe global events without political or economic constraints.

We see that the international commitment to development and democracy is dictated by the world's most developed countries. These countries impose their inviolable and universal standards, often with complete disregard for the circumstances and difficulties experienced by younger countries, poorer countries and countries living in deplorable situations of war and permanent conflict.

We cannot ignore that there are 2.2 billion people who are, or are at risk of, living in situations of extreme poverty, fragility and conflict!

We cannot ignore that these nations will not achieve a single Millennium Development Goal by 2015!

We cannot ignore that throughout the world there are places of war. I would like to mention the nightmares being lived in Iraq, Afghanistan, Libya, Syria, the Ukraine, Israel, Palestine, South Sudan and the Central African Republic! In today's globalised world, where access to knowledge and the art of diplomacy are key instruments of the 21<sup>st</sup> century, we find ourselves living in fear and mistrust, with strong feelings of insecurity about the future of humankind.

The big centres of decision making do not yet realise, or do not want to know, the real causes of humankind's problems, which are the exclusion, the impoverishment and the marginalisation of groups, and instead try to solve a social conflict with war, where trillions of dollars are spent, benefiting the manufacturers of arms and the interests of their own countries.

We also cannot ignore that environmental threats continue to rise, putting at risk the legitimate aspirations of development, I would even say of subsistence, of some countries! The most developed countries in the world only promise action plans, which are hardly ever realised – I had the opportunity to follow the debates in the last General Assembly of the United Nations in the so-called Climate Change Summit and I believe we all followed the declarations of good-will on the same subject in the G20 Summit in Brisbane, just last month.

We see, ladies and gentlemen, inequality increasing in the world because of wealth being concentrated in the hands of a few, because economic self-interest, greed and the corruption prevailed over a sense of humanity. It is not new that in the whole European Union corruption reaches 120 billion Euros per year. In the G20 Summit in Brisbane, world leaders declared war on tax evasion and money laundering which annually was calculated at 1.3 trillion Euros in Europe and 1.7 trillion dollars in the United States of America. The Bank of America itself revealed some months ago a fraud of 16 billion dollars, an amount equal to the money in our Petroleum Fund.

I have had the opportunity to denounce in different international forums, including at the United Nations General Assembly, the unjust ways the United Nations puts a country like Timor-Leste, or a small pacific country, or countries in Africa or even in Asia, in the same bag as the developed countries such as those from the G7, from America and Europe, to Japan, Australia and China.

I believe that standards are imposed in an inconsistent and unrealistic manner that is out of context to countries own realities and consequently of their State institutions. Indeed, the more developed societies are allowed to justify any type of human rights violation with the cliché of "internal security" of their countries. On the other hand, in young democracies still in a consolidation phase the defence of their national interests and their sovereignty is considered a violation of the rule of Law!

However, smaller countries also have the right to react to acts of aggression against the State and to the rights of their people!

Upon detecting unacceptable irregularities and conduct of clear violation of international law during the negotiations on the Timor Sea Treaty, which concern the sharing of off-shore petroleum between our country and our neighbour Australia, we proposed, at the end of 2012, that both countries should talk to each other in order to resolve the disputes and the injustice caused to Timor-Leste. This proposal was rejected by Canberra, leaving the Timorese Government with no alternative but to submit the matter to the Permanent Court of Arbitration in The Hague, seeking to

end the clear advantage of Australia over the interests of the martyred Timorese people, in relation to an asset that belong to us.

At the insistence of Canberra, we agreed to suspend for 6 months the arbitration case in The Hague. And now, we are undertaking work with the primary objective of protecting the legitimate interests of Timor-Leste and its people.

Also, the actions of the petroleum multinationals, in trying to seize the natural resources of the Timorese people, while paying less tax than what they were required to pay as well as making illicit deductions, led to dozens of cases being filed with the courts, as once again it is about restitution to the Timorese of what is rightfully theirs.

Timor-Leste is determined to impose its collective political will, which is reflected in the democratic values that we share and that are enshrined in the Constitution of the Republic. Ladies and gentlemen, this is why our People sacrificed so much. We did not fight – and suffer and die – just to have an independent flag, but to be able to exercise and enjoy what is rightfully ours!

Defending our sovereignty also implies consolidating the autonomy and the efficient, professional and accountable functioning of all State Agencies without exception. Indeed, sovereignty must be at the core of the activity of every State body, as everyone who works for those bodies are paid to defend the interests of the nation and of the people, with an honest sense of State.

If one of those bodies is weak, then the entire State establishment is affected. As such, this requires immediate action so as to protect the common good. Consequently it is vital to ensure that any weaknesses detected in the operation of the State as a whole are corrected by making use of the interdependence of powers. Indeed, this is a duty of the bodies of sovereignty.

There may be many who do not understand this and who do not understand the higher values of sovereignty that we must protect. There are still many who have not understood the challenges faced by a young country such as ours, which was built from scratch or from less than scratch.

The particularities of our Nation, the sacrifices made by our People, and the future of our Country, sometimes require firm positions that may be “misunderstood” by the so-called modern and centuries-old democracies. This is a matter of principles and resources that are a part of our reality, our culture and our identity, and which are a part of our selfless struggle for Independence and Sovereignty.

For us Timorese, what others call arrogance is merely having the humility to correct and to reform that which does not work for us – that which does not protect the higher interests of the Nation!

Your Excellencies

Ladies and gentlemen,



It is undeniable that over the last few years we have witnessed a considerable and generalised improvement in living standards in Timor-Leste.

Together with the reforms that led to peace and stability in the country, the Government also committed to reforming the management of the State and the financial system, as well as to implementing economic policies that led to very high economic growth rates.

Our non-petroleum GDP grew on average 12.5% a year from 2007 to 2011. In 2012 the growth of the non-petroleum GDP slowed to 7.8%, however, this growth was not motivated by Government expenditure, which is an indicator of a first stage in the transition towards a better quality, sustainable and low-inflation economic growth, led primarily by the private sector.

Timor-Leste has enjoyed very strong performance according to international standards, particularly when compared with the emerging economies of Asia. We estimate that we will grow 5.6-7.1% between 2013 and 2015. This growth rate is consistent with our focus on the sustainability of government expenditure and on inflation, which will not exceed the 4-6% goal set in our Strategic Development Plan.

Since 2007, the Government's strategy has been to let the private sector drive the economy. Indeed, during these last few years we have repeated that it has been necessary at this early stage for the State to nurture growth by way of public expenditure, since the private sector was still fledgling and not yet ready to assume its leading role as driver of the economy.

Now that the conditions are being created, there is room for a new period in the history of Timor-Leste, in which the private sector and not the government is expected to drive economic growth, positioning the country within the regional and global arenas.

The high investment rate foreseen by the private sector is based on sound investment proposals by multinational companies. This is testimony to the success of previous government policies.

There would not be major production companies interested in investing in Timor-Leste today if the Government had not made public investments, namely in the expansion and recovery of the national road network, in the Tasi Mane project and in the integrated investment in the southern coast, in the construction of ports, namely in Tibar and Suai, in the improvement of airport facilities, and particularly in the improvement of the generation, transmission and distribution of electricity.

According to a recent study by the consultancy firm PricewaterhouseCoopers together with the World Bank, Timor-Leste is the most fiscally competitive country among the CPLP member States and 55<sup>th</sup> in a ranking of 189 surveyed countries. Indeed, our strategy for attracting foreign investment, which is essential to economic diversification, is based on presenting Timor-Leste as a competitive and attractive country for doing business.

The recent Investment Agreement signed with Heineken Asia Pacific Pte. Ltd., valued at over \$40 million, is an example of this.

As we can see from the recent Doing Business 2015 report by the World Bank, Timor-Leste is, and I quote, "the economy that improved the ease of starting a business the most", and "did so by

creating a one-stop shop". As such, we can say that our work is producing the results we expected, and SERVE – the one-stop shop – is further evidence of that.

This conducive environment we are creating for the establishment of businesses in our country and the investments we are making in the construction of infrastructure are essential for creating employment, reducing dependence on the petroleum sector and affirming Timor-Leste as a country on the path to modernity and progress.

It was also under this strategy that in 2014 we created the Specialised Investment Agency designated as "Timor-Leste Invest". Its main goal is to promote private investment and exports in the country. The operation of this agency and the implementation of the ongoing policies for increasing agricultural, industrial and service production will surely boost the country's economic, social and human development.

One thing that is vital for the integrated development of the country and for reducing development asymmetries between the capital and the other districts is to develop policies, such as the decentralisation policy, that promote a fairer distribution of resources and the creation of proper living conditions for all the people. Programs such as IDDP and NSDP are two examples of the practical implementation of these policies and have enabled the improvement of access to water, sanitation, health, education and culture and the training of local leaders. This is essential for inclusive development.

Because we believe in our country's potential, we have started a bold project for developing the Special Administrative Region of Oecusse Ambeno, led by His Excellency Dr. Mari Alkatiri, and for creating the Special Zone of Social Market Economy, whose legal framework has already been drafted and whose operation has already begun. In 2015 it will be possible to start implementing the development plan for this region, through a transfer of around **\$9.9 million** for the SZSME programme.

I would like to recall that preparations are already under way for the celebration of the 500<sup>th</sup> anniversary of the arrival of the Portuguese in Oecusse. These celebrations will feature the participation of senior international representatives and will be a strong boost for the development of this region.

Additionally, the evolution of the integrated triangular development initiative of the three States in our sub-region – Timor-Leste, the Northern Territory of Australia and some of the closest Provinces of Indonesia – confirms the promising development of some important sectors such as tourism, energy, agriculture and research and development, as well as ensure the strengthening of the social, friendship and cultural ties with our closest neighbours. We estimate that we will invest **\$1.0 million** in order to continue this initiative in 2015.

We can also take pride in the improvement of the social indicators. This is another result of the execution of the policies and programs of the Government, the sector plans and the projects of civil society and development partners. We have all been working together towards the development of the country.

We can see these improvements easily by checking the records of school enrolments, child nutrition, infant mortality, usage of power and household consumption.

The percentage of children who attend school in Timor-Leste increased considerably, rising from 66% in 2007 to 92% in 2013.

Currently we have attributed over 3,300 scholarships, with most of the beneficiaries conducting their studies and trainings in Timor-Leste. The agencies with the most scholarship holders are the ministries of health and education, UNTL and INAP. We believe that this investment will yield returns for the State in the very near future, since the availability of skilled human resources that can work in a demanding and competitive labour market is absolutely vital for our country development strategy.

The approval in 2014 of the base national curriculum for the first and second cycles of basic education, of the base national curriculum for early childhood education and our early childhood education policies will enable us to improve education and to prepare our children for the future challenges that school offers.

The mortality of infants and children under 5 years in Timor-Leste is also at a historical low, after a reduction of around 50% from 2001 to 2009. Indeed, the Timor-Leste Report on the 2014 Millennium Development Goals states that Timor-Leste has achieved the goal in the reduction of the mortality of infants and children under 5 years.

In 2014, Timor-Leste was honoured by the World Health Organization due to the results achieved in the implementation of the National Malaria Control Program. The drastic reduction in the number of registered cases of malaria and deaths related with malaria is the consequence of an efficient prevention policy and the improvement of the process of diagnosis and treatment. The achievement of the Millennium Development Goal for malaria is an indication that we put our people at the centre of our priorities and actions.

Child malnutrition also dropped significantly. In 2001, approximately half (46%) of all children under five years had below normal weight. Since then we have made considerable progress, with the percentage of children with below average weight falling to 38% in 2013. The Government is strongly committed to continuing to reduce this percentage by increasing agricultural productivity, encouraging citizens to change their diets and delivering school meal programs.

Because we cannot be satisfied with the nutrition indicators in our country, the Government has joined the CPLP's "Together Against Hunger" campaign and the United Nation's "Zero Hunger Challenge" and drafted a National Action Plan for Eradicating Hunger and Malnutrition in Timor-Leste. The goal is to improve food security and to reduce hunger in the country over ten years, i.e. by 2025.

The approval of the Base Policy for Tourism, which is a strategic sector of the national economy, now has an essential instrument for its development. The creation of a training centre in tourism and hospitality and of four information centres, which is planned for 2015, is already part of the operation of this policy in the tourism sector.

Additionally, access to electricity by Timorese households improved from 22% in 2007 to 53% in 2013.

Household consumption in terms of goods and services also increased 36% between 2008 and 2012.

Speaking of households, I must highlight here the fundamental role played by women in the construction of our country. Both within their families and their communities, women are increasingly acknowledged for their contribution and transformative ability, thereby making an exemplary contribution to the human and economic development of Timor-Leste. The Government continues committed to reforming agencies, policies and decision-making processes in order to ensure true gender equality. Parliament is a good example of this, with 38.5% of parliamentary seats currently being held by women.

The Government is also concerned with environmental sustainability, considering that 90% of our people use wood as a source of energy for cooking which is damaging our forests. In addition to the investment in alternative energies that we have been making for the last few years, we believe that the expansion of the national electric grid will drastically reduce the use of wood and the consequent deforestation.

2014 was an important year for Timor-Leste, as the country assumed the rotating presidency of the CPLP for the first time, at the last summit of Heads of State and Government, which took place in Dili, in July of this year.

The preparation for this event required much commitment, work and even patience by many Timorese. Nevertheless, I believe that the benefits from this collective effort can be seen in our daily lives. For instance, the construction of the CPLP Bridge, which is a very important infrastructure that is contributing to make travel within the city easier and safer; the recovery of gardens and other public places, which are now promoting wellbeing and socialisation; the recovery of roads and the construction of sanitation infrastructures which is essential for improving living standards in the capital.

Of course, we also want to make a political contribution to the CPLP. Our ambitious agenda includes the strengthening and growth of this institution, through promoting expansion into new sectors of cooperation, such as economic cooperation, as well as support and monitoring to countries that are currently vulnerable, such as Guinea-Bissau, or in a stage of integration, such as Equatorial Guinea. Therefore, the Government proposed the appointment of Dr José Ramos-Horta as Special Representative of the CPLP for these two countries. This Government proposal, which has already been submitted to His Excellency the President of the Republic for approval, shows our full commitment towards the objectives and the mission of the CPLP.

I must underline that the Timorese presidency is strongly committed to boost economic and entrepreneurial cooperation, so as to nurture the development of business projects strengthening the national private sectors, the promotion of partnerships and the transfer of technologies and knowledge, in order to support the respective economies and regional economic integration. In 2015, the Timorese presidency of the CPLP will have a funding of around **\$1.5 million**.

Timor-Leste fulfilled its obligations as a member of the UN helping countries in conflict or in a post-conflict situation and with fragile state institutions, particularly in ensuring the inclusion of its programs in the ' Post-2015 Development Agenda of the United Nations'. We have successfully participated in the 'g7+' group and will continue to support it with a Secretariat based in Dili.

Many countries require the opportunity for dialogue to reconcile differences, in order to establish peace as an indispensable pre-requisite for designing development programs that benefit all their citizens.

Therefore, at the initiative of the President of the Republic, Taur Matan Ruak, a Centre for Dialogue, Reconciliation and Peace will be established in Dili. With no ambition to protagonisms, Timor-Leste will try to contribute with the little it can for peace in the world.

Your Excellency President of the National Parliament

Your Excellences Vice-Presidents of the National Parliament

Your Excellencies Distinguished Members of Parliament

The 2015 State General Budget will continue the path that enabled us to achieve the progress I have already mentioned here today, which is acknowledged internationally. We must maintain consistency regarding priority investments in areas of physical, human and social development, while ensuring the necessary prudence for enabling fiscal sustainability. In order to do this we are proposing to reduce current expenses in this budget, which is why we are only proposing the required minimum increase.

In the medium and long term, the infrastructure being created will make an irreversible contribution towards economic growth, enabling the increase of domestic revenues and the reduction of expenses over time. For this reason we can say that the PF withdrawals between 2015 and 2017 are a temporary but essential condition for ensuring the major investments required for continuing to build vital infrastructures in the country. It is estimated that these withdrawals will start decreasing in 2018.

The **2015 State General Budget is \$1,570 million**. This represents a marginal increase over the 2014 budget, so as to ensure fiscal sustainability and to guarantee that demand in the economy is consistent with low inflation.

Inflation in the third quarter of 2014 was only 0.5%, which means that average prices were only very slightly above those we had in the same period of the previous year. We are estimating that inflation will not exceed the target of 4%-6%, at least by the end of 2015. In fact, there is a chance that it will be below 4%.

Lower inflation means that it is more likely that the purchasing power of citizens will increase and that poverty will decrease. This will also lead to lower increases in the costs borne by companies, which will allow us to increase the international competitiveness of Timorese companies.

Household consumption is also expected to continue growing strongly. This means many households will be able to increase the amount of goods they purchase and consume. Assuming this increase in consumption is widely shared it will also reduce poverty.

Overall the 2015 budget is consistent with strong, sustainable and high quality economic growth going forward, being divided as follows:

- **\$184.1 million in Salaries and Wages**
- **\$504.7 million in Goods and Services** (including the HCDF)
- **\$340.3 million in Public Transfers**
- **\$36.7 million in Minor Capital**
- **\$504.3 million in Capital Development** (including the Infrastructure Fund and loans)

The total investment for the **Infrastructure Fund** is **\$434 million** including loans and \$364 million excluding loans.

The total budget appropriation for the **Human Capital Development Fund** is **\$32.1 million**, including \$2.1 million from the balance carried over from 2014, in accordance with the law. This program will continue in 2015, so as to develop our human capital and build the capacity of our young people through vocational and technical training and scholarships for higher education. However, it should be said that we are conducting the necessary assessments for ensuring that the investment by the State yields the maximum return.

In 2015 the State General Budget will be funded by **\$170.4 million from estimated non-petroleum revenues**. These revenues should continue increasing in 2015 and in the medium term. Nevertheless, the growth rate should be slightly below the one recorded in the previous years. Indeed, local rice is now in greater supply, which has resulted in a reduction in the sales of rice.

The **tax deficit of \$1,399.6 million** will be funded by \$1,327.5 million from the Petroleum Fund, namely **\$638.5 million corresponding to the Estimated Sustainable Income and \$689 million above the Estimated Sustainable Income**. It will also be funded by **\$70 million from public loans** and **\$2.1 million in cash**. This excess withdrawal is consequently moderate and consistent with the investment policy set in the Strategic Development Plan and being implemented by the Government.

Your Excellencies

Ladies and gentlemen,

Our nation is in a very sound financial position. At the end of the third quarter of 2014 the balance of the Petroleum Fund was \$16.6 billion. It is estimated that this balance will increase to \$18.9 billion by the end of 2019.

The current balance of the Petroleum Fund is over 10 times larger than the overall amount that the Government intends to spend in 2015. It is therefore clear that the State will continue to have a sound financial basis in the short or medium term.

The Petroleum Fund created in 2005 was an important investment strategy that enabled transparency and the good management of the petroleum resources of Timor-Leste. The Petroleum revenues are kept in the Petroleum Fund and do not flow directly into the State Budget which has helped to prevent macroeconomic instability, since withdrawals from the Fund are based on what is sustainable in the long term rather than on short term changes in petroleum revenues.

By not using these revenues in a discretionary manner, we prevent steep increases and reductions in the prices of goods, as well as volatility in public expenses, demand and inflation, which enabled us to avoid the resource curse. We have opted to invest in basic infrastructure and in sectors such as education and health, supporting the country's economic development.

By amending the Petroleum Fund Law in 2011, following a lengthy, strict and participative process, we allowed an allocation of up to 50% in public equities, at least 50% in fixed income instruments and up to 5% in alternative instruments. This strategy of diversifying the Petroleum Fund proved to be a sound one and it has provided strong returns.

The Government is also committed to long term fiscal sustainability through its frontloading policy. This policy outlines that in the short term there will be excess withdrawals so that in the longer term there will be economic growth, increased domestic revenue and declining expenditure.

Regarding the budget execution rate, on 29 November the Government recorded an expenditure execution of \$1,077 million in cash and \$228 million in commitments. It is likely that most of these commitments will result in cash execution before the close of the financial year.

This means that at the close of the financial year it is very likely that we will have a budget execution rate of around 87%. This is a strong execution rate, particularly since the 2014 budget only started to be legally executable in the third month of the year, i.e. in March. The first two months operated under the duodecimal regime. This is an indication that the budget drafting and execution processes continue to improve.

We are confident that the introduction of the new verification and monitoring instruments of the Government Plan and of the Strategic Development Plan, set by the Development Policy Coordination Mechanism and operated through the SDP matrixes, will also ensure the proper adequacy between what is planned and what is effectively achieved, so that we may continue ensuring high budget execution rates and results that have actual impacts on the population.

As you know, this instrument also enables integrated planning, by cross cutting development sectors in a manner that is articulated, more effective and efficient, so as to favour greater coordination between ministries.

This coordination effort will enable better results for the four strategic sectors set in the SDP. Within this context, the 2015 State General Budget reflects the key sectors targeted by the Government and responds to the four key goals that I have mentioned.

### **The 2015 budget follows a sustainable fiscal policy**

Firstly, the total amount of the budget is \$1,570 million. This is less than 5% higher than the 2014 budget and shows that **the Government has constrained growth in overall spending**. In addition, the 2015 budget is 13% smaller than the 2012 budget. This shows that over the past few years **the Government has followed a conservative fiscal policy, cutting and not increasing the size of the budget**.

Secondly, the Government has identified and **eliminated wasteful expenditure and constrained growth in recurrent expenditure**. Specifically, recurrent expenditure in the 2015 budget at \$1,029 million is less than 4% higher than in the 2014 budget.

Thirdly, over the medium term forecasted spending clearly shows the frontloading pattern. Public expenditure increases is forecasted in 2016 to construct core infrastructure, but then it is foreseen that it will begin to fall and, predictably, **excess withdrawals will also start decreasing**.

Fourthly, **domestic revenue has grown strongly in recent years** and this growth is forecasted to continue over the medium term. The amount of domestic revenue forecasted to be collected in 2015 is \$170 million, which is 62% higher than the amount we collected in 2011. By 2019 domestic revenue is forecasted to grow to well over \$200 million and be more than double the amount it was in 2011.

In relation to domestic revenues, it is necessary to properly analyse the reality and understand the development cycle that originates them. The revenues derive from private sector activity as it is the taxes paid by companies and workers that contribute to the increase of domestic revenue. Therefore, it is necessary to ensure the creation of quality infrastructure and capable and productive human resources in order to attract investors and strengthen the business fabric of the country.

### **The 2015 budget takes every Timorese citizen into account**

The distribution of **electricity** throughout the country has led to the substantial improvement of the living standards of the Timorese throughout the country, in addition to making a clear contribution towards economic development. It is essential to continue funding the electrification project by acquiring fuel and maintaining the electrical generators. As such, we will invest **\$115.6 million** for this purpose.

We will continue investing in the nutrition of our children and young through our **school meals** program, which seeks to improve the health and school performance of children. We will allocate around **\$17.8 million** to the Ministry of Education in order to fund the school meals program in public schools and to attribute scholarships.

Still in the area of education, we will allocate **\$6.2 million** to continue supporting Salesian education facilities and the school meals program in private schools. The **UNTL** will be allocated **\$4 million** in public transfers for scholarships in international partner organisations, thus ensuring that Timorese students have access to world renowned universities.



We will also be making an important investment seeking to **make available medication and food to patients**, by allocating around **\$15.3 million** to the Ministry of Health in order to improve the quality of the health services provided. Furthermore, we will be allocating **\$1.2 million** for acquiring medical equipment, including laboratory and X-ray facilities for the health services.

The Ministry of Health will also be allocated **\$8.3 million** in public transfers to continue enabling medical treatment abroad for emergency situations that cannot be handled in Timor-Leste, as well as to invest in a new **cardiovascular clinic** and in activities for supporting public health and the continuation of the **SISKA** programme.

I also want to mention a vital program that is ongoing and that affects a great many Timorese, which is the **Ita Nia Rai programme and the cadastral registration** of the Ministry of Justice. With an allocation of around **\$14.5 million** we will work on land property rights in Timor-Leste, which in turn will contribute to increase security and economic growth in the communities.

Still in the sector of justice, we will be investing **\$20 million** to improve **legal services**, so as to benefit Timorese citizens. The additional investment of **\$1 million** in the Ministry of Justice to support the processing of **biometric passports** will also facilitate the travelling abroad by Timorese citizens.

We will also continue the program of **importing rice and selling local produce**, with an allocation of **\$8.5 million** to the Ministry of Commerce, Industry and Environment, in order to support the national rice market, to contribute to the school meals programs and to enable basic access to food for the entire population, including in emergency situations.

The **acquisition and distribution of seeds** in order for the Ministry of Agriculture and Fisheries to continue supporting the development of agriculture and improving national security will continue to be a priority for the Government, with an allocation of **\$3.7 million**. This Ministry will also continue supporting **farmer groups** with an allocation of **\$1.4 million**, so as to promote local produce.

The promotion of democracy throughout the country, rural development and the strengthening of local communities are vital factors for correcting social inequalities in Timor-Leste. This budget will allocate **\$20 million** in public transfers, through the Office of the Prime Minister, in order to provide **emergency support** and to **rehabilitate schools and health posts** throughout the territory.

Still in the vital area of rural development, we will allocate **\$17.8 million** to the Ministry of State Administration in order to continue supporting **NSDP**, **\$1.6 million** in goods and services so that the NEC may implement the electoral program for **Heads of Suco** and **\$1.5 million** for the **election of community leaders**.

The Ministry of Trade, Industry and Environment will continue supporting **cooperatives, trade and industry groups and environmental protection groups** with an allocation of **\$4.8 million**. We have also included **\$1.5 million** to SEAPRI for our important bamboo centre and for supporting the **private sector in the areas of agriculture and tourism** as a strategy of economic diversification and industrial development.

We will also invest **\$10.5 million** in the **rural employment** program, which targets young people, and **\$6.5 million** in supporting arts and sport through the Secretary of State for Youth and Sport.

We will allocate **\$1.7 million** in minor capital to purchase fire trucks and other special vehicles for several government agencies, in order to increase the **safety** of the population.

As we are committed to knowing our population better, so that in turn we can serve it better, we will fund the **2015 Census**, which will provide important information on the living standards in Timor-Leste. We will allocate **\$7.5 million** in this Census and in the payment of membership fees.

Being aware of the importance of the **Berlin-Nakroma ferry**, which requires investment in fuel and maintenance, we will continue to fund this service with around **\$1.3 million**. Also in view of this vital need, the Timorese State will allocate **\$12 million** to the Ministry of Transport and Communication in order to purchase a new **ferry** to serve the people.

And because our precious natural resources belong to every Timorese, I must mention the fact that we continue to have a strong commitment towards this sector, so that we may benefit the most from our **sovereign wealth**. As such, we will continue funding the Ministry of Petroleum and Mineral Resources, the ANP, the Timor GAP and the IPG, with **\$11.5 million** in public transfers.

### **The 2015 budget invests in quality infrastructure**

The 2015 budget outlines \$364 million of Government financed expenditure to improve infrastructure in Timor-Leste. Developing infrastructure continues to be a priority for the Government as it underpins economic growth and service delivery.

Better infrastructure is necessary to underpin economic growth as companies require access to reliable water and electricity to increase production. Companies also require access to transport infrastructure to get their goods to consumers.

Infrastructure also underpins the delivery of public services. Better roads, for example, allow children to travel to school and patients to more easily visit hospitals. Infrastructure is also vital for developing complementary economic sectors such as tourism and agriculture. Without quality roads it is not possible to transport goods to the markets or to attract tourists.

Roads are in a poor condition in Timor-Leste and this discourages investment. The Government is implementing a substantial **road rehabilitation** program over the next four years, with an investment of **\$59.8 million** in 2015.

Through the Infrastructure Fund we will also be investing **\$9.8 million** in the construction of **bridges**, **\$19 million** in **airports** and **\$8.9 million** in the development of **ports**.

Regarding the **Oecusse development program**, the Government believes this program will encourage industry to move to Oecusse and support that region's social and economic development. The Infrastructure Fund should invest **\$62.5 million** in this development program.

Regarding electricity, more work is necessary in the future to further improve **electricity** distribution and transmission and improve the efficiency of delivery. Planned work includes a central control system, street lighting and a jetty at Hera, with an allocation of **\$58.1 million** under the Infrastructure Fund.

Regarding **Tasi Mane**, the Government is committed to developing the petroleum industry on the South Coast and related industries, proposing for this an investment of **\$37.6 million** for this Project.

We are estimating to invest **\$8 million** in **education** infrastructure and **\$4 million** in **health** infrastructure.

The Government also allocated **\$34.4 million** to the CFTL to support the **District Integrated Development Program**, thereby continuing to implement local projects concerning small infrastructure works that boost the development of the private sector and substantially improve the living situation in the communities.

The investment of **\$3 million** in the Ministry of Public Works regarding minor capital will provide for **water equipment and the installation of electricity** throughout the territory. This Ministry will also be allocated **\$1.5 million** to support the **installation of solar panels** in communities without access to electricity, promoting the use of renewable energies while continuing to ensure the expansion of the electricity grid to all communities, even the most remote ones.

In general, these infrastructure expenditures will contribute to long term economic growth and improve the delivery of important services such as health and education.

### **The 2015 budget protects the vulnerable and deserving**

The Government wants all citizens to benefit equally from the economic growth and has developed many programs to protect the vulnerable and deserving in society. These programs ensure that the benefits of economic development are widely shared and do not just benefit a small number of people.

Through the 2015 budget the Government is significantly expanding the public transfer programs. In this case, the budget of the Ministry of Social Solidarity has increased from \$147.1 to \$197.2 million from 2014 to 2015.

This budget includes **\$130.4 million** for the **payment of veterans' pensions**. These veterans bravely served their country during the struggle for independence and it is important that they share in the increased prosperity of our country.

We are also estimating to invest **\$1.8 million** in goods and services for the Ministry of Social Solidarity to invest in entertainment and contributions for **Veterans**, so as to honour the sacrifices they made for the independence of Timor-Leste.

In view of the vital role played by the **Civil Society and Non-Governmental Organisations**, the Government will allocate **\$14 million** so that these organisations that work closely with the communities can support Timorese citizens in need.

The Government has also appropriated **\$34.9 million** for the payment of **pensions to the old and disabled**. This is an important program that supports those who are too old or infirm to work and that reduces poverty in a significant manner. The **Bolsa de Mãe** program will also continue to be a priority, so as to support the most vulnerable groups in our society.

The Government will also allocate **\$2.7 million** to support orphans, homeless people and disabled people, as well as **\$1.2 million** to support Red Cross and HIV/AIDS programs seeking to protect the persons who are most vulnerable and who need medical assistance and special care from the State.

Your Excellency President of the National Parliament

Your Excellences Vice-Presidents of the National Parliament

Your Excellencies Distinguished Members of Parliament

It is undeniable that the path we have walked so far proves that we are addressing the central goal of national development.

A country where people live in peace and safety, despite only being independent for the last twelve years, gives us the conditions we are nurturing in order to become a developed country. This transformation entails challenges that cannot be overcome in a single generation.

However, we can create the necessary conditions so that we may continue moving in the right direction.

In order for our path towards sustainable development to take less time we need to have an educated, healthy and professionally active population, a professional and efficient public administration, a strong and capable private sector and a country equipped with basic infrastructure.

Investing in the country's non-petroleum economy is the main ingredient for this success. And I can say, ladies and gentlemen, that our non-petroleum economy is growing. It is growing because economic diversification in our country is starting to become a reality and because we are ensuring that this growth is sustainable.

Our commitment, your commitment, is to the People of Timor-Leste!

Together, in this debate that is now about to start, we can work constructively in order to overcome challenges and to do what we vowed to do when we were sworn-in: to defend the national interests, to protect the Timorese people and to honour the sacrifices made by those who dreamed of a free, sovereign and independent Timor-Leste.

Thank you very much.

**Kay Rala Xanana Gusmão**

Dili, 1 December 2014

# Part 2: Description and Analysis of the State Budget

## 2.1: Executive Summary

### Government Policy

The SDP describes how Timor-Leste will be transformed into an upper-middle income country with an educated, healthy and secure population by 2030. The Program of the Fifth Constitutional Government outlines detailed activities and policies to achieve this vision. This 2015 State Budget appropriates expenditures to finance these activities and policies.

### Economic Growth

Strong, high quality non-petroleum GDP growth is required for Timor-Leste to become an upper-middle income country by 2030. From 2007 to 2011 the Government implemented economic policies that led to very high rates of economic growth; with non-petroleum GDP growth averaging 12.5% per annum during this period. This growth was driven by increases in Government spending and was accompanied by relatively high inflation. In 2012 non-petroleum GDP growth slowed to 7.8% and was not driven by Government expenditure. This marked the first stage in the transition to higher quality, sustainable, low inflation, private sector driven economic growth.

In 2013 the transition to higher quality economic growth continued. Non-petroleum GDP is forecast to grow strongly at 5.6%, 7.1% and 7.0% in 2013, 2014 and 2015 respectively. These rates of economic growth are high compared to many other countries. This new growth path is consistent with slower, sustainable growth in Government spending and inflation which is within or below the SDP target range of 4.0%-6.0%. Private sector investment and household consumption will drive economic growth going forward. Higher household consumption will likely contribute to a sustainable and sustained rise in living standards.

### Expenditure

The 2015 State Budget is \$1,500.0 million (excluding loans), which is just 2.1% higher than in 2014 (see table 2.1.1). The Government has stabilized expenditures in 2015 to ensure fiscal sustainability and that demand in the economy is consistent with inflation within or below the SDP target range.

The Government is continuing to implement its frontloading policy. Expenditure is forecasted to increase in 2016 mainly to finance SDP priority projects in the IF. By 2018 some SDP priority projects will be nearing completion and expenditure and excess

withdrawals will sharply fall. Over the long-term (after 2019) expenditure will further fall and domestic revenue will increase, allowing excess withdrawals to fall towards zero.

### **Domestic Revenue**

Domestic revenue is forecasted to continue to increase in 2015 and over the medium term (see table 2.1.1). The rate of growth is slightly lower than in past years, principally due to smaller revenue from rice sales. The Government is scaling back rice sales in response to the improved supply of rice. Excluding rice sales, domestic revenue is forecasted to grow at 5.6% in 2015.

### **Financing**

The non-oil deficit is equal to domestic revenue minus expenditure (see table 2.1.1). This deficit provides an approximate estimate of the amount of additional demand and money Government spending is contributing to the economy. Over the medium term the non-oil deficit is falling as a percentage of GDP. This lower contribution to demand in the economy from Government spending is consistent with lower inflation and private sector driven economic growth.

The Government is using the ESI, excess withdrawals from the PF, use of the cash balance and loans to finance the non-oil deficit in 2015.

The ESI for 2015 is calculated at \$638.5 million and can be thought of as the amount that can be withdrawn from the PF, each year, forever without the fund ever running out of money. The total amount budgeted to be withdrawn from the PF in 2015 is \$1,327.5 million; this is higher than the ESI by \$689.0 million. The Government considers that excess withdrawals are necessary in the short term to finance priority expenditures. From 2018 excess withdrawals are expected to fall towards zero as domestic revenue increases and expenditure decreases.

The Government is using the cash balance in the HCDF in 2015 to finance rolled over expenditures. This is in line with the relevant laws and international best practice in PFM. Total use of the cash balance for 2015 is \$2.1 million.

Loans are being used to finance key infrastructure projects that have high social and economic rates of return. These loans have relatively low rates of interest and significant grace periods. Total loan financing for 2015 is \$70.0 million.

**Table 2.1.1: Fiscal Table with Memorandum Items (\$m)**

	2011 Actual	2012 Actual	2013 Actual	2014 BB1	2015 Budget	2016	2017	2018	2019
<b>Total Exp. by App. Category (incl. loans)</b>	<b>1,105.3</b>	<b>1,247.0</b>	<b>1,081.4</b>	<b>1,500.0</b>	<b>1,570.0</b>	<b>2,089.0</b>	<b>2,032.9</b>	<b>1,840.1</b>	<b>1,644.6</b>
<b>Total Exp. by App. Category (excl. loans)</b>	<b>1,105.3</b>	<b>1,247.0</b>	<b>1,075.1</b>	<b>1,469.0</b>	<b>1,500.0</b>	<b>1,894.6</b>	<b>1,897.5</b>	<b>1,680.2</b>	<b>1,594.6</b>
<i>Recurrent</i>	502.3	708.8	730.9	992.5	1,102.1	1,155.6	1,199.8	1,246.9	1,294.6
Salary and Wages	111.9	130.7	141.8	176.8	179.0	186.2	193.6	201.4	209.4
Goods and Services (inc. HCDF)	246.8	358.2	392.0	480.3	516.3	546.4	566.1	587.9	609.3
Public Transfers	143.7	220.0	197.0	335.5	406.8	423.1	440.0	457.6	475.9
<i>Capital</i>	603.0	538.2	350.5	507.5	467.9	933.4	833.2	593.2	350.0
Minor Capital	33.9	46.8	40.0	52.1	26.4	27.5	28.6	29.7	30.9
Capital and Development (inc IF & loans)	569.1	491.4	310.6	455.4	441.5	905.9	804.6	563.5	319.1
<b>Domestic Revenue***</b>	<b>105.3</b>	<b>142.2</b>	<b>151.1</b>	<b>166.1</b>	<b>170.4</b>	<b>182.0</b>	<b>193.7</b>	<b>205.6</b>	<b>217.7</b>
<b>Non-Oil Fiscal Deficit</b>	<b>-1,000.0</b>	<b>-1,104.8</b>	<b>-930.3</b>	<b>-1,333.9</b>	<b>-1,399.6</b>	<b>-1,907.0</b>	<b>-1,839.2</b>	<b>-1,634.5</b>	<b>-1,426.9</b>
<b>Financing</b>	<b>1,000.0</b>	<b>1,104.8</b>	<b>930.3</b>	<b>1,333.9</b>	<b>1,399.6</b>	<b>1,907.0</b>	<b>1,839.2</b>	<b>1,634.5</b>	<b>1,426.9</b>
ESI	734.0	665.3	730.0	632.3	638.5	632.8	615.4	597.8	586.6
Excess Withdrawals from the PF	321.0	829.6	0.0	270.6	689.0	1,079.7	1,088.3	876.8	790.2
Use of Cash Balance	-55.0	-390.1	194.0	400.0	2.1	0.0	0.0	0.0	0.0
Borrowing/Loans	0.0	0.0	6.3	31.1	70.0	194.4	135.5	159.9	50.0
<b>Selected Economic Indicators</b>									
Nominal GDP (Non-petroleum Sector)	1,124.0	1,284.0	1,468.4	1,552.3	1,681.4	1,887.2	2,120.3	2,386.6	2,691.4
Fiscal Deficit / GDP (Non-petroleum Sector)	89.0%	86.0%	63.4%	85.9%	83.2%	101.0%	86.7%	68.5%	53.0%

Source: National Directorate of Economic Policy

## **2.2: Recent Reforms in Economic and Financial Management**

### **2.2.1: Overview**

The MoF has implemented a significant reform program over the last year. Reforms have been concentrated in the areas of economic monitoring, PFM and performance management.

### **2.2.2: Economic Monitoring**

Formulating effective public policies requires a detailed and up-to-date understanding of the economy. The MoF has started drafting quarterly inflations reviews and GFS bulletins to better understand the economy. It has also strengthened its economic forecasting model.

#### **2.2.2.1: Quarterly Inflation Reports**

The MoF drafts quarterly inflation reviews to analyse inflation. These reviews analyse trends in the monthly and yearly rates of inflation, and in the underlying categories of the CPI index such as food and transport. The likely causes of inflation, such as changes in Government spending, in exchange rates and in international commodity prices, are also analysed in these quarterly reviews.

The quarterly inflation bulletins for Q1 2014 and Q2 2014 were recently published on the MoF's website. Going forward each review will be published shortly after the relevant data becomes available.

#### **2.2.2.2: Government Financial Statistics**

GFS is an internationally recognised reporting framework for the presentation and analysis of fiscal data. The Government has recently implemented this framework and now publishes GFS fiscal bulletins every quarter. The implementation of GFS in Timor-Leste has two main benefits.

First, GFS provides an internationally recognised and consistent framework for analysing the fiscal position of the government. The GFS bulletins provide important information on how petroleum revenues and PF investments affect the overall fiscal position of the Government.

Second, GFS classifies revenue and expense in a consistent way across all countries. This allows for accurate international comparisons.



### 2.2.2.3 Economic Forecasting

The MoF recently completed new forecasts of economic growth and inflation. These forecasts were made based on an improved economic model and forecasting process. Important reforms to the modelling process included: forecasting the components of non-petroleum GDP, modelling inflation and ensuring internal consistency.

**Forecasting the components of non-petroleum GDP;** in the past non-petroleum GDP, but not its underlying components, were forecasted. This year the MoF has forecasted all the underlying components of non-petroleum GDP such as household consumption and private investment. This strengthens economic policy making as the composition of economic growth, and not just its overall level, is important.

**Forecasting inflation;** the MoF improved the methodology it uses to forecast inflation. The new methodology uses advanced statistical techniques to account for the impact on inflation of Government spending, international commodity prices and exchange rates.

**Internal Consistency;** in Timor-Leste Government spending, economic growth and inflation are all interlinked. Specifically:

- Government spending is a component of non-petroleum GDP. So all else being equal high expenditure will lead to higher economic growth.
- Inflation is partly driven by Government recurrent expenditure. Thus all else being equal high expenditure will result in higher inflation.
- High inflation may reduce long-term economic growth if it undermines competitiveness.

Overall these reforms have resulted in superior economic forecasts that have assisted the MoF in better understanding recent and likely future economic developments.

### 2.2.3: Public Financial Management

The Government spends, collects and manages money through its PFM system. This system is made up of the laws, institutions and information technology infrastructure that govern the management of the public finances. An effective and efficient PFM system is essential for constraining corruption and delivering public services.

Since 2008 the Government has implemented a broad ranging PFM reform program. Other publically available documents such as the MoF's Strategic Plan and the State Budget Book 1 2013 describe this reform program in detail. This section only outlines key PFM reforms which have been implemented this year. Key reforms include:

- Upgrading the interface used by the integrated financial management information system (IFMIS) to the web based V7 financials. This new interface allows ministries to

use the IFMIS through the internet which has improved accessibility. The new interface also has a clearer, more intuitive and user-friendly lay out.

- Making the use of the procurement and contract management modules in IFMIS mandatory. This means that ministries have to record key stages of the procurement process and contracts on the IFMIS before payments are made to contractors. This constrains corruption and encourages line ministries to follow the correct processes.
- Improving tax administration by re-registering many tax payers with new unique tax identification numbers.
- Establishing a monthly meeting to discuss and resolve problems in budget execution. The meeting is chaired by the Director General of State Finance and is attended by staff from the MoF and the Directors of Finance from each line ministry. This meeting has contributed to higher and more efficient budget execution.

## **2.2.4: Measuring Performance**

The Government has recently implemented reforms to monitor and improve performance. Key reforms include the Ten Commandments and introducing KPIs.

### **2.2.4.1: The Ten Commandments to Improve the Performance of the State**

The Government met from the 4<sup>th</sup> to the 6<sup>th</sup> of August 2014 to discuss how to identify problems and find solutions to improve the performance of the state. Based on these discussions, participants committed to ten commandments. The full list of commandments is available on the MoF website. Three key commandments are:

1. To implement one Vision, one Plan, one Action, aligned with the SDP matrix and to commit to the KPIs as a performance measure.
2. To find out and obtain the necessary information about the existing PFM system before publicly commenting on this system.
3. The national private sector commits to work together with the Government in order to ensure the quality of projects.

These commandments should contribute to more effective Government administration.

### **2.2.4.2: Key Performance Indicators**

The MoF has recently developed KPIs. These indicators measure progress towards important objectives for each directorate in the MoF.

The KPIs are formulated with reference to the overarching vision outlined in the MoF's Strategic Plan. They outline and measure the work that must be done to achieve this vision and provide a practical link between high level goals and day to day activities.

The EU and Australian Government recently showed their confidence in the KPI system for measuring performance by agreeing to provide direct budgetary support to the MoF. This support uses the Government of Timor-Leste's public financial management system and therefore conforms to new deal principles.

Overall the KPIs are an important management tool. These indicators have linked the MoF's vision to specific activities, strengthened budgeting and improved human resource management.

In conclusion, the MoF has implemented reforms to strengthen economic monitoring, public financial management and performance management. These reforms should assist the development of more effective economic policies and contribute to more efficient public spending.

## **2.3: Economic Overview**

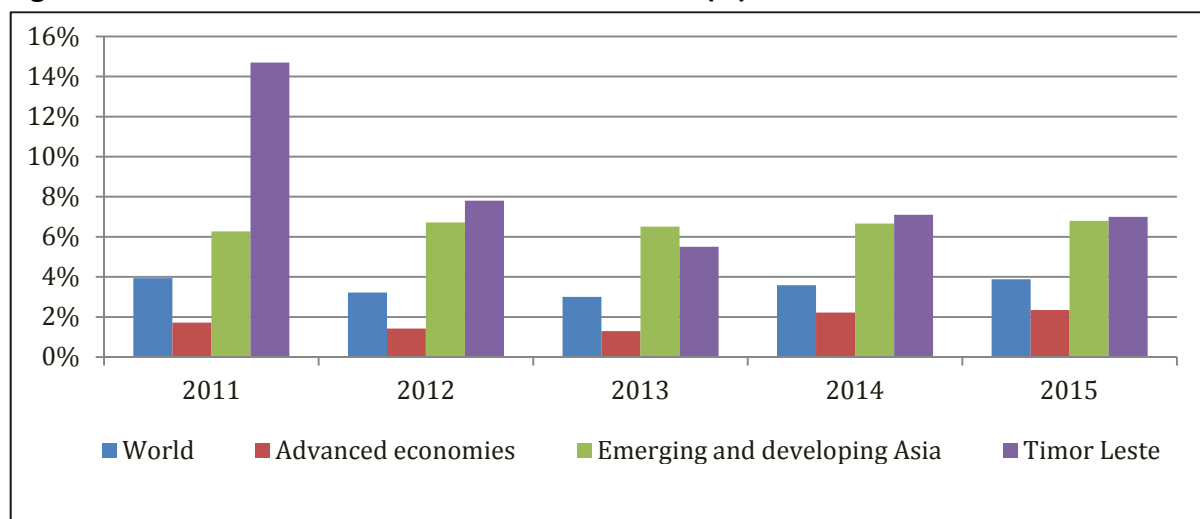
### **2.3.1: International Economy**

#### **2.3.1.1: Trends in International Growth**

The global economic growth rate slowed from 3.2% to 3.0% from 2012 to 2013. Growth in the emerging market and developing economies slowed from 5.0% in 2012 to 4.7% in 2013, while over the same period growth in the advanced economies slowed from 1.4% to 1.3%. Despite less favourable financial conditions emerging market and developing economies continue to drive global growth.

The IMF forecast that the annual global growth rate will increase to 3.6% in 2014 and then to 3.9% 2015. The improved growth in the advanced economies in 2014 and 2015, at 2.2% and 2.3% respectively, is forecast to be driven by reduced fiscal tightening and favourable monetary conditions. While the growth in the emerging market and developing economies over these years, at 4.9% and 5.3% respectively, is the result of the increased demand from the advanced economies. However, risks to the outlook remain, in particular the increased geo-political risk and the possibility that lower than expected demand in the advanced economies will impact on global growth.

**Figure 2.3.1.1.1: Real Economic Growth 2011 – 2015 (%)**



Source: IMF, World Economic Outlook Database, April 2014

Emerging and developing Asia is one of the high growth areas in the world (see figure 2.3.1.1.1) and Timor-Leste is performing particularly well within this group of economies. The increased demand for goods and services associated with the strong growth outlook in Asian markets represents an important export opportunity for Timor-Leste.

**Table 2.3.1.1.1: Real Regional Growth Rate (%)**

Country	Actual		Projection	
	2012	2013	2014	2015
ASEAN-5	6.2%	5.2%	4.9%	5.4%
Australia	3.6%	2.4%	2.6%	2.7%
China	7.7%	7.7%	7.5%	7.3%
Indonesia	6.3%	5.8%	5.4%	5.8%
Malaysia	5.6%	4.7%	5.2%	5.0%
Philippines	6.8%	7.2%	6.5%	6.5%
Singapore	1.9%	4.1%	3.6%	3.6%
Thailand	6.5%	2.9%	2.5%	3.8%
Vietnam	5.2%	5.4%	5.6%	5.7%
Timor Leste*	7.8%	5.6%**	7.1%	7.0%

Sources: Timor-Leste's National Accounts 2000-2012, National Directorate of Economic Policy (Timor-Leste) and International Monetary Fund, World Economic Outlook Database, April 2014

\*Timor-Leste's GDP refers to the non-petroleum sector only

\*\*Projection

### 2.3.1.2: Trends in International Prices

Global inflation in 2013 was 3.6%, and is expected to remain below 4.0% throughout 2014 and 2015. IMF projections show that over the 2014-2015 period the rate of price inflation in the emerging market and developing economies will decrease, while the rate of inflation will increase in the advanced economies.

## **Agricultural Commodity Prices**

Imported food represents a significant proportion of the food consumed in Timor-Leste. Thus changes in international agricultural commodity prices can have a large effect on both the rate of inflation and standard of living in Timor-Leste. The FAO index, which consists of the weighted average of five key food commodity price indices, has been relatively stable since the third quarter of 2012. International crop and meat prices are expected to decrease over the medium-term, this will reduce inflationary pressure in Timor-Leste.

Coffee is Timor-Leste's second largest export (after oil) and this sector has been identified as one with significant potential for growth. After considerable fluctuations in the price of coffee in recent years, the outlook for international coffee prices is stable.

## **Oil Price**

Compared to the large fluctuations in oil prices over the 2010-2012 period, oil prices in 2014 have been relatively stable. After increasing by 1.0% in 2012 international oil prices<sup>1</sup> decreased by 0.9% in 2013 to \$104.07 per barrel. This decrease was the result of continued supply growth in North America, and would have been more significant if not for supply disruptions in the Middle East. Projections suggest that international oil prices will remain stable in 2014, growing by 0.1%, and then fall sharply in 2015 by 6.0%, driven by increased supply from North America and slow global demand growth. Changes in international oil prices have a significant effect on the Timorese economy as they affect both the value of petroleum revenues and the cost of imported petroleum for businesses and consumers.

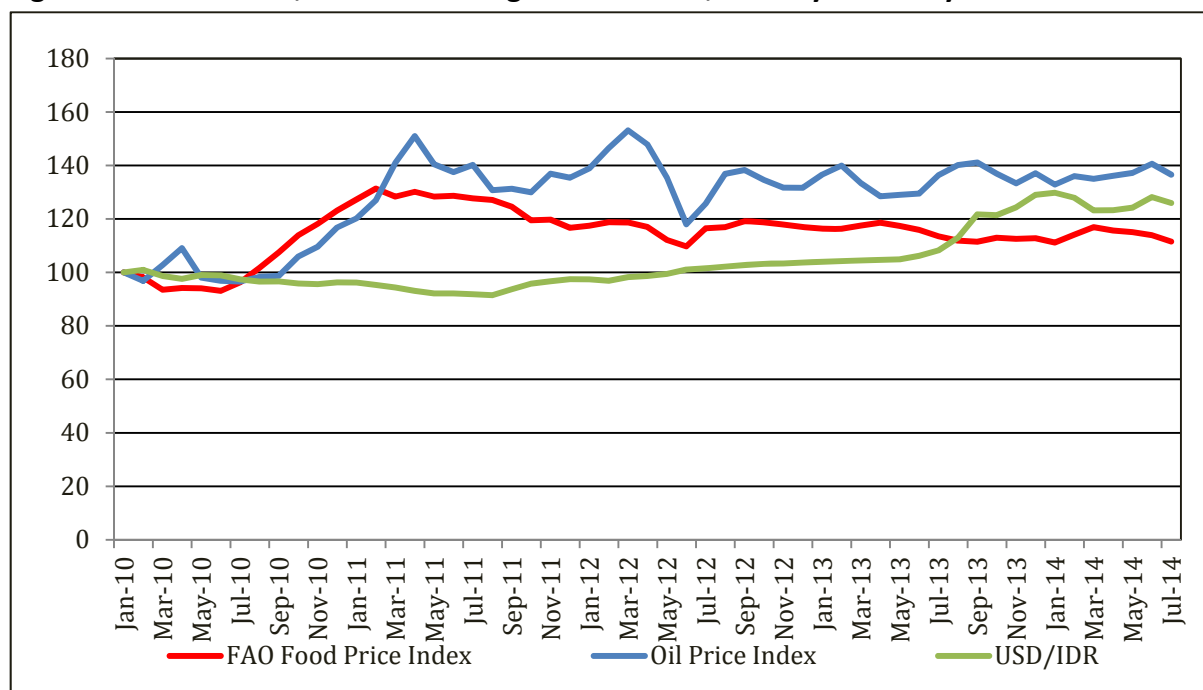
## **Exchange Rates**

Recently there has been a general appreciation of the US dollar against the currencies of Timor-Leste's major trading partners. In particular, the US dollar appreciated by 16.4% against the Indonesian rupiah, from July 2013 to July 2014, see figure 2.3.1.2.1. The appreciation of the US dollar against the currencies of Timor-Leste's major trading partners may have made Timorese exports more expensive on international markets, constraining the development of export sectors. However, consumers across the country will benefit from the lower rates of inflation associated with cheaper imports.

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<sup>1</sup> Simple average of UK Brent, Dubai Fateh and West Texas Intermediate crude oil

**Figure 2.3.1.2.1: Food, Oil and Exchange Rate Indices, January 2010-July 2014**



Source: FAO Food Price Index and IMF Primary Commodity Prices

## 2.3.2: Domestic Economy

This section first reviews economic performance from 2007 to 2012. It then discusses economic projections for 2013 to 2015.

### 2.3.2.1: Review of Economic Performance 2007-2012

#### 2.3.2.1.1 Total Gross Domestic Product

In 2012 the total GDP in Timor-Leste increased by 5.6% to \$4,889.6 million (in constant 2010 prices). The petroleum sector, which grew by 4.9% in 2012, remains the dominant sector in the Timorese economy and contributes 76.4% of total GDP. In recent years the dominance of the petroleum sector has decreased, driven by a slowdown in petroleum sector growth and exceptionally high non-petroleum GDP growth (see table 2.3.2.1.1.1 and figure 2.3.2.1.1.1). Many economies which are dominated by a single resource extraction sector have fallen victim to a “resource curse”, however, through prudent policy making Timor-Leste has been able to mitigate the risks associated with large natural resource wealth, see Focus Box 1.

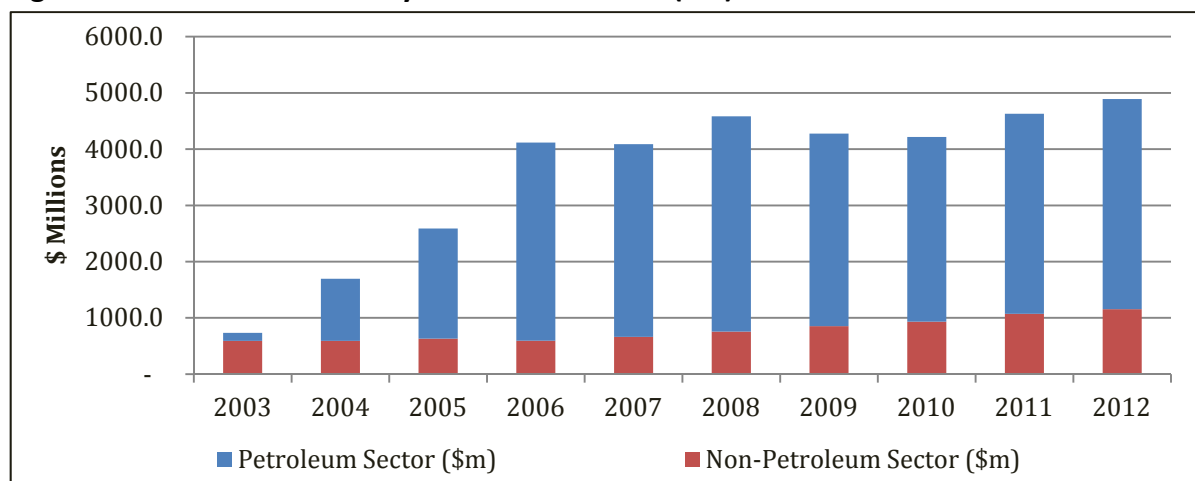
In Timor-Leste total GDP is a poor measure of economic welfare because it is very sensitive to short term changes in oil prices and production. In addition, few Timorese people work in the oil industry and therefore total GDP is not closely related to living standards. For these reasons the Government focuses on non-petroleum GDP which is more closely related to living standards in Timor-Leste than total GDP.

**Table 2.3.2.1.1.1: Real GDP and Petroleum Sector Output 2007-2012<sup>2</sup> (\$m)**

	2007	2008	2009	2010	2011	2012
Total GDP (\$m)	4,090.0	4,582.9	4,275.3	4,215.5	4,630.6	4,889.6
Growth Rate Total GDP (%)	-0.6%	12.1%	-6.7%	-1.4%	9.8%	5.6%
Petroleum Sector (\$m)	3,428.3	3,826.6	3,421.7	3,281.3	3,559.4	3,734.5
Growth Rate Petroleum Sector (%)	-2.7%	11.6%	-10.6%	-4.1%	8.5%	4.9%

Source: Timor-Leste National Account 2000-2012, General Directorate of Statistics

**Figure 2.3.2.1.1.1: Real GDP by Sector 2003-2012<sup>3</sup> (\$m)**



Source: Timor-Leste National Account 2000-2012, General Directorate of Statistics

### Focus Box 1: How Timor-Leste Avoided the Resource Curse

#### ***What is the Resource Curse?***

The resource curse is when natural resource wealth leads to conflict, macroeconomic instability and spending on white elephant (useless) projects. These in turn cause living standards to stagnate or fall.

#### ***How Timor-Leste Used Natural Resources to Increase Stability***

Political instability in Timor-Leste from 2006 to 2008 was not over access to natural resource wealth. Since 2008 Timor-Leste has enjoyed political stability and improved security even as oil production has increased. Indeed the Government has used oil revenue to finance war veterans' pensions and the PDID program that have provided a peace dividend to the population and reduced the chances of conflict.

#### ***How Timor-Leste Avoided Macroeconomic Instability***

Many countries have spent natural resource revenues soon after they have been collected. This results in the boom-bust cycle in commodity prices feeding through into volatile government expenditure, demand and inflation. Timor-Leste has avoided this type of

<sup>2</sup> Revised preliminary figures from the Timor-Leste National Accounts 2013.

<sup>3</sup> Revised preliminary figures from the Timor-Leste National Accounts 2013.

macroeconomic instability. Oil revenues are saved in the PF and do not flow directly into the State Budget. Withdrawals from the PF are based on what is considered sustainable in the long-term and not short term changes to oil revenues.

### **Spending on Priority Areas**

From 2008 to 2013 the largest amount of infrastructure spending was on electricity (\$896.2 million). This project sharply increased electricity generation, distribution and transmission. A reliable electricity supply is essential for economic growth and industrial development. Better access to electricity has benefited many people. This project cannot be regarded as a white elephant project. There has also been significant spending on education and health.

### **Increases in Living Standards since Oil Production Started**

In Timor-Leste living standards have increased since oil production started. More specifically:

- Non-petroleum GDP grew at an average rate of 11.8%, and household consumption increased by 6.7%, per annum from 2008 to 2012.
- The prevalence of underweight children decreased from 48.6% to 37.7% from 2007 to 2013.
- The primary school net enrolment rate increased from 65.6% in 2007 to 91.9% in 2013.

## **2.3.2.1.2: The Non-petroleum Economy**

### **Economic Growth**

The 2007-2012 period has been one of exceptionally high non-petroleum GDP growth, over these six years there have been two distinct growth periods. The first period, between 2007 and 2011 saw high growth driven by sharp increases in Government expenditure. While in 2012 the slightly lower non-petroleum GDP growth of 7.8%, was driven by factors other than Government expenditure.

**Table 2.3.2.1.2.1: Non-petroleum GDP by Sector 2007-2012<sup>4</sup> (\$m)**

	2007	2008	2009	2010	2011	2012
Non-Petroleum Sector (\$m)	661.7	756.2	853.6	934.3	1,071.2	1,155.1
Growth Rate Non-Petroleum Sector (%)	11.4%	14.3%	12.9%	9.5%	14.7%	7.8%

Source: Timor-Leste National Account 2000-2012, General Directorate of Statistics

As seen in figure 2.3.2.1.2.1, there were rapid increases in Government expenditure over the 2007-2011 period as the Government's frontloading policy was scaled up. Frontloading uses excess withdrawals from the PF in the short-term to kick-start economic growth through high quality investment in infrastructure and human capital. The Government is firmly committed to fiscal sustainability, and it has ensured that expenditure levels over the

<sup>4</sup> Revised preliminary figures from the Timor-Leste National Accounts 2013.

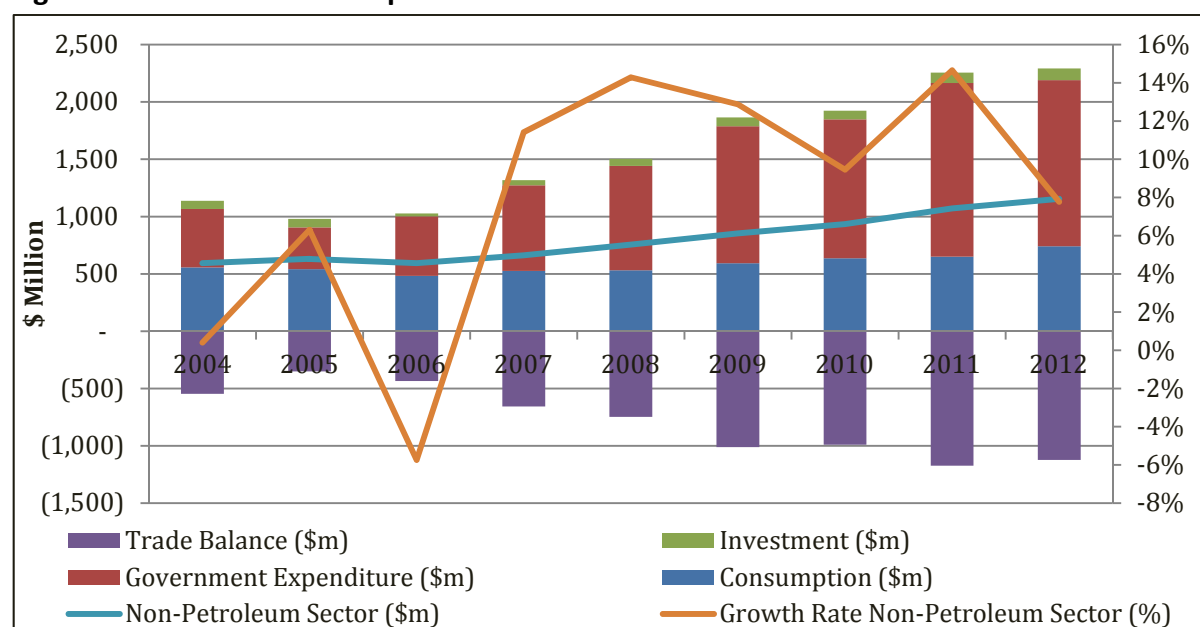


2007-2011 period and all subsequent periods have been fiscally sustainable. However, a continuation of the growth rates in Government expenditure, seen during the scaling up period, would have been unsustainable. Thus Government expenditure growth has slowed to ensure fiscal sustainability, reducing the extent to which future Government expenditure will drive growth.

There was a substantial reduction in the growth rate of Government expenditures in 2012, and in particular capital and development expenditures decreased. This fall in capital and development expenditures was partially due to improvements in the investment management process, which may simultaneously constrain and improve the quality of capital expenditure. The lower Government expenditure growth is largely responsible for the below trend growth seen in 2012.

Non-petroleum private investment grew strongly over the entire 2007-2012 period, but remains relatively low, and thus has not significantly impacted overall growth rates. Household consumption also grew strongly over the 2007-2012 period, increasing by 37.6% from \$507 million to \$698 million. It is likely that this was partially driven by the increases in Government expenditures, especially the enlargement of public transfer programs. Finally, while the overall trade balance<sup>5</sup> is significantly in surplus, Timor-Leste’s non-petroleum trade deficit expanded rapidly between 2007 and 2011. However, in 2012 largely due to the fall imports, caused by the decrease in capital and development expenditure the trade deficit fell.

**Figure 2.3.2.1.2.1: Real Non-petroleum GDP 2004-2012**



Source: Timor-Leste National Account 2000-2012, General Directorate of Statistics and National Directorate of Economic Policy

<sup>5</sup> Exports of goods and services minus imports of goods and services.

Growth across the major sectors of the Timorese economy varied significantly during both the 2007-2011 and 2012 periods.

During the 2007-2011 period, driven by increases in Government expenditure, the public administration and constructions sectors boomed with average annual growth rates of 16.5% and 68.7% respectively. In contrast, the agricultural sector declined in real terms over the 2007-2011 period; this decline was heavily linked to weather conditions over the period. Finally, growth in the wholesale and retail sector Timor-Leste's fourth major non-petroleum sector, grew steadily averaging growth of 7.8% a year.

As seen in table 2.3.2.1.2.2, in 2012 the slowdown in Government salaries and wages expenditure growth led to below trend public administration sector growth of 11.0%. While the fall in Government capital expenditure led to a 6.6% fall in construction sector output. After falling in 2010 and 2011, the agricultural sector grew by 14.6% in 2012. The agricultural sector is a highly important sector as a large proportion of the country's population are dependent on agriculture through either formal employment or subsistence agriculture. The strong growth in this sector suggests that, despite the slowdown in real non-petroleum GDP growth, the living standards for a large proportion of Timor-Leste's population may have increased significantly in 2012. In 2012 the wholesale and retail sector grew by 7.3% a continuation of the grow rates seen between 2007 and 2011.

**Table 2.3.2.1.2.2: Real Non-Petroleum Sector Growth Rates 2006-2012 (%)**

	2006	2007	2008	2009	2010	2011	2012
<b>Non Petroleum GDP</b>	<b>-5.7%</b>	<b>11.4%</b>	<b>14.3%</b>	<b>12.9%</b>	<b>9.5%</b>	<b>14.7%</b>	<b>7.8%</b>
Agriculture, Forestry & Fishing	5.2%	-3.3%	0.3%	8.1%	-2.9%	-17.9%	14.6%
Construction	-44.6%	94.3%	139.8%	50.0%	6.9%	52.7%	-6.6%
Wholesale and Retail Trade	-3.2%	8.6%	13.1%	8.5%	4.4%	4.2%	7.3%
Public Administration	10.5%	13.1%	5.7%	31.7%	13.1%	19.1%	11.0%
Other Sectors	-9.9%	9.0%	6.4%	9.5%	13.1%	6.4%	6.4%

Source: Timor-Leste National Account 2000-2012, General Directorate of Statistics

## Inflation

The SDP sets a 4.0%-6.0% target inflation range. As seen in figure 2.3.2.1.2.2 inflation fluctuated significantly between 2007 and 2012 and was predominantly above the target range. The inflation witnessed in the early stages of this period can be partially attributed to supply effects associated with the civil unrest in 2006.

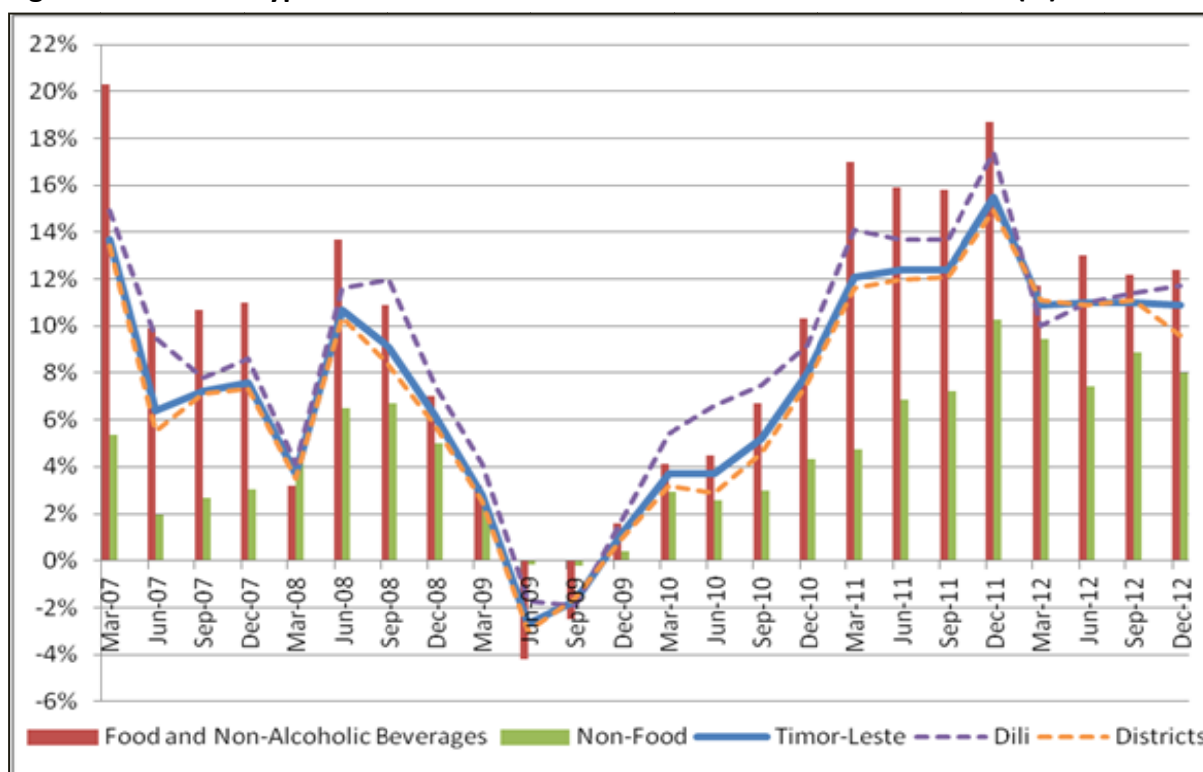
After a brief period of deflation in late 2008 and early 2009, year-on-year inflation<sup>6</sup> began to steadily increase towards a peak of 15.5% in December 2011. This sharp increase in inflation can be attributed to three main causes. Firstly, increases in international food prices may have led to increases in the price of imported food. Secondly, the USD depreciated against the currencies of Timor-Leste's major trading partners, which also probably led to an

<sup>6</sup> The change in prices over a given 12 month period.

increase in the prices of imports. Finally, the increase in recurrent Government expenditure may have increased demand in the economy, creating inflationary pressure.

Over this period the overall trend in inflation was driven by changes in food and non-alcoholic beverage prices. Prices in this category rose by 50.6% between June 2009 and December 2012. It is likely that over this period food and non-alcoholic beverage inflation put downward pressure on consumers' purchasing power. Inflation in both Dili and the districts followed the same trend over the period, though the rate of inflation was usually slightly higher in Dili.

**Figure 2.3.2.1.2.2: Types of Year-on-Year Inflation in Timor-Leste 2007-2012 (%)**



Source: Monthly CPI publication, General Directorate of Statistics

### Summary of Performance of the Domestic Economy from 2007-2012

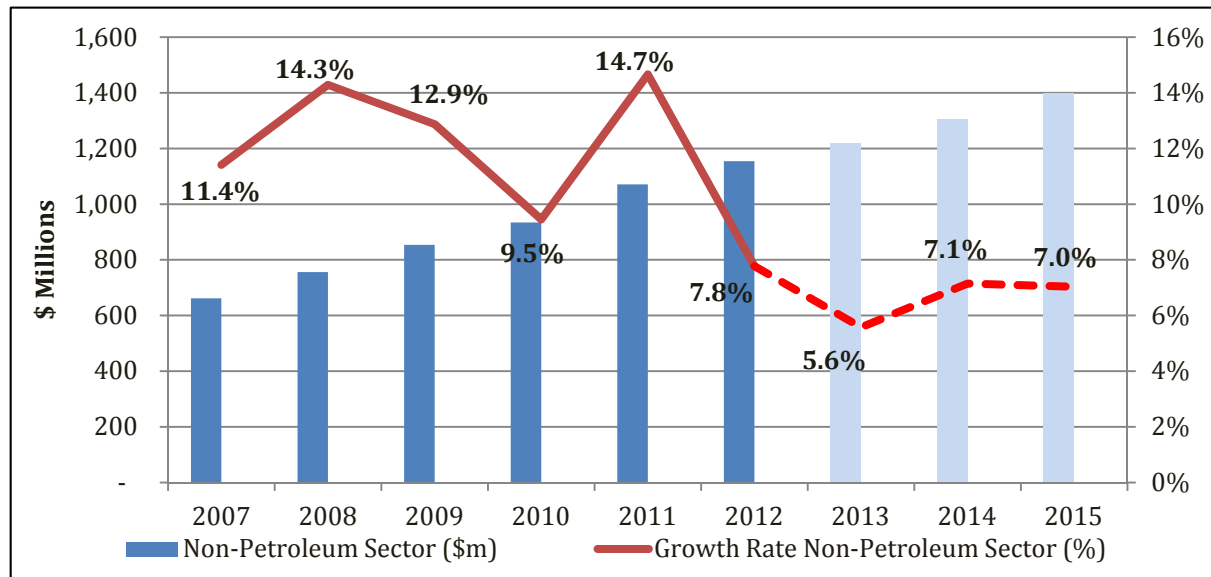
Over the 2007 to 2012 period Timor-Leste's domestic economy grew strongly. Economic growth between 2007 and 2011 was largely driven by increases in Government expenditures, while growth in 2012 was driven by factors other than Government spending, such as household consumption and exports of goods. Over the period inflation has fluctuated significantly but has largely been above the 4.0%-6.0% target range, especially in the latter half of the period when international conditions were unfavourable and Government expenditure was high. Household consumption increased over the period but not at the same rate as non-petroleum GDP growth.

## 2.3.2.2: The Medium Term Outlook 2013-2015

### Economic Growth 2013-2015

The MoF is forecasting non-petroleum GDP growth in the 5.6% to 7.1% range over the 2013-2015 period (see figure 2.3.2.2.1.). Despite being below the growth path seen between 2007 and 2011 these rates of economic growth are still high by international standards and in line with emerging and developing Asia, see table 2.3.1.1.1.

**Figure 2.3.2.2.1: Real Non-Petroleum GDP, Actual 2007-2012 and Forecast 2013-2015**



Source: National Directorate of Economic Policy, Ministry of Finance and Timor-Leste National Account 2000-2012, General Directorate of Statistics

In 2013 the non-petroleum GDP growth rate has been forecast at 5.6%. This below trend projection has been driven by low execution of Government capital expenditure which was partially the result of improvements in the investment management cycle. Imports of goods and services<sup>7</sup> which grew strongly, also contributed to the below trend growth forecast. However, the strong growth rates in private sector investment and household consumption seen in recent years are forecast to continue.

The non-petroleum GDP growth forecasts for 2014 and 2015 are 7.1% and 7.0% respectively. The 2014 growth projection is primarily driven by increases in household consumption and recurrent Government expenditure. While in 2015 the growth rate is driven by strong growth in household consumption and private sector investment. Private investment growth in 2015 is driven by firm project proposals from several multinational companies wishing to do business in Timor-Leste.

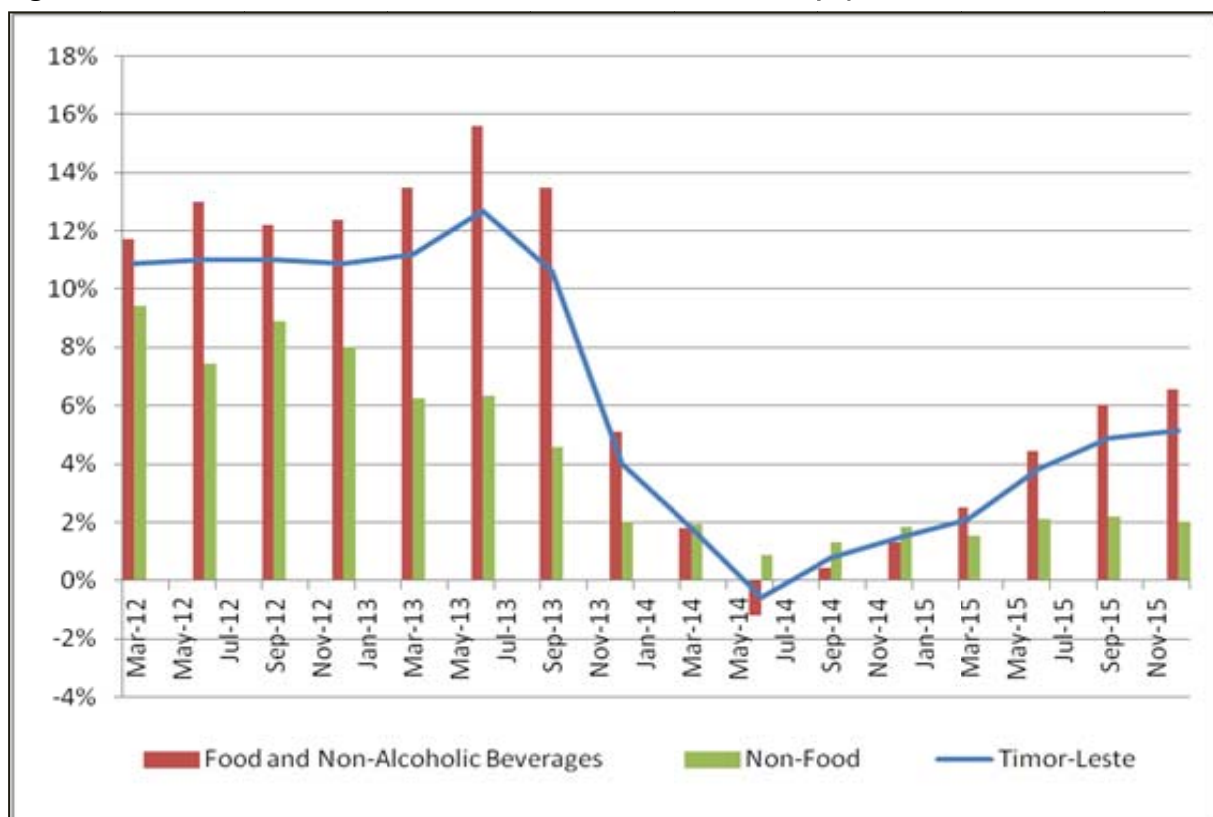
<sup>7</sup> Excluding expenditures related to the electricity project.

## Inflation 2013-2015

Year-on-year inflation in Timor-Leste in December 2013 was 4.0%. This is within the SDP's 4.0%-6.0% target range and represents a significant fall from the double digit inflation witnessed between 2010 and 2012. This downward trend has continued into 2014 and year-on-year inflation is forecast to be below the Government's target range in 2014. While the 2015 forecasts estimates that the rate of inflation will return to within the target range.

In December 2013 year-on-year food and non-alcoholic beverage, and non-food CPI were 5.1% and 2.0% respectively. Inflation in both of these categories is significantly down on the rates seen between 2011 and 2012. As during the 2007-2012 period, the rate of inflation in this period is primarily driven by food and non-alcoholic beverage inflation, with non-food price inflation remaining more stable.

**Figure 2.3.2.2: Actual and Forecast CPI Inflation 2012-2015 (%)**



Source: National Directorate of Economic Policy, Ministry of Finance and Monthly CPI Series, General Directorate of Statistics

The lower rates of inflation during this period, as seen in figure 2.3.2.2 can be explained by a combination of international and domestic factors. Over the 2013-2014 period, the US dollar has appreciated against Timor-Leste's major trading partners, especially the Indonesian rupiah, and this is likely to have put downward pressure on the prices of imported goods. In addition, international food and oil prices have been relatively stable and this stability is forecast to continue.

Domestic factors may also have played a role in reducing the rate of inflation. The lower rates of inflation in 2013 and 2014 may be the result of the slowdown in Government expenditure in 2013 slowing domestic demand. While the forecasted increase in recurrent expenditure in 2014 is partially driving the higher inflation forecast in 2015. On the supply side it is possible that increases in the supply of domestically produced food or the removal of import capacity constraints are partially responsible for the reductions in the rate of inflation. However, supply side analysis is severely restricted by data constraints.

### **Lower but Higher Quality Growth**

Though the non-petroleum GDP growth forecast for 2013-2015 is below the 2007-2011 growth trend, it is likely to be of a higher quality for four reasons.

Firstly, there are signs that the Timorese economy has begun to transition away from short-term expenditure driven growth towards more sustainable long-term private sector driven growth. The high growth trend witnessed between 2007 and 2011 was the result of large increases in Government expenditure which occurred as the Government's frontloading policy was scaled up. Whilst over the 2013-2015 period, Government expenditure growth is projected to slow and growth in the private sector will begin to drive non-petroleum GDP growth.

Secondly, in line with strong private sector driven growth, the projections show private investment playing an increasingly important role in driving non-petroleum GDP growth. Private investment is expected to reach unprecedented levels in 2015 due to solid proposals from several multinational organisations intending to do business in Timor-Leste. This is directly in line with the Government's policy to create the necessary conditions to attract private sector investment.

Thirdly, the current low rates of inflation are forecast to continue throughout the rest of the 2013-2015 period. These rates sharply contrast with the high inflation seen during the 2007-2012 period. Lower inflation can help to increase the purchasing power of citizens' wages and reduce poverty. In addition, lower inflation will lead to lower increases in business costs. This will help to improve Timor-Leste's international competitiveness which will increase exports and investment.

Finally, household consumption is likely to continue growing strongly. The amount the average household consumes is an alternative measure of living standards than economic growth.

## 2.4: Millennium Development Goals

The MDGs consists of eight ambitious economic and social goals that the Government is committed to achieving by 2015.

### **Goal 1: Eradicate Poverty and Hunger**

The 2007 TLSLS indicated that 49.9% of Timorese people lived under the national poverty line of \$0.88 per day. The incidence of poverty, as measured by the WB in 2010, decreased to around 41.0%. This decrease was largely attributed to post-2007 economic growth. Efforts are underway to obtain a more recent estimation of poverty in Timor-Leste.

Child malnutrition has significantly fallen since independence but remains high. More specifically, the prevalence of under-weight children under five decreased from 45.8% in 2002 to 37.7% in 2013. The Government is aiming to further reduce child malnutrition by increasing agricultural production, encouraging citizens to improve their diets and providing children with nutritious meals at school.

### **Goal 2: Achieve Universal Primary Education**

There has been a marked improvement in primary school enrolment rates. More specifically, the net enrolment rate increased from 65.6% in 2007 to 91.9% in 2013.<sup>8</sup> The net enrolment rate is also now higher for girls than for boys in both primary and secondary education.

Further expanding and improving the quality of education is a priority for the Government. Key policies include improving access to and the quality of schools, reducing absenteeism, implementing the new curriculum and better preparing children for primary school through improvements to pre-primary education.

### **Goal 3: Promote Gender Equality and Empower Women**

Gender equality has improved in Timor-Leste and the percentage of seats occupied by women in Parliament now exceeds the Government's target of 35% (at 38.5%).

The Government is committed to further reforms in institutions, politics, policy making and education to improve gender equality. Key activities include but are not limited to: running an advocacy campaign to increase awareness of gender responsive laws and policies, establishing a district female congress and employing more female teachers to act as positive role models for girls.

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<sup>8</sup> Timor-Leste FNS 2013

#### **Goal 4: Reduce Child Mortality**

Timor-Leste has already achieved its goal of reducing the under-five mortality rate by two thirds. According to the DHS 2009-2010, the infant mortality rate decreased to 44.0 per 1,000 live births, below the target of 53.0 per 1,000 live births.

Going forward the Government is determined to further improve child health. Key policies will include strengthening health services and further improving rates of immunization.

#### **Goal 5: Improve Maternal Health**

Maternal mortality has fallen since independence but is still high compared to other countries in the region. There were 557 maternal deaths per 100,000 live births in 2009/2010<sup>9</sup> compared to 660 deaths per 100,000 live births in 2000.

Maternal health policy has been an area of significant progress in Timor-Leste. Policies have focused on increasing awareness about maternal health issues, strengthening human resources in the health sector, ensuring health units are properly equipped, improving the nutritional status of mothers and strengthening family planning services.

#### **Goal 6: Combat HIV/AIDS, Malaria and other Diseases**

Malaria remains one of the main public health concerns as more than 80% of the population is at high risk and a high percentage of the cases concern children. Malaria has been combated by raising knowledge and awareness of its causes, strengthening data collection, distributing bed nets and employing volunteers to detect and treat this disease.

The first case of HIV/AIDS was detected in Timor-Leste in 2003 and, since then, the number of cases has increased to 426, causing the deaths of 41 people. This implies that although the prevalence of HIV/AIDS is low in Timor-Leste it has been increasing. Key policies in this area have been public health campaigns to increase awareness of HIV/AIDS and strengthening the ability of the health system to diagnose and treat this disease.

#### **Goal 7: Ensure Environmental Sustainability**

The 2010 Census suggests that over 90.0% of the population use wood as source of energy for cooking which might be contributing to the slight loss of forest cover witnessed between 2001 and 2009, from 51% to 50%. The recent expansion of the national electricity grid may reduce demand for firewood and consequently deforestation. There are also plans to plant sandalwood, mahogany and teak which will directly contribute to reforestation.

The proportion of the population using an improved water drinking source and the proportion of the population using an improved sanitation facility have both increased in Timor-Leste since 2001. The Government has improved water and sanitation by

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<sup>9</sup> This figure is taken from the 2009/2010 DHS.



strengthening planning, constructing new facilities and building the capacity of communities to maintain these facilities. Going forward there are plans to build a total of 65,000 latrines for vulnerable households by 2017 and develop water master plans for all districts.

### **Goal 8: Develop a Global Partnership for Development**

The Government is encouraging development partners to use national systems for Overseas Development Assistance. The Australian government and EU recently showed their confidence in national systems by providing direct budgetary support

Timor-Leste has strengthened its relationship with the international community through its leading role in the g7+ and presidency of CPLP.

The Government also recognizes that in the context of a globalized economy, it is important to promote new technologies as this will be key for Timor-Leste to reach its development goals. In this area Timor-Leste has witnessed dramatic improvements with approximately half of the population now enjoying mobile phone access. There have also been similar improvements in internet access where currently approximately 25% of the population are able to get online.

## **2.5: Expenditure and Development Partners' Commitments**

The 2015 combined sources of the State Budget amounts to \$1,735.5 million. This total is composed of \$1,570.0 million in Government expenditures (including loans) and \$165.5 million from development partners.

Total Government expenditure (excluding loans) is only 2.1% higher for 2015 than 2014. The Government is stabilizing expenditures to ensure fiscal sustainability, high quality spending and improved budget execution. Lower growth in Government expenditure is also consistent with stronger economic growth driven by the private sector and low inflation.

### **2.5.1: Expenditures by Fund**

Government expenditure is spread across the CFTL, the IF, the HCDF and loans. CFTL and HCDF expenditures in 2015 have increased by 6.4% and 2.7% respectively compared to the 2014 budget; whilst IF (excluding loans) expenditures have decreased by 11.9% compared to the 2014 budget figure.

IF spending has decreased in 2015 as the Government has reviewed all project proposals, only approving projects with high economic rates of return. This should increase budget execution and boost returns on investments.

HCDF activities have been reviewed and spending has been refocused to ensure value for money. CFTL expenditure growth has been constrained to ensure fiscal sustainability and improve budget execution.

Loan financed expenditures have more than doubled in comparison to the 2014 budget, reaching \$70.0 million in 2015.

**Table 2.5.1.1: Expenditure by Fund (\$m)**

	2013 Actual	2014 BB1	2015 Budget	2016	2017	2018	2019
<b>Combined Sources Budget</b>	<b>1,341.7</b>	<b>1,742.8</b>	<b>1,735.5</b>	<b>2,164.9</b>	<b>2,054.4</b>	<b>1,846.2</b>	<b>1,646.5</b>
<b>Gov. Expenditures by Fund</b>	<b>1,081.4</b>	<b>1,500.0</b>	<b>1,570.0</b>	<b>2,089.0</b>	<b>2,032.9</b>	<b>1,840.1</b>	<b>1,644.6</b>
CFTL	836.0	1,091.4	1,161.6	1,208.1	1,256.4	1,306.7	1,358.9
HCDF	34.5	40.0	41.1	52.2	52.2	53.4	53.4
FI (excl loans)	204.7	337.5	297.3	634.3	588.9	320.2	182.3
Loans	6.3	31.1	70.0	194.4	135.5	159.8	50.0
<b>Development Partners Commitments</b>	<b>260.3</b>	<b>242.8</b>	<b>165.5</b>	<b>75.9</b>	<b>21.5</b>	<b>6.2</b>	<b>1.9</b>

Sources: National Directorate of the Budget and Development Partners Management Unit

## 2.5.2: CFTL Expenditures

The CFTL is the Government's central account and includes all expenditures for line ministries and autonomous agencies with the exception of the IF and HCDF. Within it, recurrent and capital expenditures are spread across five appropriation categories as laid out in table 2.5.2.1.

Expenditures in the CFTL are expected to slightly increase by 6.4% in 2015. The increases in recurrent are 11.4%, whilst capital expenditures are expected to decrease 27.6% in 2015, compared to the budget figure for 2014.

**Table 2.5.2.1: CFTL Expenditure by Fund (\$m)**

	2013 Actual	2014 BB1	2015 Budget	2016	2017	2018	2019
<b>Total CFTL Expenditure</b>	<b>836.0</b>	<b>1,091.4</b>	<b>1,161.6</b>	<b>1,208.1</b>	<b>1,256.4</b>	<b>1,306.7</b>	<b>1,358.9</b>
<b>Recurrent</b>	<b>696.4</b>	<b>952.5</b>	<b>1,061.0</b>	<b>1,103.4</b>	<b>1,147.6</b>	<b>1,193.5</b>	<b>1,241.2</b>
Salary and Wages	141.8	176.8	179.0	186.2	193.6	201.4	209.4
Goods and Services	357.5	440.3	475.2	494.2	514.0	534.5	555.9
Public Transfers	197.0	335.5	406.8	423.1	440.0	457.6	475.9
<b>Capital</b>	<b>139.6</b>	<b>138.9</b>	<b>100.6</b>	<b>104.7</b>	<b>108.9</b>	<b>113.2</b>	<b>117.7</b>
Minor Capital	40.0	52.1	26.4	27.5	28.6	29.7	30.9
Capital and Dev.	99.6	86.8	74.2	77.2	80.3	83.5	86.8

Source: National Directorate of the Budget

Recurrent expenditures increased because there is a transfer of \$81.9 million for Autoridade Região Administrativa Especial de Oe-cusse Ambeno (ARAEOA) and Zona Especial de Economia Social de Mercado de Oe-cusse Ambeno e Ataúro (ZEESM).

Capital expenditures in the CFTL have been reduced in 2015, mainly due to a 49.3% reduction in minor capital spending. The Government made this saving by reviewing minor capital spending and eliminating wasteful expenditures. This should increase the efficiency of public spending going forward.

### **2.5.2.1: Salaries and Wages**

Salaries and wages expenditures are expected to grow modestly by 1.2%, in 2015. The main measures for 2015 are:

- \$2.3 million to the Ministry of Education towards increasing teachers' salaries, particularly for those in remote areas. This expenditure will attract more and better teachers which will increase the quality of education across the whole country.
- \$2.0 million to the Ministry of Foreign Affairs & Cooperation towards increasing foreign living expenses for Timorese Ambassadors. This will allow them to better represent Timorese citizens and businesses in foreign countries.
- \$1.4 million to PNTL, Ministry of Health and Courts towards supporting the wages of new PNTL members in Australia and Indonesia, as well as midwives and doctors and new national auditing in the courts. This will encourage skilled workers to join key sectors such as defence, justice and health.

### **2.5.2.2: Goods and Services**

Goods and services is the largest appropriation category in CFTL and will reach \$475.2 million for 2015; 7.9% higher than was budgeted for 2014. This section first describes measures under this appropriation category and it then classifies investments.

#### **Measures**

The main measures for goods and services include:

- \$115.6 million to the Ministry of Public Works towards fuel and maintenance of the electricity generators. Providing electricity throughout the whole country has been one of the Government's greatest achievements and should underpin future economic development. Ensuring effective maintenance of generators and the regular, adequate supply of fuel is essential for ensuring a reliable supply of electricity.
- \$19.5 million in legal services. This will contribute to a better functioning public administration.

- \$17.8 million in the Ministry of Education towards for the School Feeding program in public schools. Providing children with sufficient and adequate nutrition will improve both their educational attainment and their health.
- \$15.3 million to the Ministry of Health to buy medicines and food for patients. These expenditures will help improve the quality of health services provided in the country.
- \$14.5 million for Ministry of Justice towards the program Ita nia Rai and the cadastral survey. These programs are important for improving land rights in Timor-Leste which will contribute to security and economic growth.
- \$8.1 million to the Whole of Government towards paying quotas and for the 2015 census. This survey provides important information on the population and living standards in Timor-Leste.
- \$8.0 million to the Ministry of Education for printing and supply of school materials and for supporting public schools.
- \$5.5 million to the Whole of Government for the Counterpart Fund. This fund pays for the Government's contribution to projects undertaken with development partners that boost economic growth and reduce poverty.
- \$5.1 million to the Ministry of Agriculture and Fisheries towards the purchase of seeds and for SIPI/CDCA program. This will contribute to the development of agriculture and improve food security.
- \$5.0 million for Ministry of Commerce, Industry and Environment towards rice imports and sale of local products. This will support the local rice market, contribute to the School Feeding and Disaster Relief programs and ensure basic access to food for the population.
- \$3.5 million to the Whole of Government for the CPLP. This money will assist Timor-Leste during its presidency of the CPLP and promote dialogue and trade between Portuguese speaking countries. Timor-Leste's leading role in the CPLP will allow it to further influence the global community.
- \$3.2 million to the Whole of Government for fiscal and macroeconomic reform. Improving tax revenues is a central strategy of the Government in order to diversify revenue streams. This expenditure will contribute to this goal and help the Government increase efficiency of tax administration and collection.
- \$2.0 million for Ministry of State Administration and the Ministry of Commerce, Industry and Environment for the celebration of the 500<sup>th</sup> anniversary of Oecussi.
- \$1.8 million to the Ministry of Social Solidarity for entertainment and contributions to veterans in honour of their sacrifices in achieving independence.

- \$1.6 million to the National Electoral Commission for the Election of the Chefe de Suco program. Promoting democracy and rural development is of great importance to the Government in order to ensure growth which is inclusive and also to maintain security across the whole territory.
- \$1.5 million to the Ministry of State Administration for the election of community leaders. Strengthening the local communities will contribute both to rural development and also to security.
- \$1.4 million to the Ministry of Agriculture in support of agricultural groups. Promoting local production is a priority for the Government and will help ensure sustainable access to food.
- \$1.3 million to the Ministry of Transport and Communication towards fuel for the Berlin Nakroma. This expenditure will contribute to better transport, which is an important part of the Government's economic growth strategy.
- \$1.2 million for the Presidency of the Republic in order to promote and support rural communities.
- \$1.0 million for the Ministry of Justice towards biometric passports. This expenditure will make travelling abroad easier for Timorese citizens.
- \$1.0 million towards the Growth Triangle Program between Indonesia, Timor-Leste and Australia. This expense will contribute towards better relations with neighbouring countries, which will foster trade and closer regional ties.

## **Investments**

The Government considers that many expenses under CFTL goods and services are investments that contribute towards development. More specifically 44.7% of total goods and services expenditures in CFTL are classified as physical or social investments.

### ***Physical Investments***

Physical investments total \$128.1 million, 27.0% of CFTL goods and services expenditure. This includes the counterpart contribution, purchase of seeds, fuel and maintenance for the generators and fuel for the Berlin Nakroma.

### ***Social Investments***

Social investments have direct positive outcomes for the welfare of the population. These total \$84.2 million, which is 17.7% of total expenditure on goods and services. The larger measures classified as social investments are the import of rice, the School Feeding program, the cadastral survey, the community support and community leadership programs, activities for Timor's 500<sup>th</sup> year anniversary of Oecussi, food and medicines for

patients, geometric passports, contributions to the veterans and the census, fiscal and macroeconomic reform, subsidy and supply of school materials and CPLP.

### **2.5.2.3: Public Transfers**

Public transfers comprise all of the money the Government spends on public grants and consigned payments. They are the second largest category in recurrent expenditures and are set to reach \$406.8 million in 2015.

This section describes the main measures for this category and their classification into different types of investment.

#### **Measures**

The main measures for public transfers include:

- \$176.4 million to the Ministry of Social Solidarity towards social programs, including the veterans', old age and disability pension schemes and Bolsa de Mãe. These programs support vulnerable and deserving groups and contribute to reducing poverty.
- \$81.9 million to Autoridade Região Administrativa Especial de Oe-cusse Ambeno (ARAEOA) and Zona Especial de Economia Social de Mercado de Oe-cusse Ambeno e Ataúro (ZEESM)
- \$20.0 million to the Office of the Prime Minister towards emergency support for rehabilitating of schools and health posts across the whole territory. Improving health and education in Timor-Leste are priorities of Government.
- \$17.8 million in the Ministry of State Administration to support PNDS. This program significantly contributes to rural development.
- \$14.5 million to the Office of the Prime Minister towards supporting NGOs. The NGO sector in Timor-Leste provides a valuable service to the country and its people.
- \$11.5 million to the Ministry of Petroleum and Mineral Resources to support ANP, Timor GAP and IPG. This money is required to ensure Timor-Leste maximises the benefits from its natural resources.
- \$10.6 million to SEPFOPE for rural employment, the ceramic industry, building of five houses program, road changes and the self-employment, mobile training centre. This will contribute promoting job creation and economic growth.
- \$10.0 million to the Whole of Government towards the capitalization of the Central Bank of Timor-Leste. This will contribute to the development of the financial sector in the country.

- \$8.3 million to the Ministry of Health for treatments abroad, a new cardiovascular clinic and to support activities of public health and the SISKA. These investments are important to ensure that the quality of health services for the population continues to improve.
- \$7.3 million to the Ministry of State Administration in order to subsidize the Council for Sucos and operational costs for cleaning in Dili.
- \$6.5 million to the Secretary of State of Youth and Sports to support sport and artistic activities. Promoting culture and sports is important both for morale as well as to promote Timorese traditions.
- \$6.2 million to the Ministry of Education towards supporting universities, educational institutions and the School Feeding Programme in private schools.
- \$6.0 million to Whole of Government towards pensions for former Prime Ministers, Presidents of the Republic, Presidents of Parliament, Government Ministers and Members of Parliament
- \$6.0 million to the National Electoral Commission to support political parties. This expenditure will contribute to the democratic process in Timor-Leste.
- \$4.8 million to Ministry of Commerce, Industry and Environment to support cooperatives, commercial groups, industrial groups and environmental protection groups.
- \$4.0 million to Whole of Government towards financial contributions.
- \$2.7 million for the Ministry of Social Solidarity to support orphans, the homeless and the handicapped. The Government is committed to supporting these and other vulnerable groups in society.
- \$2.5 million for the g7+ secretariat. The work of this secretariat ensures that the voice of fragile states is heard and acted upon by the international community.
- \$1.5 million to SEAPRI for the bamboo centre and to support the private sector in the areas of agriculture and tourism. These initiatives are important for promoting economic diversification and supporting new industries.
- \$1.3 million to the Ministry of Public Works to support the installation of solar panels in communities which do not have access to electricity. This will both contribute towards the Government's commitment to provide electricity across the whole territory as well as promote the use of renewable energy.

- \$1.2 million to Ministry of Social Solidarity and Office of the Vice Prime Minister towards the Red Cross and the HIV/AIDS programs. These will support the provision of healthcare in Timor-Leste.
- \$1.0 million to Ministry of Tourism towards national and international events.

## **Investments**

Investments towards public transfers for 2015 add up to \$386.9 million, 95.1% of total budgeted public transfer expenditures.

### ***Physical Investments***

The Government has classified \$148.9 million of transfer spending as physical investments, which are 36.6% of public transfers expenditure. The measures classified as physical investments include those towards ZEESM-Infrastructure projects, PNDS, rural employment, building of five houses by village, support for cooperatives and industries which protect the environment, rehabilitation of schools and health posts and support towards installing solar panels for communities.

### ***Social Investments***

The Government has classified \$238.0 million, or 58.5% of transfer spending as social investments. Measures classified under this category include funds for supporting the veterans, natural disasters, elderly, “bolsa da mae”, disabled, orphans and homeless, support for NGOs, contributions for international finance, the Special Social Market Economic Zone, the g7+ secretariat, support to health activities in SSKA and the new cardiology centre, subsidies towards treatment abroad, subsidies for the School Feeding program in private schools, subsidies for sucos, national and international events, support for sports activities and the bamboo centre.

#### **2.5.2.4: Minor Capital**

Minor capital includes expenditures on vehicles, furniture and other equipment. The 2015 budget for this category is significantly decreasing by 49.3% from the 2014 budget as a result of the elimination of some inefficient expenditures.

This section first describes the main measures for this category and then their classification into different types of investment.

#### **Measures**

The main measures for minor capital are outlined below:

- \$3.0 million in the Ministry of Public Works towards the provision of water equipment and installation of electricity across the territory. Providing adequate infrastructure is a core objective of the Government and is a cornerstone for future development.



- \$1.3 million towards fire trucks and special vehicles for Ministries of Health, Justice, State Administration, Public Works, Public Transport and Communication and the Secretary State for Security. This expenditure will contribute to safer living conditions for the population.
- \$1.2 million to the Ministry of Health towards medical equipment, including labs, x-ray machines and beds. This expenditure will help towards improving the quality of health services provided in the country.
- \$1.0 million for buying motorcycles and equipment for PNTL.

## Investments

The Government considers that \$7.4 million of the minor capital budget is a social investment. This is 27.9% of total projected expenditures for minor capital in 2015. Minor capital expenditures which are classified as social investment include the purchase of fire trucks and specialized vehicles by the Ministry of Transport and Communication, new labs for the Ministry of Health, prepayment machines for EDTL, fishing machinery and motorcycles and equipments for PNTL.

### 2.5.2.5: Capital and Development

The CFTL fund includes all capital and development expenditures under \$1.0 million. From table 2.5.2.5.1, these are budgeted at \$74.2 million in 2015; a 14.5% reduction compared to the 2014 budget figure and these are broken into \$34.8 million for the PDID and \$39.4 million for other capital and development projects across line ministries.

**Table 2.5.2.5.1: PDID and Other Capital and Development Expenditures (\$m)**

	2013 Actual	2014 BB1	2015 Budget	2016	2017	2018	2019
<b>Total Capital and Development</b>	<b>99.6</b>	<b>86.8</b>	<b>74.2</b>	<b>77.2</b>	<b>80.3</b>	<b>83.5</b>	<b>86.8</b>
District Development Programs	51.4	39.4	34.8	36.2	37.7	39.2	40.8
Ministries / Agencies	48.2	47.4	39.4	41.0	42.6	44.3	46.1

Sources: National Directorate of Budget and ADN

### 2.5.3: Infrastructure Fund

The SDP outlines the Government's policy of constructing core infrastructure to boost economic growth and development. The IF was established in 2011 to manage all large scale (above \$1.0 million), multi-year infrastructure projects. Key programs such as electricity generation and road construction have been financed through the IF.

In accordance with international best practice the IF uses a multi-year budget (see table 2.5.3.1). The unspent balance in the fund is rolled over from one year to the next. This ensures that money to pay contractors is effectively ring-fenced, it simplifies budgeting (as

project's budgets do not have to be recalculated every year) and it reduces the risk of non-payment to contractors.

The total budget for the IF in 2015 (excluding loans) is set to reach \$297.3 million (11.9% lower than in the 2014 budget) and is broken down into various programs. The largest of these for 2015 are electricity program (19.2%), the roads program (18.4%) and the Tasi Mane program (11.8%). These expenditures are in line with the Government's priorities as set up in the SDP. Electricity, roads and Tasi Mane programs are three key investments for the development of the country, which will directly increase standards of living and stimulate business.

Projections for outer years for the IF are summarized in Table 2.5.3.2. The pattern of expenditures in the IF is consistent with the Government's frontloading policy. Expenditure increases in 2016 as core infrastructure constructions increases. In 2017, 2018 and 2019 infrastructure spending sharply falls as the frontloading period begins to end and total expenditure starts falling to the level needed to ensure there are no excess withdrawals in the long-term.

**Table 2.5.3.1: Calculation of Infrastructure Fund Expenditure by Program (\$m)**

	2014 Budget Original	2014 F'casted Actual	Rollover 2014 to 2015	New Appropriat ions	2015 Budget
<b>Total Infrastructure (excluding loans)</b>	<b>337.5</b>	<b>337.5</b>	<b>0.0</b>	<b>297.3</b>	<b>297.3</b>
Agriculture and Fisheries	5.8	10.4	0.0	7.2	7.2
Water and Sanitation	6.7	5.5	0.0	5.6	5.6
Urban and Rural Development	5.5	6.2	0.0	9.6	9.6
Public Buildings	16.1	23.4	0.0	13.7	13.7
Financial Sector	50.1	22.6	0.0	19.1	19.1
Youth and Sport	1.8	1.5	0.0	2.8	2.8
Education	7.2	5.8	0.0	8.0	8.0
Electricity	56.4	76.8	0.0	57.1	57.1
Information Technology	4.2	1.1	0.0	1.4	1.4
Millennium Development Goals	15.0	8.3	0.0	8.5	8.5
Health	4.7	2.2	0.0	4.0	4.0
Security and Defense	17.0	8.4	0.0	11.0	11.0
Social Solidarity	0.8	1.2	0.0	0.0	0.0
Tasi Mane Project	26.3	11.3	0.0	35.1	35.1
Roads	49.9	60.2	0.0	54.8	54.8
Bridges	18.7	14.6	0.0	11.3	11.3
Airports	25.6	18.7	0.0	19.0	19.0
Ports	9.2	9.1	0.0	7.9	7.9
Oecussi Development	6.8	43.8	0.0	0.0	0.0
Transport	0.0	0.0	0.0	12.0	12.0
Tourism Sector	2.0	3.8	0.0	1.0	1.0
Preparation, Design and Supervision of New Projects	7.8	2.7	0.0	8.2	8.2

Source: Major Project Secretariat

**Table 2.5.3.2: Infrastructure Fund Expenditures by Program (\$m)**

	2015 Budget	2016	2017	2018	2019
<b>Total Infrastructure (excluding loans)</b>	<b>297.3</b>	<b>634.3</b>	<b>588.9</b>	<b>320.2</b>	<b>182.3</b>
Agriculture and Fisheries	7.2	15.1	12.2	8.5	2.3
Water and Sanitation	5.6	23.0	21.3	17.2	5.5
Urban and Rural Development	9.6	3.5	2.0	0.0	0.0
Public Buildings	13.7	56.8	51.1	34.7	10.3
Financial Sector	19.1	17.8	12.1	6.5	0.0
Youth and Sport	2.8	6.3	5.6	4.5	1.1
Education	8.0	42.7	47.7	25.7	11.5
Electricity	57.1	22.9	2.3	0.0	0.0
Information Technology	1.4	1.6	0.0	0.0	0.0
Millennium Development Goals	8.5	55.5	36.5	10.0	0.0
Health	4.0	5.4	2.9	0.5	0.0
Security and Defense	11.0	31.9	24.6	13.6	3.8
Social Solidarity	0.0	0.0	0.0	0.0	0.0
Tasi Mane Project	35.1	91.0	155.0	112.0	40.0
Roads	54.8	124.6	65.1	17.0	1.9
Bridges	11.3	8.3	6.9	0.7	0.0
Airports	19.0	74.6	93.2	55.2	102.5
Ports	7.9	47.4	44.7	10.8	0.0
Transport	12.0	0	0.0	0.0	0.0
Tourism Sector	1.0	2.5	2.2	0.0	0.0
Preparation, Design and Supervision of New Projects	8.2	3.5	3.5	3.5	3.5

Source: Major Project Secretariat

## 2.5.4: Human Capital Development Fund

The HCDF is the second of the two special funds set up by the Government in 2011. Its function is to provide support for the development of skills across the Timorese population and it is composed of six major programs: vocational training, technical training, scholarships, other training, technical assistance to judicial sector and technical assistance to tertiary education. Table 2.5.4.1 presents the overall 2015 projections for the HCDF and breaks them down by program.

**Table 2.5.4.1: Human Capital Development Fund by Program (\$m)**

Programa	2014 Ors.	Rollover 2014 to 2015	2015 New Appropriations	2015 Budget	2016	2017	2018	2019
<b>Total HCDF (by Program)</b>	<b>40.0</b>	<b>2.1</b>	<b>38.9</b>	<b>41.1</b>	<b>52.2</b>	<b>52.2</b>	<b>53.4</b>	<b>53.4</b>
Vocational Training	10.1	0.3	9.8	10.1	12.9	12.9	13.2	13.2
Technical Training	4.6	0.1	3.7	3.8	4.8	4.8	4.9	4.9
Scholarships	22.2	1.6	14.3	15.9	20.2	20.2	20.7	20.7
Other Training	3.1	0.1	2.1	2.2	2.9	2.8	2.9	2.9
Technical Assistance- Judicial Sector	0.0	0.0	5.0	5.0	6.4	6.4	6.5	6.5
Technical Assisante- Tertiary Education	0.0	0.0	4.0	4.0	5.0	5.0	5.2	5.2

Source: Secretariat for the HCDF

The total 2015 budget for the HCDF is \$41.1 million, which is a 2.7% addition compared to the 2014 budget. The Government has reviewed and increased the HCDF budget to ensure the highest returns for each dollar spent. Other training program has a slightly lower budget for 2015. Two new programs (technical assistance for judicial sector and for tertiary education) are added and therefore there are a total of 6 programs of HCDF in 2015. The Government plans to conduct an impact assessment of all HCDF programs since 2011 and draft a map of human resources per district. Lower and better executed expenditures, together with detailed reviews on the progress of different programs will strongly increase the HCDF's outcomes going forward and provide greater returns towards investment in education and skills in Timor-Leste.

## 2.5.5: Expenditure on Loan Financed Projects

Expenditure on loan financed projects is presented in table 2.5.5.1, which amounts to \$70.0 million in 2015. A detailed description of these projects is presented in section 2.7.

**Table 2.5.5.1: Expenditure on Loan Financed Projects (\$m)**

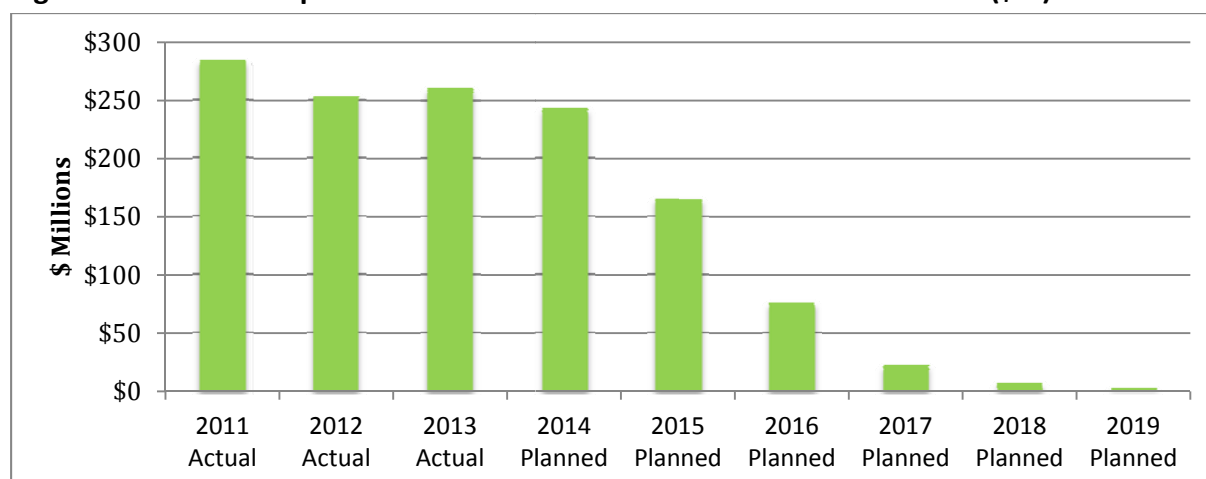
	Final 2015 Budget	2016	2017	2018	2019
Loan Expenditure	70.0	194.4	135.5	159.8	50.0

Source: National Directorate of Budget

## 2.5.6: Development Partners' Commitments

Development Partners are set to contribute \$165.5 million in 2015. The details of these commitments are set out in Budget Book 5. It should be noted that these figures do not include loans.

**Figure 2.5.6.1: Development Partners' Indicative Commitment 2011-2019 (\$m)**



Sources: Development Partnership Management Unit

## 2.6: Revenues

### 2.6.1: Overview of Revenue Projections

Table 2.6.1.1 shows forecasts for total revenues up to 2019, which are the sum of domestic revenues and petroleum revenues. Total revenues are projected to fall due to declining petroleum revenues. This decline was expected as oil production from Bayu-Undan has now passed its peak production levels. Domestic revenues are forecasted to increase every year from 2015 to 2019.<sup>10</sup>

**Table 2.6.1.1: Total Revenue 2013 – 2019 (\$m)**

	2013 Actual	2014 BB1	2015 Projection	2016	2017	2018	2019
<b>Total Revenues</b>	<b>4,057.8</b>	<b>2,684.1</b>	<b>2,460.5</b>	<b>2,360.4</b>	<b>2,270.0</b>	<b>2,041.8</b>	<b>1,935.6</b>
Domestic Revenues	151.1	166.1	170.4	182.0	193.7	205.6	217.7
Petroleum Revenues	3,906.7	2,518.0	2,290.1	2,178.4	2,076.3	1,836.2	1,717.9

Sources: National Directorate of Economic Policy and the PF Administration Unit.

### 2.6.2: Domestic Revenue

#### 2.6.2.1: Overview

Government policy is to increase domestic revenue collections so that the financing of public services is less reliant on withdrawals from the PF in the future. Domestic revenue has experienced steady growth during the past few years and this is set to continue in 2015 (see table 2.6.2.1.1). More specifically, domestic revenue is forecasted to increase by 2.6%

<sup>10</sup> Petroleum Revenues include interest.

in 2015 compared to 2014.<sup>11</sup> This rise is more modest than in previous years, but this is not because of reduced domestic economic activity, lower tax rates or more inefficient tax administration. Rather it is mainly because of lower revenue from rice sales and low inflation. Excluding revenues from rice sales domestic revenue is growing by 5.6% from 2014 to 2015 which is more similar to the past increases. The reduction in revenue from rice sales is due to a deliberate policy decision by the Government to scale back the rice subsidy program due to improved rice supply in Timor-Leste. These arguments are further discussed in the following subsections which cover all components of domestic revenues; namely taxes, fees & charges, interest and autonomous agencies.

**Table 2.6.2.1.1: Domestic Revenue 2013 – 2019 (\$m)**

	2013 Actual	2014 BB1	2015 Projection	2016	2017	2018	2019
<b>Total Domestic Revenue</b>	<b>151.1</b>	<b>166.1</b>	<b>170.4</b>	<b>182.0</b>	<b>193.7</b>	<b>205.6</b>	<b>217.7</b>
Taxes	104.8	120.0	125.5	134.4	143.5	152.6	161.9
Fees and Charges	24.1	41.2	37.2	39.6	42.0	44.4	46.9
Interest	0.1	0.2	0.0	0.0	0.0	0.0	0.0
Autonomous Agencies	22.2	4.8	7.6	7.9	8.2	8.6	8.9

Source: National Directorate of Economic Policy

## 2.6.2.2: Taxes

In Timor-Leste taxes comprised 69.3% of total domestic revenue in 2013. Taxes include direct taxes, indirect taxes and other tax revenues and their projections are summarized in Table 2.6.2.2.1.

As seen in Table 2.6.2.2.1, increases in tax collection are expected to continue, reaching \$125.5 million in 2015 (a 4.6% rise on the 2014 budget). The Government is striving to promote higher tax collection and is considering various changes in the taxation system in Timor-Leste towards this goal, including the signing of a convention with Portugal in July 2014 to improve tax administration.

Direct taxes are expected to increase by 1.1% in 2015 compared to the figure for the 2014 budget. This is mostly due to improved levels of compliance and also because of a reclassification of the categories 'Individual Income' and 'Individual Income Other' applied since 2014, in order to distinguish between civil servants and other workers more accurately. In contrast, withholding and corporate taxes are expected to decrease compared to the figures for the 2014 budget.

<sup>11</sup> Every effort has been made to make these forecasts as accurate as possible by using all available data, considering past trends and consulting with relevant entities. However due to changing patterns in economic growth, alterations in policies and the nature of forecasting, all figures presented should be approached with caution.

Indirect taxes are expected to increase in 2015 by 6.9% due to higher excise tax and import duties. The increase in revenue from these taxes is a result of the rising purchasing power of the population, imports of materials for large infrastructure projects and greater compliance.

These rises counteract expected a slight reduction in service and sales tax for 2015 compared to the 2014 budget figure. Collections of both these taxes are expected to be higher than the actual collection in 2013. This upward trend is expected to continue in the future.

However the collection of these taxes ought to also continue improving in the near future with the strengthening of the private sector and the administration mechanisms around it.

**Table 2.6.2.2.1: Total Tax Revenue 2013 – 2019 (\$m)**

	2013 Actual	2014 BB1	2015 Projection	2016	2017	2018	2019
<b>Total Tax</b>	<b>104.8</b>	<b>120.0</b>	<b>125.5</b>	<b>134.4</b>	<b>143.5</b>	<b>152.6</b>	<b>161.9</b>
<b>Direct Taxes</b>	<b>40.2</b>	<b>45.1</b>	<b>45.7</b>	<b>47.6</b>	<b>49.6</b>	<b>51.7</b>	<b>53.8</b>
Income Tax	8.8	9.4	18.3	19.2	20.0	20.9	21.9
<i>Individual Income</i>	0.9	3.7	1.2	1.4	1.6	1.7	1.9
<i>Individual Inc. Other</i>	7.9	5.7	17.1	17.8	18.5	19.2	20.0
Corporate Tax	8.9	13.5	7.8	8.1	8.5	8.8	9.2
Withholding Tax	22.5	22.2	19.5	20.3	21.1	21.9	22.8
<b>Indirect Taxes</b>	<b>64.4</b>	<b>74.6</b>	<b>79.7</b>	<b>86.6</b>	<b>93.7</b>	<b>100.7</b>	<b>107.9</b>
Service Tax	3.5	4.1	3.6	3.7	3.9	4.0	4.2
Sales Tax	14.0	17.8	15.8	16.4	17.1	17.8	18.5
Excise Tax	34.3	37.3	44.4	49.9	55.5	61.0	66.6
Import Duties	12.5	15.3	15.9	16.6	17.2	17.9	18.6
<b>Other Tax Revenue</b>	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>

Source: National Directorate of Economic Policy

### 2.6.2.3: Fees & Charges

Fees & charges include a wide selection of categories which contribute to domestic revenue from non-tax sources. These comprise administrative fees, utility payments and endowments to the Government from natural resources other than petroleum. As shown in Table 2.6.2.3.1, most of the categories represent small amounts, which are rounded to zero in some cases.<sup>12</sup> The list is also often updated with new categories, reflecting regular changes to the revenue collection system in Timor-Leste, which are the result of improvements in administrative efficiency and new delineation of responsibilities across line ministries. Table 2.6.2.3.1 shows the projections.

<sup>12</sup> Categories presenting no revenues in Table 2.5.2.3.1 correspond to income collection of less than \$0.5 million and are thus rounded to \$0.0.



**Table 2.6.2.3.1: Fees & Charges Projections 2013 – 2019 (\$m)**

	2013 Actual	2014 BB1	2015 Projection	2016	2017	2018	2019
<b>Total Fees &amp; Charges</b>	<b>24.1</b>	<b>41.2</b>	<b>37.2</b>	<b>39.6</b>	<b>42.0</b>	<b>44.4</b>	<b>46.9</b>
Business Registration Fees	0.8	1.5	0.3	0.4	0.4	0.4	0.4
Postage Fees	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Property Rentals	2.6	3.1	3.4	3.5	3.6	3.8	3.9
Water Fees	0.1	0.0	0.2	0.2	0.2	0.2	0.2
National University Fees	0.5	0.6	0.6	0.7	0.7	0.7	0.7
Vehicle Registration Fees	1.0	1.3	1.1	1.2	1.2	1.3	1.3
Vehicle Inspection Fees	0.4	0.4	0.5	0.5	0.5	0.6	0.6
Vehicle Inspection Imported	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Drivers Licence Fees	0.4	0.2	0.4	0.5	0.5	0.5	0.5
Franchising Public Transport Fees	0.1	0.1	0.7	0.8	0.8	0.8	0.9
Transport Penalties	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Other Transport Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ID and Passport	0.9	0.9	0.9	1.0	1.0	1.1	1.1
Visa Fees	2.6	1.2	2.7	2.8	3.0	3.1	3.2
Hospital and Medical Fees	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Fines - Health professionals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Court Fees	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Dividends, Profits, and Gains	0.6	4.5	1.0	1.1	1.1	1.2	1.2
Fines and Forfeits	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Mining and Quarrying	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Radio and Television Fees	0.3	0.0	0.4	0.4	0.5	0.5	0.5
Bid Document Receipts	0.0	0.1	0.2	0.2	0.2	0.2	0.2
Auctions	0.5	0.1	1.0	1.1	1.1	1.1	1.2
Embassy Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Productos Florestais	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Rental Government Property	0.1	0.1	0.2	0.2	0.2	0.2	0.2
EAIP	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment Registration Fee	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sanitation Service Fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social Game Receipts	0.3	0.2	1.0	1.0	1.0	1.1	1.1
Rice Sales	4.2	6.4	1.7	1.8	1.9	2.0	2.0
Sales of Local Produce/Bamboo C	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Sales of Local Products.	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Electricity Revenues	0.0	19.0	18.8	20.5	22.1	23.7	25.4
Other Non-Tax Revenues	7.9	0.5	1.0	1.0	1.1	1.1	1.2

Source: National Directorate of Economic Policy

Total fees & charges are expected to decrease by 9.7% in 2015 in comparison to the 2014 budget figure. This is mostly explained by the fall of expected revenues from rice sales, business registration fees and dividends, profits and gains.

Lower rice sales reflect both a smaller rice import program as well as a lower Government intervention in the rice market. Lower Government intervention is in itself the result of a stabilisation of rice prices and greater supply of rice in 2014 compared to previous years (which is predicted to continue for 2015).

The reduction in business registration fees for 2015 stems from changes in the administration process brought about by the One Stop Shop (SERVE). The lower dividends, profits and gains are the result of smaller profits from the telecom provider Timor Telecom since the liberalisation of the telecommunications market.

Despite an overall reduction in fees & charges, many of its categories are expected to increase for 2015. Most notably these include water fees, *productos florestais*, visa fees, franchising public transport, RTTL fees and social games and receipts. All relevant line ministries for these categories attributed the improvements to either better monitoring, new technology, administration or improved legislation. The increase in social games receipts stems from the increasing number of games and lotteries available in Timor-Leste.

#### 2.6.2.4: Interest

Interest reflects interest payments received from cash held in the CFTL, HCDF and IF (see table 2.6.2.1.1). It is expected to slightly decrease in 2015 due to smaller cash reserves in these accounts. These smaller cash reserves are due to the Government's policy of running down cash balances before withdrawing money from the PF. This policy maximises investment returns as the yield on PF assets is higher than the interest rate on cash held in the Government's accounts.

#### 2.6.2.5: Autonomous Agencies

Table 2.6.2.5.1 lays out the revenue forecasts for the four autonomous agencies which are currently operating in Timor-Leste (previously there were five, but EDTL was incorporated into the Ministry of Public Works in 2014).

**Table 2.6.2.5.1: Autonomous Agencies' Revenues 2013 – 2019 (\$m)**

	2013 Actual	2014 BB1	2015 Projection	2016	2017	2018	2019
<b>Total Autonomous Agencies</b>	<b>22.2</b>	<b>4.8</b>	<b>7.6</b>	<b>7.9</b>	<b>8.2</b>	<b>8.6</b>	<b>8.9</b>
Equipment Management	0.2	0.3	0.1	0.1	0.1	0.2	0.2
Aviation	2.2	1.4	2.1	2.2	2.2	2.3	2.4
Port	3.6	3.1	5.4	5.6	5.8	6.1	6.3
EDTL	16.2	0.0	0.0	0.0	0.0	0.0	0.0
SAMES	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: National Directorate of Economic Policy

Overall, autonomous agency revenues are expected to increase by 59.5% in 2015 compared to the 2014 budget figure. Higher port and aviation revenues are due to an increase in the flow of the people and goods in and out of the country, which is in accordance with higher levels of imports.

Revenues for these autonomous agencies are expected to further increase in coming years with increasing imports and the expansion of the Nicolau Lobato airport. Equipment Management is predicted to slowly increase across the forecast period, with improvements

in its administration and the purchase of new machinery in 2015. EDTL revenues are now recorded under other revenue streams as outlined in the previous section. Finally SAMES will continue to have a negligible revenue stream in outer years, unless there are further changes to its functions.

### 2.6.3: Petroleum Revenues and the Petroleum Fund

The petroleum revenues currently indirectly finance most of the State Budget. The PF shall contribute to a wise management of the petroleum resources for the benefit of both current and future generations.

#### 2.6.3.1: Inflows of Petroleum Revenues

The factors driving the inflow of petroleum revenues are prices, production and costs. Compared with the State Budget 2013 and 2014, the oil price in this material is on average assumed somewhat lower over the forecasting period. Costs are increasing, while there is a slight drop in production. As discussed in previous budget documents, petroleum revenues from Bayu-Undan and Kitan are likely to have peaked at \$3,559.1 million in 2012 and are now forecasted to decline, only slowly at first in 2013, then more significantly to \$1,705.0 million in 2014, see tables 2.6.3.1.1 and 2.6.3.1.2.

**Table 2.6.3.1.1: Petroleum Revenues from Bayu-Undan and Kitan 2013-2019**  
(\$m)

	2013 Actual*	2014 Estimate**	2015 Budget	2016	2017	2018	2019
<b>Total Petroleum Revenue</b>	<b>3,906.7</b>	<b>2,518.0</b>	<b>2,290.1</b>	<b>2,178.4</b>	<b>2,076.3</b>	<b>1,836.2</b>	<b>1,717.9</b>
PF Interest received	864.9	813.0	915.8	966.2	1,002.7	1,035.9	1,060.3
<b>Total Petroleum Revenue Excl. Interest</b>	<b>3,041.8</b>	<b>1,705.0</b>	<b>1,374.3</b>	<b>1,212.2</b>	<b>1,073.5</b>	<b>800.3</b>	<b>657.6</b>
BU*** FTP/Royalties	205.9	134.4	108.0	98.7	81.8	68.4	56.8
BU Profit oil	1,441.0	835.8	652.3	589.7	533.4	371.6	295.1
BU Income Tax	503.3	362.3	243.3	198.0	181.4	130.5	94.3
BU Additional Profit Tax	491.3	256.1	267.9	233.1	215.6	158.1	151.1
BU Value Added Tax	8.9	28.1	23.7	32.7	18.9	26.0	20.4
BU Wages Tax	16.2	13.7	11.3	15.4	8.7	11.7	9.1
BU Pipeline Payments	8.4	8.4	8.4	8.4	8.4	8.4	8.4
BU Other Payments	17.2	52.5	38.3	25.4	25.4	25.4	22.4
BU Withholding Tax	9.1	0.0	0.0	0.0	0.0	0.0	0.0
Kitan	340.6	13.8	21.1	10.7	0.0	0.0	0.0

Source: PF Administration Unit

\* Actual Cash flow for 2013

\*\* Estimated 2014 as of June 2014. From 2014 onwards BU Withholding Tax is included in BU Value Added Tax.

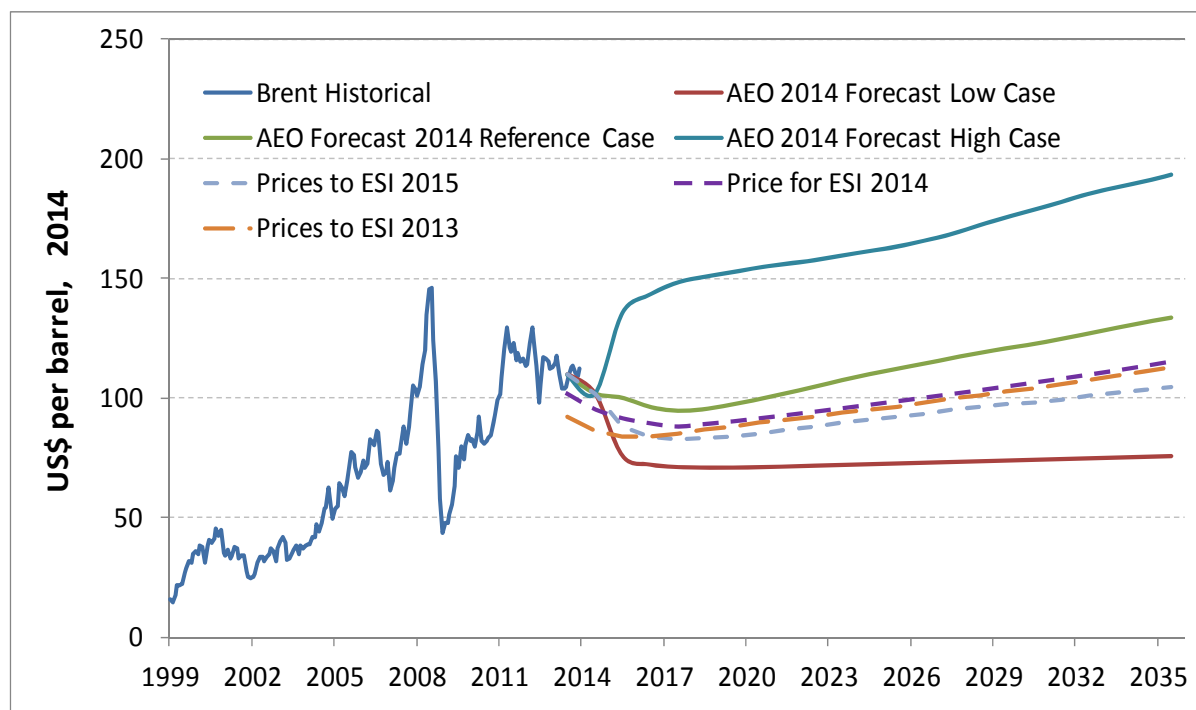
\*\*\* BU: Bayu Undan

## Petroleum prices

As for last year, the Brent crude oil benchmark is used in the petroleum wealth calculation as it has proved to be a better indicator of the price on Bayu-Undan and Kitan liquid products (condensate and LPG) than the WTI used in previous years.<sup>13</sup> Section 2.6.3.2 on the Petroleum Wealth and ESI Calculation discusses this change further.

The Petroleum revenue forecasts in the State Budget 2015 are based on a benchmark oil price of \$107.9 per barrel in 2014, compared with \$107.5 per barrel in the State Budget 2014. In the years after 2014, the oil price is now assumed somewhat lower than previously forecasted, see figure 2.6.3.1.1.

**Figure 2.6.3.1.1: Historical Changes and Future Projections in the Brent Oil Price (\$ per barrel)**



Source: PF Administration Unit

## Petroleum Production

The production forecast of liquids (condensate and LPG) for Bayu-Undan is projected to modestly decline compared with the projections in the State Budget 2014. The total petroleum production from Bayu-Undan (also including LNG) is estimated to have peaked in 2011 at \$59 million barrels of oil equivalents and is now set to decline before ceasing in 2020, see table 2.6.3.1.2. The decrease in the production outlook is caused by higher than

<sup>13</sup> The future prices on Bayu-Undan and Kitan liquids products (condensate and LPG) are estimated based on historical relationships with a benchmark price and the benchmark's forecast. Liquefied Natural Gas (LNG) prices are forecasted using the provisional price formula negotiated between sellers and buyers. The price formula is renegotiated every three years.

previously expected lean gas breakthrough, pressure depletion and water production in the reservoir.

The Field Development Plan for the Kitan field was approved in 2010 and the production commenced in the 4th quarter of 2011. The total production from Kitan is modest compared to the Bayu-Undan field. The 2015 budget forecasts Kitan's Low Case to be 37.1 million barrels of oil over the life time of the project until 2016. The total revenue stream based on the Low Production Case is estimated at \$695 million, or less than 3% of Bayu-Undan.

### **Costs**

The estimated costs for the Bayu-Undan project are forecasted slightly higher in the State Budget 2015 than in the State Budget 2014. The change in the cost projections between the 2014 and 2015 budget figures is primarily from the capital expenditures related to the Asset Integrity Maintenance program and other operational issues.

**Table 2.6.3.1.2: Sustainable Income Calculations – Oil Price Assumptions, Production and Revenue Actual 2002-2013, forecast 2014-2020**

Timor-Leste Petroleum sector				
	Average oil price, \$/Barrel	Production , million barrels oil equivalent	Total Discounted Petroleum Revenues (Factor of 5.7%), \$ millions	Total Undiscounted Petroleum Revenues, \$ millions
<b>Total</b>		<b>768.9</b>	<b>4,716.1</b>	<b>25,331.5</b>
<b>Total from 1 January 2014</b>		<b>236.0</b>	<b>4,716.1</b>	<b>7,027.6</b>
to 2002	0.0	0.0	0.0	14.8
2003	0.0	0.0	0.0	10.2
2004	41.5	16.9	0.0	172.4
2005	56.6	29.0	0.0	333.4
2006	66.1	57.1	0.0	611.9
2007	72.3	57.7	0.0	1,258.5
2008	99.7	64.2	0.0	2,284.2
2009	62.0	61.8	0.0	1,660.2
2010	79.5	57.3	0.0	2,117.2
2011	94.9	61.7	0.0	3,240.1
2012	111.6	68.0	0.0	3,559.1
2013	108.6	59.4	0.0	3,041.8
2014	107.9	43.8	0.0	1,705.0
2015	89.6	45.3	1,338.5	1,374.3
2016	87.0	42.7	1,118.0	1,212.2
2017	86.8	34.8	937.0	1,073.6
2018	88.4	31.5	660.6	800.3
2019	90.7	26.7	513.2	657.6
2020	93.5	11.2	109.7	148.7
2021	96.6	0.0	39.1	56.0
2022	99.8	0.0	0.0	0.0
2023	103.2	0.0	0.0	0.0
2024	106.6	0.0	0.0	0.0
2025	109.9	0.0	0.0	0.0

Source: PF Administration Unit

### 2.6.3.2: Petroleum Wealth and ESI calculation

According to the PF Law, the ESI is the maximum amount that can be appropriated from the PF in a fiscal year and leave sufficient resources in the PF for an amount of the equal real value to be appropriated in all later years. The ESI is set to be 3% of the petroleum wealth. However, the Government could withdraw amounts from the PF in excess of ESI if it is

explained that the expenditure is in the long-term interest of Timor-Leste and if it is approved by the National Parliament.

The Petroleum Wealth, which comprises the balance of the fund and the net present value of future petroleum revenue, is estimated to be \$21,283.3 million as of 1 January 2015. Accordingly, the ESI is estimated at \$638.5 million for 2015. This is more or less the same as the 2015 ESI as estimated in last year's budget. The key assumptions behind the calculations are listed in table 2.6.3.2.1.

**Table 2.6.3.2.1: Key assumption behind ESI**

Asset recognition	Forecast petroleum revenues are included only for projects with approved development plans. This includes Bayu-Undan and Kitan.
Petroleum Reserves and Production Forecasts	Production estimates are provided by project operators. Low case production is used, consistent with a 90% probability that actual will exceed the forecast.
Oil price forecast	ESI for Budget 2015 is prepared using the average of Energy Information Agency (EIA) low case and reference case for Brent.
Prices for specific petroleum products	Bayu-Undan produces condensate, Liquefied Petroleum Gas (LPG) and Liquefied Natural Gas (LNG) while Kitan is producing only condensate. Forecast assumptions for each product are derived from historic differentials observed with Brent. Liquefied Natural Gas (LNG) prices are forecast using the provisional price formula negotiated between the Darwin LNG (DLNG) facility and Japanese LNG buyers. The price formula is renegotiated every three years.
Production costs	Central estimate of future capital and operating costs as provided by project operators.
Discount rate	Under Schedule 1 of the PF Law, the interest rate used to discount future petroleum revenue is the expected rate of return on the portfolio of financial assets held in the Fund. The Fund's investment guidelines have recently been changed to 60% bonds and 40% equities.

Source: PF Administration Unit

Table 2.6.3.2.2 shows that the estimated Petroleum Wealth and the ESI from 2014 and onwards, assuming PF withdrawals are consistent with the 2015 State Budget.

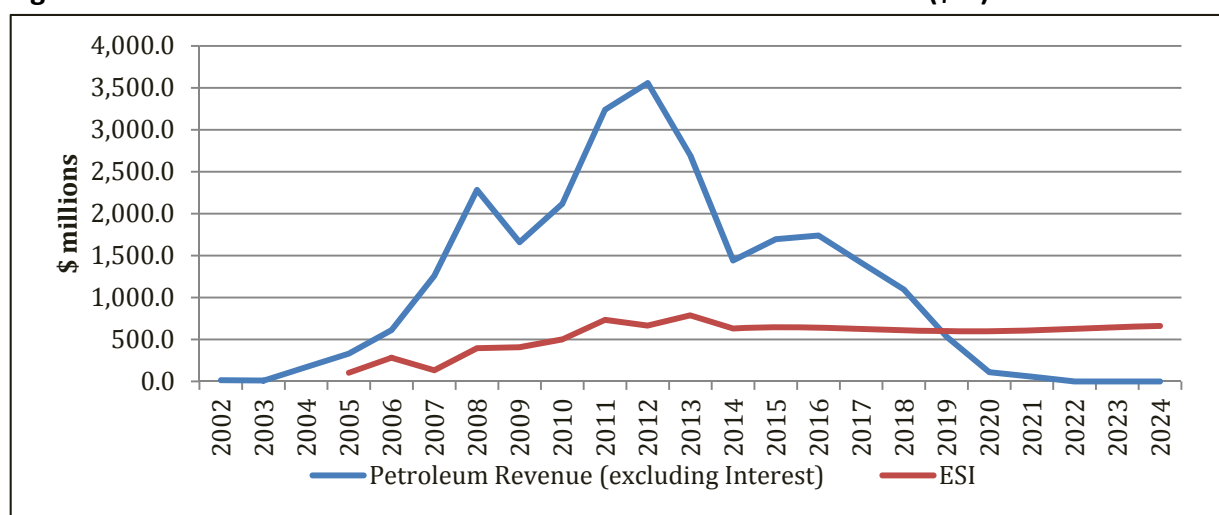
**Table 2.6.3.2.2: Petroleum Wealth and the ESI (\$m)**

	2014 BB1	2015 Budget	2016	2017	2018	2019
Estimated Sustainable Income (PWx3%)	632.3	638.5	632.8	615.4	597.8	586.6
<b>Total Petroleum Wealth (PW)</b>	<b>21,076.3</b>	<b>21,283.3</b>	<b>21,093.5</b>	<b>20,513.9</b>	<b>19,926.2</b>	<b>19,554.5</b>
Opening PF Balance	14,058.5	16,567.2	17,529.8	17,995.6	18,368.1	18,729.8
Net Present Value of Future Revenues	7,017.8	4,716.1	3,563.7	2,518.3	1,558.1	824.8

Source: PF Administration Unit

Figure 2.6.3.2.1 depicts the main rationale behind using the ESI as a tool in fiscal policy, i.e. smoothing the spending of temporarily high petroleum income. The extraction path of a non-renewable resource is typically bell-shaped with significant shorter-term swings. The ESI is meant to shield against this volatility and safeguard a sustainable development in public finances.

**Figure 2.6.3.2.1: Timor-Leste Petroleum Revenues and ESI 2002-2025 (\$m)**



Source: PF Administration Unit

### Changes in the ESI from 2014 to 2015

Figure 2.6.3.2.2 shows the key incremental changes in 2015 ESI since the Budget 2014. Main driving factors include actual outcome in 2013, oil price, petroleum production and costs.

#### **Actual data 2014**

The current ESI for 2015 incorporates the actual development in 2013, which increases the 2015 ESI by \$26 million. The change is mostly due to combination of the movement in the actual oil prices, production and costs as well as a better-than-expected investment returns from the PF in 2013 relative to the forecast.

#### **Actual 2014 withdrawals from the PF**

The 2015 ESI as estimated in Budget 2014 is based on the assumption that the Government would only withdraw the ESI from the PF in 2014. In 2014, the Parliament approved



withdrawing \$902.9 million from the Fund, which is \$270.6 in excess of the ESI. This higher withdrawal for 2014 reduces the 2015 ESI by US\$ 8 million.

### ***Oil prices***

As for last year's budget, the current ESI for 2015 assumes a benchmark (Brent) oil price of \$107.9 per barrel in 2014, based on the actual development for the first half of the year and EIA's forecasts on Brent going forward.<sup>14</sup>The oil benchmark forecast used for ESI 2015 is slightly lower than the forecast used for ESI 2014, with the two forecasts eventually converging towards the end of the forecast period. The change in Brent benchmark forecast results in a \$4 million decrease in the 2015 ESI.

### ***Liquids price differentials (condensate and LPG)***

The price for Bayu-Undan condensate products is forecasted based on the historical relationship with a benchmark price. This historical relationship, the so-called price differential, is then projected forward on the back of the benchmark's forecast (as determined by EIA) to give an estimate of the future price on the products sold in the Timor Sea. The price differentials used in the calculations of the 2015 ESI give a higher price for the Bayu-Undan products in 2015 than the price differentials used in 2014 ESI gave. The result of these new price differentials is an increase in ESI of \$6 million.

### ***Liquids production***

Production in 2014 is forecasted at 7% lower in the 2015 budget than in the 2014 budget. These modest decline revisions reduce ESI for 2015 by \$21 million.

The main causes for the downward revision in the production forecasts are lean gas breakthrough, low pressures and water production in the reservoir. A major shutdown is also scheduled for 2014 and is expected to contribute to lower production during the shutdown period.

### ***Cost***

Production costs from the two operators (COP and ENI) are forecasted slightly higher in this material than in Budget 2014. The increase in the cost forecasts reduces 2015 ESI by \$12 million.

### ***Discount Rate***

Under the requirement of Schedule 1 of the PF Law, the discount rate used in the Net Present Value (NPV) calculation of future petroleum revenues must equal the expected rate

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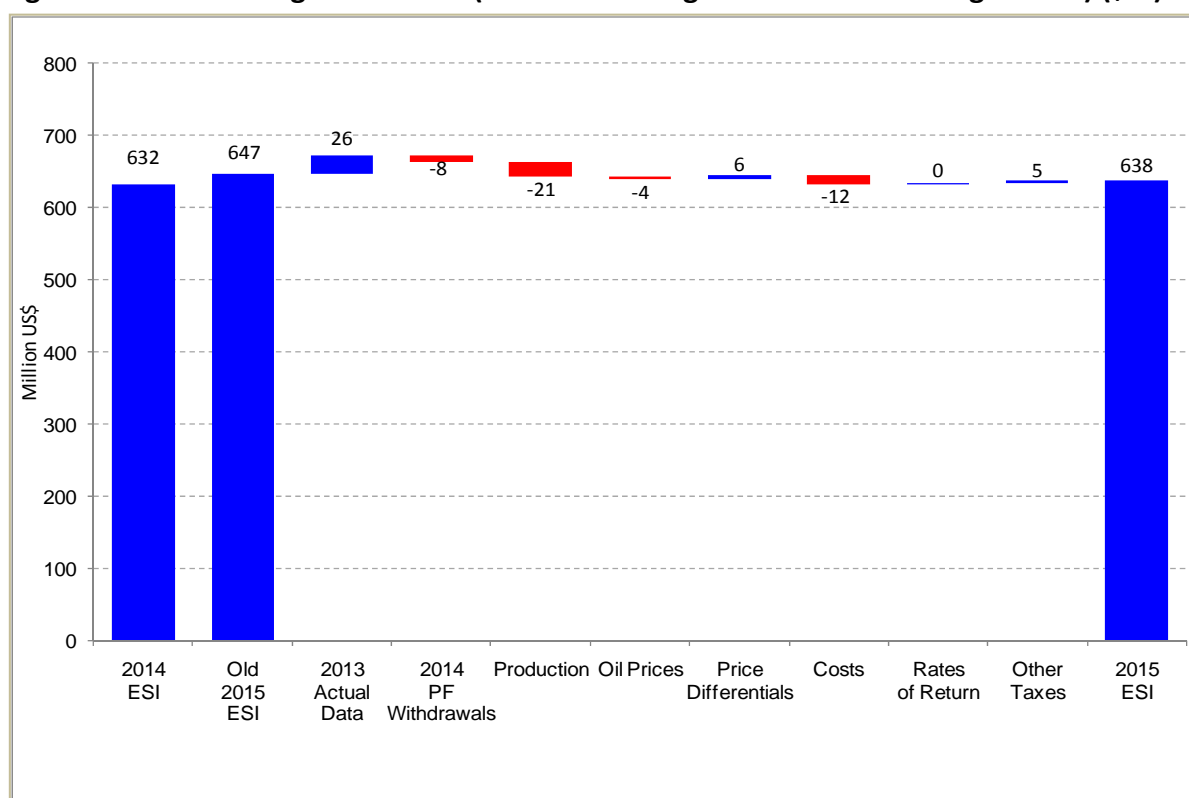
<sup>14</sup> These forecasts are reported by the EIA and also available from Annual Energy Outlook 2013: <http://www.eia.doe.gov/oiaf/aeo/index.html>.

of return of the PF portfolio. The expected long-term nominal portfolio return remains unchanged from last year’s forecast, 5.7% nominal as higher allocation to equities.

### Other Taxes

Other taxes include wage taxes, tax collections from subcontractors and exploration drilling. These taxes are forecast for Budget 2015 based on an analysis of recent collections and taking into account exploration work commitments as advised by Autoridade Nacional do Petroléu (ANP). The change in the forecast of other taxes increases 2013 ESI by \$5 million.

**Figure 2.6.3.2.2: Changes in the ESI (from State Budget 2014 to State Budget 2015) (\$m)**



Source: PF Administration Unit

### Sensitivity analysis

The Government’s objective is to prepare an ESI that is prudent overall, as required by the PF Law. Although the calculations are based on the best information available and advice from experts, each input is inherently subject to significant uncertainty. Figure 2.6.3.2.3 shows how the 2015 ESI changes when key assumptions are changed individually.

The sensitivity analysis starts with the 2015 ESI of \$638.5 million and shows by how much ESI would change if a different assumption for each key variable were used. ESI is becoming less directly affected by the petroleum sector as the petroleum wealth is being transferred from under the sea bed to the PF. This reallocation of wealth is quite rapid. In 2007, 95% of the petroleum wealth was under the ground. In 2014, less than 30% of the petroleum wealth is under ground with the remaining 70% in the fund. Based on the projections in this report, the whole petroleum wealth will have been transferred to the fund by 2022.

Reallocating the petroleum wealth to a well-diversified portfolio of financial assets and restricting the withdrawals to the ESI is an important mechanism to make the Timor-Leste economy less vulnerable to changes in the oil price.

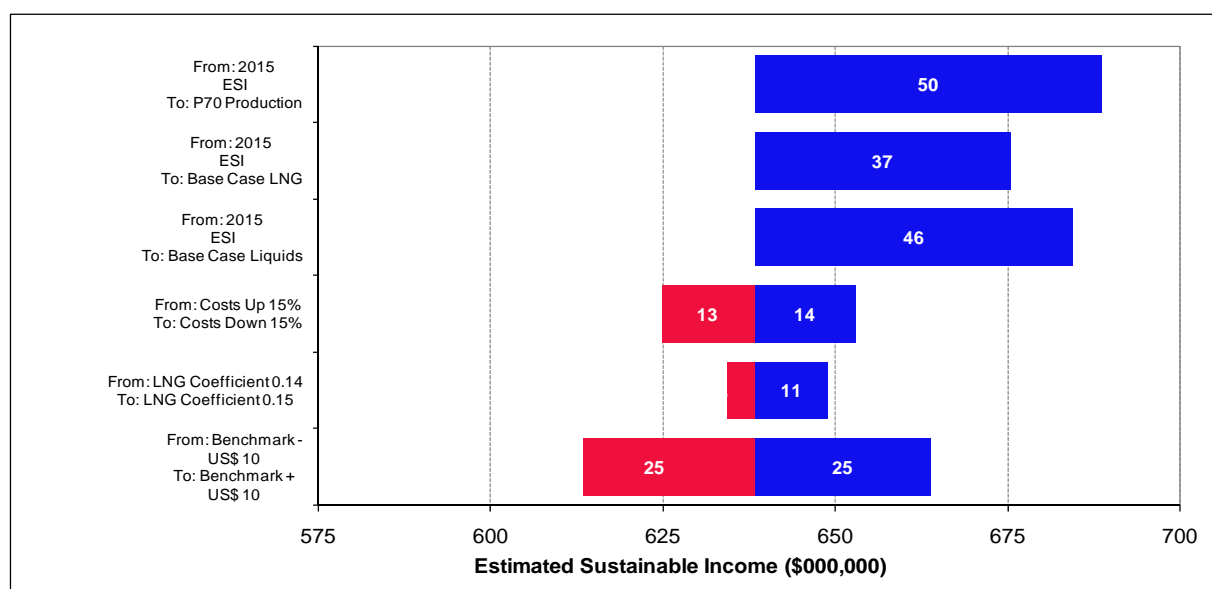
As shown in Figure 2.6.3.2.3 below, using either the Base Case LNG or the Base Case Liquids would change the ESI by approximately \$37 to \$46 million, respectively.

For each change in production costs by 15% would impact on the ESI by \$13 million to \$14 million.

The change of the LNG slope coefficient between 0.14 and 0.15 would have a modest impact to the ESI by between \$4 million to \$11 million, respectively.

In addition, for each \$10 change in Brent prices (compared to the forecast used in the ESI, which is the average of the Low and Reference Cases), ESI would change by approximately \$25 million. If the Base Case Brent prices were used, the ESI would change by \$25 million.

**Figure 2.6.3.2.3: Sensitivity Analysis – Estimated Sustainable Income (\$m)**

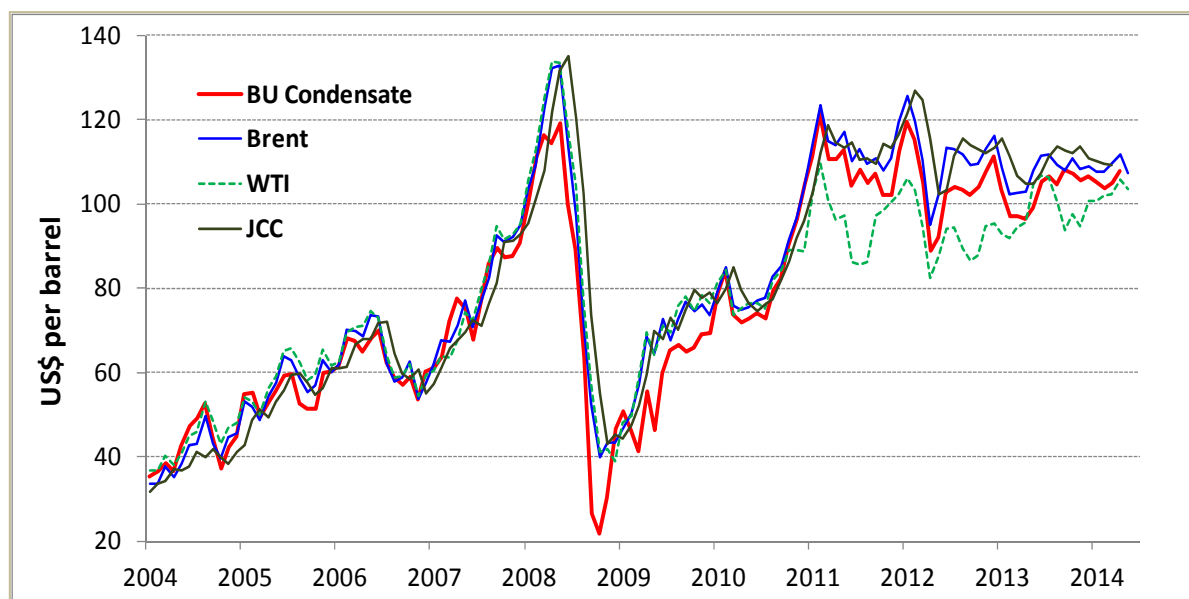


Source: PF Administration Unit

### Review of methodology

Schedule 1 of the PF law requires the ESI to be estimated using prudent assumptions reflecting international best practice and based upon recognised international standards. The MoF undertook a comprehensive review of the methodology for the ESI prepared for Budget 2011 with technical assistance from the IMF. This year there is no change in the forecast methodology. The change in oil price benchmark from WTI to Brent introduced last year has proven that Brent has a better tracking ability of the Bayu-Undan products in recent years, see figure 2.6.3.2.4.

**Figure 2.6.3.2.4: BU Condensate Price vs. World Oil Prices (\$)**



Source: PF Administration Unit

### **Production forecast**

The ESI was originally estimated based on the P90 forecasts (low forecast) of both petroleum prices and petroleum production, consistent with a 90% probability that actual will exceed the forecast. In 2011, the methodology for forecasting petroleum oil prices was changed to using the average of the low and the base (P50) forecasts as the low forecast was deemed to too conservative to be consistent with good judgment (prudent). The methodology for forecasting petroleum production is unchanged. The MoF will further analyse the production forecast methodology and report in next year's report.

### **2.6.3.3 Managing the PF**

#### **The PF Model**

The PF Law is designed to contribute to a wise management of Timor-Leste's petroleum resources for the benefit of both current and future generations. The PF is a tool that facilitates sound fiscal policy, where appropriate consideration and weight are given to the long-term interest of Timor-Leste's citizens. The PF helps policy makers to make well-informed budget decisions in an environment of fluctuating petroleum incomes that are temporarily at a high level. The decision on how much to spend and how much to save (i.e. spend later) is done in the State Budget where all the Government's priorities are weighed against each other.

The PF mechanism implies that petroleum revenues are transferred in their entirety to the fund and invested abroad in financial assets. The investment policy of the Fund aims at maximizing the risk-adjusted return. The fund's only outflow is transfers to the central government budget, pursuant to parliamentary approval. The amount that may be transferred to the budget is guided by ESI, which is defined as 3% of the petroleum wealth.

The implied investment objective of the Fund is accordingly set at 3% real return, as a necessary condition to enable sustainability on the spending side in terms of maintaining the purchasing power of the petroleum wealth when spending is constrained by the ESI.

### **Governing the PF**

Based on the “Santiago principles<sup>15</sup>”, the PF governance model is one of high degree of transparency and disclosure of information. This helps build public support for wise management of petroleum revenues and reduces the risk of bad governance. Transparency ensures that information can be used to measure the authorities' performance and also guards against any possible misuse of powers. One of the fundamental elements of the fund’s governance structure is that no one person or institution is responsible for making and implementing investment decisions because each party is formally accountable to another for their role in the decision-making process. This degree of transparency serves to encourage consensus and enable accountability, which means authorities and whoever handles public money can be held responsible for their actions.

As the Executive, the Government through the MoF is responsible for the overall management of the PF, on behalf of the people of Timor-Leste. The PF Law makes the Government accountable to Parliament through various reporting requirements. The operational management is carried out by the Central Bank, which invests the fund’s capital according to guidelines established by the MoF and mandates developed by the Investment Advisory Board (IAB). The MoF is required to seek advice from the IAB before making decisions on any matter relating to the investment strategy or management of the PF.

### **PF Investment Policy**

The PF was established in 2005 with a simple investment strategy that mainly constrained investments to US Dollar denominated high rated bonds issued or guaranteed by Governments. This was deemed necessary to avoid exposure to risk and volatility while building capacity. It was also considered important to take time to build public support and to avoid turbulence in terms of market losses before the management had received a certain degree of integrity, credibility and reputation for professionalism.

The PF Law amendments in 2011, which followed a long and thorough process involving all stakeholders, allowed for up to 50% allocation to public equities, not less than 50% in fixed income, and not more than 5% in alternative instruments. The rationale for these changes was two-fold:

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<sup>15</sup>International Working Group’s “Sovereign Wealth Funds: Generally Accepted Principles and Practices”, otherwise known as the Santiago Principles. The Principles identify a framework of generally accepted principles and practices that properly reflect appropriate governance and accountability arrangements as well as the conduct of investment practices by Sovereign Wealth Funds (SWFs) on a prudent and sound basis.

**Diversification;** this is the process of exposing the portfolio to a number of different asset classes (for example bonds and equities) rather than being concentrated in any one of these alone. The key to the diversification process is that different asset classes usually do not move together. Combining assets with returns that are less than perfectly correlated can therefore mitigate overall volatility.

**Enable sustainable spending;** the Government believes that a target allocation to equities of 40% over time will enable the Fund to generate 3% real return with reasonable probability. This would be a necessary condition to ensure the sustainability of public spending, which is guided by the ESI, set at 3% of petroleum wealth. The Government notes at the same time that the higher allocation to the traditionally more volatile asset class of public equities will involve more short-term fluctuations in the fund's investment returns. Having a long-term investment horizon, the Government is ready to accept this increased short-term risk to pursue its belief that equities will perform better than bonds in the long-term.

In pursuing its investment belief, the Government's first order priority has been to gradually increase the equity allocation from 5% at the end of 2011 to 40% by June 2014 aiming, among other things, to buttress any adverse effects that bad market timing would incur. As of end of 2<sup>nd</sup> quarter 2014, the fund's allocation to 40% equities was completed. The Government also has reduced the concentration to US Treasuries by allocating 10% of the fund to non-US developed market investment grade sovereign bonds.

The evolving investment allocation of the PF involves a sound and responsible process of introducing new investment mandates and external managers. Table 2.6.3.3.1 shows the PF portfolio and manager structure as of June 2014. The Government is conscious that increasing the number of asset classes and sub asset classes requires a more sophisticated monitoring framework to ensure that each manager is performing well and in accordance with their guidelines. In general, a gradual development of the governance structure and capabilities are a prerequisite for a successful development of the investment strategy.

**Table 2.6.3.3.1: PF Portfolio and Managers Structure**

Number	Managers and Mandates, as of June 2014	Weight	Market Values, \$ millions	Return since inception
<b>Total PF Portfolio</b>		<b>100.0%</b>	<b>16,634</b>	<b>4.6%</b>
<b>International Fixed Interest Portfolio (Bonds)</b>		<b>60.2%</b>	<b>10,012</b>	<b>3.2%</b>
1	Banco Central de Timor-Leste -BCTL (3-5 years US Treasury bonds)	40.1%	6,663	0.88%
2	Bank for International Settlement - BIS (5-10 years US Treasury bonds)	10.1%	1,672	1.2%
3	Interim Manager (Global Treasury Developed Market, ex US, 30% Eurozone and 10% Country capped)	10.1%	1,677	8.1%
<b>International Equity Portfolio</b>		<b>39.8%</b>	<b>6,622</b>	<b>13.5%</b>
4	Schroders Investment Management - Schroders (MSCI world)	5.3%	887	13.9%
5	State Street Global Advisors - SSgA (MSCI world)	17.9%	2,977	18.2%
6	BlackRock Investment Management (MSCI world)	16.6%	2,758	19.7%

Source: BCTL - PF Q2 2014 Report

\* Inception dates for different managers are not equivalent thus since inception returns are not directly comparable

2013 shows that global equities delivered 27% investment return, the best annual return since the global financial crisis<sup>16</sup>. Meanwhile it was the first negative annual return delivered by the fixed income (bond) portfolio of -1.4%. The fund earned a net investment return of 6.6% in 2013, equivalent to \$864.9 million, which is nearly twice the previous annual return of 3.9%.

The performance of financial markets in 2013 provides an illustrative case in support of the Government's diversification strategy. The increased allocation to equities, which historically perform well when the bond markets are declining, provided a buffer against the negative performance of the bond portfolio. However, this favourable outcome should not be expected to continue indefinitely. The volatile nature of financial markets implies that negative outcomes will occur at some point in the future.

Having decided upon the first order priority as increasing the equity exposure and diversification of the bond portfolio, the Government is currently exploring ways to further diversify the equity portfolio to improve its risk-return profile by including other public equity approaches.

<sup>16</sup> See PF Annual Report for 2013 published at [www.MoF.gov.tl](http://www.MoF.gov.tl) for further discussion on PF investment performance.

## Projected PF development

The PF balance is \$16,634 million as of June 2014. This is an increase of \$1,681 million from the start of the year. The fund's balance is expected to be \$16,567.2 million by the end of 2014 after deducting the estimated withdrawal adopted by Parliament.

The current forecast, as shown in table 2.6.3.3.2, shows the total value of the fund to be \$17,529.8 million by the end of 2015 and \$19,070.8 million by the end of 2019.

**Table 2.6.3.3.2: Estimated PF Savings 2011-2016 (\$m)**

	2013 Actual	2014 Estimate	2015 Budget	2016	2017	2018	2019
<b>Opening PF Balance</b>	<b>11,775.3</b>	<b>14,952.1</b>	<b>16,567.2</b>	<b>17,529.8</b>	<b>17,995.6</b>	<b>18,368.1</b>	<b>18,729.8</b>
Petroleum Revenue (excluding PF Interest)	3,041.8	1,705.0	1,374.3	1,212.2	1,073.5	800.3	657.6
PF Interest, Net*	864.9	813.0	915.8	966.2	1,002.7	1,035.9	1,060.3
Total Withdrawals	730.0	902.9	1,327.5	1,712.6	1,703.8	1,474.6	1,376.9
<b>Closing PF Balance</b>	<b>14,952.1</b>	<b>16,567.2</b>	<b>17,529.8</b>	<b>17,995.6</b>	<b>18,368.1</b>	<b>18,729.8</b>	<b>19,070.8</b>

Source: PF Administration Unit

\* Net of management and market revaluation

As discussed earlier, the current data shows that more than 70% of the petroleum wealth from both Bayu-Undan and Kitan is now in the form of the financial assets (the PF). This means that going forward the level of withdrawals from the fund and the return on its investment would be the main driver of the size of the PF and hence the petroleum wealth.

## 2.7: Financing

### 2.7.1: Definition of Financing

Total budgeted expenditure is higher than domestic revenue for 2015. This results in a non-oil deficit (domestic revenue minus expenditure) which is financed by withdrawals from the PF, loans and use of the cash balance. Table 2.7.1.1 shows the amount of each financing item. The total amount of financing is equal to the non-oil deficit. The 2015 State Budget is therefore clearly showing how total expenditure will be financed from either domestic revenue or financing items.

Financing items and domestic revenues have different economic impacts. Domestic revenue is collected from taxes and charges paid by companies and individuals in Timor-Leste. All else being equal, the higher domestic revenue the less money these companies and individuals have to spend and invest. Consequently Government spending paid for by domestic revenue does not significantly increase overall demand in the economy; as the increase in demand from spending is approximately equal to the decrease in demand from companies and individuals who are paying tax.



In contrast financing expenditures by withdrawing money from the PF increases the overall level of demand within the economy. Financing expenditures from loans from international organisations also increases demand in the year that loan financed spending occurs. There will, however, be a negative impact on demand in the future when the Government begins to repay the loan. An increase in demand, if not matched by an increase in ability of the economy to produce goods, can cause higher inflation.

The Government has analysed the impact of the non-oil deficit on demand, economic growth and inflation. This analysis shows that the non-oil deficit for 2015 to 2019 is consistent with the strong, high quality economic growth.

**Table 2.7.1.1: Financing (\$m)**

	2015	2016	2017	2018	2019
<b>Total Financing</b>	<b>1,399.6</b>	<b>1,907.0</b>	<b>1,839.2</b>	<b>1,634.5</b>	<b>1,426.9</b>
Estimated Sustainable Income (ESI)	638.5	632.8	615.4	597.8	586.6
Excess Withdrawals from PF	689.0	1,079.7	1,088.3	876.8	790.2
Use of Cash Balance	2.1	0.0	0.0	0.0	0.0
Borrowing /Loans	70.0	194.4	135.5	159.9	50.0

Source: National Directorate for Economic Policy

## 2.7.2: ESI and Excess Withdrawals

The ESI is equal to 3% of the petroleum wealth and is \$638.5 million in 2015. The ESI can be thought of as the amount that can be withdrawn from the PF each year, forever without the fund ever running out of money. Section 2.6.3 of this State Budget Book describes the ESI and petroleum wealth in detail.

The Government plans to withdraw \$1,327.5 million in total from the PF in 2015. This amount is larger than the ESI by \$689.0 million (the excess withdrawal). Withdrawing excess amounts from the PF results in lower petroleum wealth and a smaller future ESI.

Table 2.7.1.1 clearly shows the Government is implementing a frontloading policy. Excess withdrawals increase in 2016 and 2017, but in 2018 and 2019 excess withdrawals fall as frontloading begins to end. Over the long-term (after 2019) it is the Government's policy to ensure that withdrawals fall back to the level of the ESI.

## 2.7.3: Loans

The Government borrows money to finance key projects. Loans are only considered for projects in a priority sector. A detailed analysis of loan financed projects is also undertaken and the project is only approved if its benefits significantly outweigh costs. All loans signed to date have been for the construction of infrastructure as this is a Government priority and such projects have high economic rates of return.

The Government has the option of financing projects from loans or from excess withdrawals. Loans have a financial cost because they have to be repaid with interest. Withdrawals also have a cost as they result in a lower balance in the PF and a lower total return from its investments. The Government undertakes a detailed financial analysis for all projects and loan financing is only used if it is likely to cost less than withdrawing a similar amount from the PF. This financial analysis accounts for the fact that while the loan will have to be repaid future returns from the PF are uncertain.

For all loans it is important to distinguish between the loan value and the amount disbursed in a year. The loan value is the total amount of the loan. When the loan agreement is signed the creditor (e.g. ADB/WB/JICA) is committing to lend this amount to the Government. The loan disbursement is the amount disbursed in a particular year to pay the project's expenditure. Total disbursements over all years of the project cannot exceed the loan value and may be slightly less. The maximum threshold of authorised debt in article 5 of the State Budget Law refers to the total value of all loans that the Government can sign in 2015. The total value of signed loans is shown in table 2.7.3.1; while table 2.7.3.2 shows expected disbursements from loans for 2015 to 2019.

The next box defines key financial terms for loan financed projects. Each loan financed project is then briefly described.

### Key Loan Terms

***Loan Value***

The total amount the creditor (for example ADB, WB or JICA) agrees to lend the Government.

***Loan Disbursement***

The amount of the loan that is disbursed in a particular year to finance the project's expenditures.

***Loan Denomination Currency***

The currency the creditor records the liability of the borrower in.

***Special Drawing Rights (SDR)***

A currency used by the IMF and other international organisations. Its value is based on a basket of international currencies.

***Grace Period***

During the grace period interest is accrued but no repayments of principal are made.

***Loan Maturity***

This is the date by which the loan must be repaid in full.

**Libor**

This normally refers to the 6 month USD London Inter-Bank Offered rate. This is the rate of interest banks will lend to each other at.

**Dili – Liquiça and Tibar-Gleno road financed by ADB**

This project will rehabilitate the Dili-Liquiça and Tibar-Gleno roads. The Dili Liquiça road has some of the highest traffic levels in Timor-Leste and is part of the main route used by trucks carrying imported goods from West Timor. Its rehabilitation should reduce transport costs for these goods. The rehabilitation of the Tibar-Gleno road is important for agriculture as this route is used to carry coffee grown in Ermera to processing and packing centres on route to the port. The rehabilitation of these roads is a priority for the Government and should generate a high economic rate of return.

This road rehabilitation is being financed by the Government and ADB. Financing from the ADB is made up of a \$9.0 million ADF loan and a \$31.0 million OCR loan. The ADF loan has a grace period and maturity of 8 and 32 years respectively. The rate of interest is fixed at 1.0% per annum during the grace period and 1.5% per annum during the rest of the maturity period. This loan is denominated in SDR. The OCR loan has a grace period and maturity of 5 and 25 years respectively. The rate of interest charged is equal to the Libor +0.4% per annum.

**Manatuto – Natarbora financed by ADB**

This project will rehabilitate the Manatuto to Natarbora road, which is a priority for the Government. The project is expected to have a good economic rate of return and will be financed by the Government and ADB.

Financing from ADB will come from a \$10.0 million ADF loan and a \$40.0 million OCR loan. The ADF loan has 5 and 25 year grace and maturity periods respectively, a fixed rate of interest of 2.0% per annum and is denominated in SDR. The OCR loan has grace and maturity periods of 5 and 25 years respectively, has a variable rate of interest equal to the libor + 0.5% per annum and is denominated in USD.

**Aileu-Ainaro road financed by WB**

The Aileu to Ainaro road is being substantially rehabilitated by this project. This road is an important route for bringing agricultural produce to market and its rehabilitation is expected to significantly reduce transport costs. It also forms an important road linkage between the north coast, particularly Dili, and the Tasi Mane development area, including the recently completed power station at Betano. The rehabilitation of this road is also expected to have a high economic rate of return.

This project is financed by the Government and WB. Financing from the WB will come from \$25.0 million and \$15.0 million IDA and IBRD loans respectively. The IDA loan has grace and

maturity periods of 5 and 25 years respectively, a fixed rate of interest of 2.0% per annum and is denominated in SDR. The IBRD loan has 8 and 28 year grace and maturity periods respectively and is denominated in USD. The rate of interest for this loan is fixed for each disbursement at the time that disbursement is made based on the Libor at that time. Because the value of the Libor could change between now and when the final loan disbursement is received it is not possible to state the exact rate the loan will be fixed at with certainty. However, analysis by the Government shows that an average fixed rate of interest between 3.4% and 4.0% will likely be achieved.

#### **Dili – Manatutu – Bacau road financed by JICA**

This project will rehabilitate the road between Dili and Bacau. There is significant potential for trade and increased traffic on this road which is the main route between Timor-Leste's two largest cities. It will also contribute significantly to improving access to the east of the country with its potential for tourism and pastoral agriculture. The rehabilitation of this road is a Government priority and it is expected that that total economic benefits will significantly outweigh the costs.

This project is financed by the Government and a loan from JICA. The loan has a grace period of 10 years and a maturity of 30 years. The loan is denominated in Japanese Yen with a fixed rate of interest of 0.7% for construction per annum and 0.01% for consultancy services per annum.

**Table 2.7.3.1: Information on Signed Loan Agreements**

Project	Creditor	Total Project Value (\$ million)	Counterpart Contribution (\$ million)	Signed	Loan Fund/Window	Loan Amount (\$ million)	Currency	Grace Period (years)	Maturity (years)	Interest Rate	Other Fees	Interest Rate Fixed or Variable
Dili-Liquiça and Tibar-Gleno	ADB	54	14	May-12	ADF	9	SDR	8	32	1% during grace and 1.5% thereafter		Fixed
					OCR	31	USD	5	25	Libor + 0.4%	Cc: 0.15%	Variable
Manatuto-Natarbora	ADB	123	73	Nov-12	ADF	10	SDR	5	25	2%		Fixed
					OCR	40	USD	5	25	Libor + 0.5%		Variable
Aileu - Ainaro	WB	92	52	Nov-13	IDA	25	SDR	5	25	2%	Cc:0.5%(currently waived)	Fixed
					IBRD	15	USD	8	28	3.4% to 4% (likely)	Front end fee: 0.25%	Fixed at time of disbursement
Dili-Manatuto-Baucau	JICA	146	77	Mar-12	N/A	69	JPY	10	30	0.7% for construction and 0.01% for consultancy services	Cc: 0.1%p.a. and 2% p.a. on overdue amount over & above normal principal, interest & other charges	Fixed
<b>TOTAL</b>		<b>415</b>	<b>216</b>			<b>199</b>						

Sources: Debt Management Unit

The loans signed by the Government face two main financial risks. The first risk, which is only applicable to the WB IBRD and ADB OCR loans, is that the Libor increases. This would result in an increase in the rate of interest on the loan and the total amount the Government has to repay. The second risk, which is only applicable to loans denominated in a foreign currency, is that the USD loses value against that currency. This would cause repayments in USD increase. For loans denominated in SDR this risk is limited as the SDR is made up of a basket of currencies which includes the USD. Presently the USD contributes 42.0% to the SDR basket. In addition, between 2004 and 2012 there was only a 7.5% difference between the lowest and highest SDR to USD exchange rate. In practice therefore it is unlikely that the USD will significantly depreciate against the SDR in the future.

Table 2.7.3.2 outlines and discusses the financial risks associated with each loan. These risks were analysed prior to the loans being signed and the Government considers that even accounting for these risks the financing offered by these loans is less costly than withdrawing money from the PF. In addition, all loans have a much lower rate of interest than the Government would be able achieve if it borrowed money from the private sector.

**Table 2.7.3.2: Loan Financial Risk Table**

Loan	Risk	Comments
Dili-Liquiça and Tibar-Gleno ADB – ADF Manatuto-Natarbora ADB – ADF	The USD could depreciate against the SDR. This would increase total repayments in USD.	This limited risk is outweighed by the low interest rates on the loans and significant grace periods.
Dili-Manatuto-Baucau - JICA	The USD could significantly depreciate against the Japanese Yen. This would increase total repayments in USD.	This risk is outweighed by the very low interest rate on this loan and the 10 year grace period.
Dili-Liquiça and Tibar-Gleno – ADB – OCR Manatuto-Natarbora – ADB – OCR	The Libor rate increases. This would significantly increase repayments.	This risk is outweighed by the grace period and low spread on the Libor.
Solamro-Ainaro – WB – IBRD	The Libor increase before the final disbursement is made, leading to an increase in the fixed rate of interest. However, it is unlikely that the Libor would increase by enough to make the Government’s prediction of the rate being fixed at between 3.4% and 4.0% inaccurate.	This risk is outweighed by the grace period and low spread on the Libor.

Source: Debt Management Unit and National Economic Directorate for Economic Growth

The Government is also considering two additional loans which could be signed in 2014. The first is for a project to finance the construction of a drainage system to reduce seasonal floods in Dili. This project is expected to have significant economic and social benefit. The amount of this loan is likely to be approximately \$50.0 million. The loan will be denominated in USD and have a fixed rate of interest of 2.0%. The grace period and maturity are likely to be 15-20 and 5 years respectively.

The second loan is to finance the widening into four lanes and rehabilitation of the Tasitolu to Tibar road. This project is required as the new port at Tibar will result in a significant increase in traffic on this stretch of road. The loan will be from ADB's OCR fund. The loan is likely to be for \$12 million with a variable rate of interest equal to the Libor plus 0.6%, a maturity of 25 years and a grace period of 5 years. The loan will be denominated in USD.

Table 2.7.3.3 shows expected disbursements from loans for 2015 to 2019.

**Table 2.7.3.3: Total Loan Disbursement 2015 to 2019 (\$m)**

	Total	2015	2016	2017	2018	2019
Loans	609.7	70.0	194.4	135.5	159.9	50.0

Source: Debt Management Unit

In conclusion the Government has signed loans to partly fund four projects and is considering further loan financing going forward. Loans are only used to finance priority projects with high economic and social rates of return.

## 2.7.4: Use of the Cash Balance

Actual expenditure in the HCDF for 2014 is forecasted to be below that approved in the budget. This means there will be a significant cash balance in this fund to finance rolled over expenditures in 2015. The next table shows the amount of the cash balance in the CFTL, HCDF and IF that will finance expenditures in 2015.

**Table 2.7.4.1: Use of the Cash Balance in 2015 (\$m)**

<b>Total</b>	<b>2.1</b>
Infrastructure Fund Rollover excluding loans, net of deductions	0.0
HCDF Rollover	2.1
Drawdown of Cash Balances from the Treasury Account	0.0

Source: Treasury, HCDF secretariat and Major Project Secretariat

The cash balance for the CFTL at the end of 2014 is currently forecast to be relatively small at less than 3 months of expenditure. The Government considers that it is necessary to maintain this cash balance to pay for expenditures in the event that there is an unexpected fall in domestic revenues. It is also necessary to maintain a small cash balance to pay for expenditures during any future duodecimal regime. The Government does not therefore plan to use the CFTL cash balance to finance expenditures in the 2015 State Budget.

## 2.7.5: Public Private Partnerships

Public-Private Partnerships (“PPP”) are an economic relationship between a public sector authority and a private sector company whereby the private sector company provides a public interest good or service and shares the respective financial, technical and operational risks. The underlying rationale for PPPs in Timor-Leste stems from the fact that this type of business arrangement potentially allows the Government to benefit from the private sector expertise and financing, which then results in higher quality and efficiency, as well as lower risk borne by the Government. However, in the case of Timor-Leste, such projects are only undertaken if they are aligned with the Government’s development objectives and have high rates of both economic and social return.

Having completed a PPP policy and legal framework, Timor-Leste has now approved one PPP, namely the Tibar Port, and is developing feasibility studies for several other projects. The projects in the project cycle for 2015 are in the transports, energy, health, education and water sector. During 2014, six potential projects in those areas are in the PPP project cycle.

The Tibar Bay Port is a crucial infrastructure for the development of the country and a national priority. The Tibar Port project was approved by the Council of Ministers on August 2, 2013. The procurement procedure started in 2013, four bidders were pre-qualified and the procurement procedure is expected to be completed and the private partner selected during 2014. The required detailed engineering design will also be carried out and will commence in 2015. The Tibar Port is expected to meet international standards in areas such as efficiency and cargo operations.

Consequently, it is widely believed that it will alleviate congestion as well as address some of the limitations of the existing Dili Port, which has very limited expansion possibilities and is capable of berthing only small vessels. This is viewed as necessary due to the expected increase in the demand for imports given the forecasted increase in economic growth in Timor-Leste. In terms of construction, the project has three main components: the preparation of the site, the installation of the port facilities and their respective maintenance, both during and after its implementation.

The Tibar Bay Port is expected to be funded partially through the IF and partially through concessional loans from the WB, the ADB and/or other multilateral partners.

The Dili Water Supply System is another project in the PPP project cycle. The final pre-feasibility report was presented to the Council of Ministers and approved to proceed for the feasibility study. Under this arrangement, the government will pursue the rehabilitation and development of the infrastructure and assign the responsibility for operations and maintenance to the private sector for a period of 5 years. It is expected that the feasibility study will be finalized in the beginning of 2015 and proceed to procurement. Contract for the PPP is expected to be awarded in the end of 2015.



In the power sector, the Government has made a very significant investment in the last few years. Two power plants have been built in Hera and Betano and are currently producing energy, and a network of transmission lines supplying electricity to all parts of the country has been nearly completed. However, the Government is currently facing another challenge: how to manage, operate and maintain these power plants, and how to adequately transmit and distribute electricity to the Timorese people.

The Government, with support from the ADB, is undertaking an initial assessment with a view to determining whether partnerships with the private sector are possible for the purpose of bringing on board private sector expertise to perform some of those activities. This initial assessment is expected to be concluded in 2014 and, if projects are identified as viable, the feasibility studies will be developed during 2015.

The Government is also looking for possible partnerships with the private sector in the health sector. Improving health outcomes is critical to stability, economic growth and poverty reduction in Timor-Leste. Key health issues are the high rates of maternal and child death, poor nutrition, communicable diseases and chronic illness. Tackling these issues is fundamental to enable children to learn and to increase economic participation, particularly of women, and it is therefore essential for increasing household incomes and boosting economic growth.

Timor-Leste's Constitution establishes that medical care is a fundamental right for all citizens and imposes a duty on the government to promote and establish a national health system that is universal, general, free of charge and, as far as possible, decentralized and participatory.

The health system has been rebuilt since 1999, but services and health outcomes of Timorese people remain poor. Service delivery is constrained by limited capacity—insufficient knowledge, skills and experience are key issues – and poorly developed infrastructure. The Government is aware of the challenges it faces and has identified a number of areas in which it believes that PPPs may play a role in improving health services.

An initial assessment was undertaken with the support of the International IFC, one of the arms of the WB, and some possible projects were identified. An initial pilot project will be chosen and feasibility studies will be developed between 2014 and 2015.

The Government is also evaluating the feasibility of some other possible PPP projects in other sectors, like education and public buildings.

The PPP unit has been established under the MoF, and the first Timorese staff entirely dedicated to this unit was recruited in 2014, thereby increasing the unit's capacity. However, there is still some mistrust on the part of the various government stakeholders with regard to the PPP modality and the benefits that can be generated by the implementation of infrastructure projects through this scheme. As a strategy to present and

discuss the advantages and disadvantages of this modality for the development of crucial infrastructures, the PPP unit participated as speaker in two international events about PPPs in Timor-Leste during 2014 and expects to participate or organize more events in 2015.

A training program (both in-house and online) was also developed during 2014 for the PPP unit, with a view to increase the unit's capacity to deal with the complexity of PPP projects. There is an intention to organize more such trainings during 2015.

## Part 3: General State Budget Law Text



### TEXTO APROVADO EM REDAÇÃO FINAL

#### **Orçamento Geral do Estado para 2015**

O Orçamento Geral do Estado para 2015 engloba todas as receitas e despesas do Estado para o ano financeiro de 2015.

O Anexo I à Lei do Orçamento Geral do Estado para 2015, doravante designado por OGE, estabelece o total estimado das receitas do Estado de Janeiro a Dezembro de 2015 provenientes de todas as fontes: petrolíferas e não petrolíferas (fiscais, não fiscais e provenientes de empréstimos).

O total estimado de receitas é de 2.530,5 milhões de dólares.

O Anexo II à presente lei estabelece todas as dotações orçamentais, sistematizadas da seguinte forma:

1. 179,002 milhões de dólares para Salários e Vencimentos;
2. 516,256 milhões de dólares para Bens e Serviços;
3. 406,800 milhões de dólares para Transferências Públicas;
4. 26,415 milhões de dólares para Capital Menor;
5. 441,526 milhões de dólares para Capital de Desenvolvimento.

Excluindo os serviços e fundos autónomos, os fundos especiais e os empréstimos, o total das dotações orçamentais é de 1.154,929 milhões de dólares.

O OGE inclui todas as receitas e despesas a partir dos serviços e fundos autónomos, nomeadamente a Administração de Aeroportos e Navegação Aérea de Timor-Leste (ANATL), a Autoridade Portuária de Timor-Leste (APORTIL - incluindo Berlim-Nakroma), o Instituto de Gestão de Equipamento (IGE) e o Serviço Autónomo de Medicamentos e Equipamentos de Saúde (SAMÉS). As receitas dessas entidades estão incluídas na rubrica relativa às receitas próprias dos serviços e fundos autónomos no Anexo I, estando o orçamento de despesas inscrito no Anexo III.

O total das estimativas das despesas para os serviços e fundos autónomos em 2015 é de 6,7 milhões de dólares. O total da estimativa das despesas para a Autoridade da Região Administrativa Especial de Oe-Cusse Ambeno e Zona Especial de Economia Social de Mercado de Oe-Cusse Ambeno e Ataúro é de 81,9 milhões de dólares, a serem financiados através de dotação do OGE.

O total da dotação orçamental para o Fundo das Infra-Estruturas é de 367 milhões de dólares, incluindo empréstimos, e de 297 milhões de dólares, excluindo empréstimos.

O total da dotação orçamental para o Fundo de Desenvolvimento do Capital Humano é de 41 milhões de dólares, dos quais o valor de 2,1 milhões de dólares corresponde ao saldo transitado do ano de 2014, nos termos da lei.

O total estimado das despesas do OGE é de 1.570,000 milhões de dólares.

O total máximo aprovado para financiamento com recurso ao endividamento público, em 2015, é de 70 milhões de dólares.

As receitas não petrolíferas estimadas, incluindo as dos serviços e fundos autónomos, são de 170.4 milhões de dólares.

Assim, o défice fiscal é de 1.399,6 milhões de dólares, o qual é financiado em 1.327,5 milhões de dólares, a partir do Fundo Petrolífero, dos quais 638,5 milhões de dólares correspondem ao Rendimento Sustentável Estimado (RSE) e 689 milhões de dólares acima do RSE, em 70 milhões de dólares através do recurso ao crédito público e 2,1 milhões de dólares correspondentes ao saldo transitado do Fundo de Desenvolvimento do Capital Humano.

O Parlamento Nacional decreta, nos termos da alínea d) do n.º 3 do artigo 95.º e do n.º 1 do artigo 145.º da Constituição da República, para valer como lei, o seguinte:

## **Capítulo I**

### **Definições e aprovação**

#### **Artigo 1.º**

#### **Definições**

Para os efeitos da presente lei, entende-se por:

- (a) "Categoria de Despesa" – O agrupamento das despesas sob as cinco categorias seguintes:
- i) "Salários e Vencimentos", o montante global que um Órgão pode gastar com Salários e Vencimentos para os titulares e membros dos órgãos de soberania, funcionários e agentes da Administração Pública e trabalhadores contratados pelos órgãos e instituições do Estado;
  - ii) "Bens e Serviços", o montante global que um Órgão pode gastar na aquisição de Bens e Serviços;
  - iii) "Transferências Públicas", o montante global que um Órgão pode gastar em subvenções públicas e pagamentos consignados;
  - iv) "Capital Menor", o montante global que um Órgão pode gastar na aquisição de bens de Capital Menor;
  - v) "Capital de Desenvolvimento", o montante global que um Órgão pode gastar em projectos de Capital de Desenvolvimento;

- (b) "Despesas Compensadas pelas Receitas", as despesas suportadas pelas receitas próprias cobradas pelos serviços e fundos autónomos, nos termos da lei, desde que o montante não exceda o valor total das receitas que tenham dado entrada nas contas relevantes do Tesouro;
- (c) "Dotação Orçamental", o montante máximo inscrito no OGE a favor de um Órgão com vista à realização de determinada despesa;
- (d) "Órgão / Órgãos", o termo genérico adoptado no OGE para indicar o sector público administrativo sujeito à disciplina orçamental e que, segundo a classificação orgânica, se pode dividir em Gabinete do Presidente da República, Parlamento Nacional, Governo (Gabinete do Primeiro-Ministro, Presidência do Conselho de Ministros, Ministérios e Secretarias de Estado), Tribunais e Procuradoria Geral da República, bem como outras instituições que constam do Anexo II;
- (e) "Rúbricas de Despesa", as rúbricas de despesa desagregada dentro de cada Categoria de Despesa, com base na estrutura de código de contas de despesa mantida pelo Tesouro.

## **Artigo 2.º**

### **Aprovação**

É aprovado o Orçamento Geral do Estado para o período compreendido entre 1 de Janeiro e 31 de Dezembro de 2015, nomeadamente:

- (a) O total das receitas por agrupamentos, incluindo as receitas próprias dos serviços e fundos autónomos, dos fundos especiais e dos empréstimos, constantes do Anexo I à presente lei, dela fazendo parte integrante;
- (b) O total das despesas por agrupamentos, incluindo as verbas a serem transferidas do Orçamento Geral do Estado para os serviços e fundos autónomos em 2015, constantes do Anexo II à presente lei, dela fazendo parte integrante;
- (c) O total das despesas dos serviços e fundos autónomos, incluindo as da Autoridade da Região Administrativa Especial de Oe-cusse Ambeno e da Zona Especial de Economia Social de Mercado de Oe-Cusse Ambeno e Ataúro, a serem financiadas a partir das suas receitas próprias e do Orçamento Geral do Estado, constantes do Anexo III à presente lei, dela fazendo parte integrante;
- (d) O total das despesas correspondentes à dotação do Fundo das Infra-Estruturas para 2015, incluindo saldos transitados e despesas financiadas através do recurso ao endividamento público, constantes do Anexo IV à presente lei, dela fazendo parte integrante;
- (e) O total das despesas correspondentes à dotação do Fundo de Desenvolvimento do Capital Humano para 2015, incluindo saldos transitados, constantes do Anexo V à presente lei, dela fazendo parte integrante.

## **Capítulo II**

### **Receitas**

#### **Artigo 3.º**

##### **Impostos e taxas**

1. Durante o ano de 2015, o Governo está autorizado a cobrar os impostos e taxas constantes da legislação em vigor.
2. Não obstante o disposto no número anterior, em 2015 é suspensa a sujeição de armas e munições, para a PNTL e F-FDTL, a pagamento de imposto selectivo de consumo, nos termos do artigo 11.º e anexo II da Lei n.º 8/2008, de 30 de Junho, (Lei Tributária).

## **Capítulo III**

### **Autorização para transferência do Fundo Petrolífero**

#### **Artigo 4.º**

##### **Limite autorizado para financiamento do OGE**

Nos termos e para os efeitos do disposto no artigo 7.º da Lei n.º 9/2005, de 3 de Agosto, na redação que lhe foi dada pela Lei n.º 12/2011, de 28 de Setembro (Lei do Fundo Petrolífero), o montante das transferências do Fundo Petrolífero para 2015 não excede 1.327,5 milhões de dólares, sendo a transferência de 638,5 milhões de dólares efectuada após o cumprimento do disposto no artigo 8.º e a transferência de 689 milhões efectuada após o cumprimento das alíneas a), b) e c) do artigo 9.º da Lei n.º 9/2005, de 3 de Agosto.

## **Capítulo IV**

### **Constituição de dívida pública, parcerias público-privadas e garantia**

#### **Artigo 5.º**

##### **Montante máximo de endividamento autorizado**

1. Com o objectivo de fazer face às necessidades de financiamento relacionadas com a construção de infra-estruturas estratégicas para o desenvolvimento do País, fica o Governo autorizado, nos termos do artigo 20.º da Lei n.º 13/2009, de 21 de Outubro, alterada pelas Leis n.ºs 9/2011, de 17 de Agosto, e 3/2013, de 7 de Agosto, sobre Orçamento e Gestão Financeira, e do artigo 3.º da Lei n.º 13/2011, de 28 de Setembro, sobre o Regime da Dívida Pública, a recorrer ao endividamento externo concessional até ao montante máximo de 300 milhões de dólares, com um prazo máximo de 40 anos.
2. Sem prejuízo do disposto no número anterior, em 2015 o financiamento proveniente de empréstimos não excede 70 milhões de dólares.

## **Artigo 6.º**

### **Montante máximo autorizado para acordos de parcerias público-privadas**

1. Em 2015, o Governo fica autorizado a assinar acordos de parcerias público-privadas até ao montante máximo de 500 milhões de dólares.
2. Para efeitos do número anterior e da administração e gestão das participações do Estado, é competente a entidade responsável para tal, nos termos da lei.

## **Capítulo V**

### **Execução orçamental**

## **Artigo 7.º**

### **Regras complementares de execução orçamental**

1. A execução orçamental pelos Órgãos deve obrigatoriamente ser feita com recurso ao Sistema Informático de Gestão Financeira, com exceção dos procedimentos relativos às questões de segurança nacional, à Região Administrativa Especial de Oe-Cusse Ambeno e à Zona Especial de Economia Social de Mercado de Oe-cusse Ambeno e Ataúro.
2. Em 2015, a fiscalização da execução orçamental pelo Parlamento Nacional incide particularmente sobre todas as despesas recorrentes.
3. A contratação pública por ajuste direto apenas é permitida a cada Órgão até 10% do total das respectivas dotações orçamentais para 2015, sem prejuízo da observância das normas legais sobre a sua admissibilidade.
4. O disposto no número anterior não se aplica no âmbito do Orçamento das Dotações para Todo o Governo nem aos aprovisionamentos relativos a questões de segurança nacional, à Região Administrativa Especial de Oe-Cusse Ambeno e à Zona Especial de Economia Social de Mercado de Oe-cusse Ambeno e Ataúro.
5. O Parlamento Nacional realiza um debate trimestral, sobre a execução orçamental de cada ministério, secretaria de Estado e serviço e fundo autónomo, com a presença dos respectivos membros do Governo e dirigentes máximos.
6. Quando o saldo da conta do Tesouro for inferior a 200 milhões de dólares, o Governo pode recorrer à transferência do Fundo Petrolífero acima do Rendimento Sustentável Estimado, informando previamente o Parlamento Nacional.
7. Os pedidos de uso da reserva de contingência devem ser devidamente justificados nos termos do n.º 3 do artigo 7.º e do artigo 37.º da Lei n.º 13/2009, de 21 de Outubro, alterada pelas Leis n.ºs 9/2011, de 17 de Agosto, e 3/2013, de 11 de Setembro, sobre Orçamento e Gestão Financeira, e devem conter a descrição detalhada das atividades a realizar.

## **Artigo 8.º**

### **Pagamento de impostos sobre importações**

O Tesouro fica autorizado a estabelecer e implementar um mecanismo de contabilidade para o registo e controlo das receitas e despesas, correspondente ao pagamento de impostos sobre importações efectuadas pelos Órgãos ou em seu nome.

## **Artigo 9.º**

### **Dotações para todo o Governo**

De acordo com os critérios claros e precisos estabelecidos relativamente às despesas públicas, o Governo inscreve no orçamento das Dotações para Todo o Governo as seguintes dotações, cuja gestão fica a cargo do Ministério das Finanças:

- (a) Fundo de Contrapartidas;
- (b) Auditoria Externa;
- (c) Reserva de Contingência;
- (d) Quotas de Membro de Instituições Internacionais;
- (e) Pensões aos Ex-Titulares e Ex-Membros dos Órgãos de Soberania;
- (f) Serviços dos Postos Integrados na Fronteira;
- (g) Fundo de Contribuição às Instituições de Carácter Social;
- (h) Provisão para g7+;
- (i) Serviço de Registo e Verificação Empresarial;
- (j) Secretariado dos Grandes Projectos;
- (k) Provisão para Serviços Legais;
- (l) Conselho Especial para Delimitação Definitiva das Fronteiras Marítimas;
- (m) Presidência da CPLP;
- (n) Contribuição Financeira;
- (o) Provisão para Actividades de Pesquisa Estatística;
- (p) Provisão para Diagnóstico dos Recursos Humanos;
- (q) Reforma Fiscal e Macro-económica;
- (r) Provisão para Capitalização do Banco Central de Timor-Leste;
- (s) Provisão de Fundos para Casa de Saber;
- (t) Provisão para o Centro de Diálogo, Reconciliação e Paz;
- (u) Provisão para a Oficina de Manutenção de Veículos do Governo.



## **Capítulo VI**

### **Serviços e fundos autónomos e fundos especiais**

#### **Artigo 10.º**

##### **Receitas e despesas próprias**

1. As previsões das receitas a serem cobradas pelos serviços e fundos autónomos constam do Anexo I.
2. As receitas resultantes das transferências a partir do OGE para os serviços e fundos autónomos e para os fundos especiais, bem como a previsão das respectivas despesas, constam do Anexo II.
3. Os orçamentos por categoria de despesa relativos aos serviços e fundos autónomos parcialmente financiados por receitas próprias, incluindo a Autoridade da Região Administrativa Especial de Oe-cusse Ambeno e a Zona Especial de Economia Social de Mercado de Oe-Cusse Ambeno e Ataúro, constam do Anexo III.
4. Os Avisos de Autorização de Despesa a favor dos serviços e fundos autónomos, a partir das receitas próprias, só podem ser autorizados após recepção, por parte do Estado, das respectivas receitas, sendo as referidas autorizações obrigatoriamente de valor igual ou inferior.

## **Capítulo VII**

### **Disposições Finais**

#### **Artigo 11.º**

##### **Financiamento através de doadores independentes**

1. Cada Órgão só pode estabelecer acordos com doadores independentes para o fornecimento de recursos adicionais ou complementares ao financiamento contido nas afectações orçamentais na presente lei mediante parecer prévio obrigatório do ministro responsável pela área das Finanças.
2. A gestão do financiamento previsto no número anterior deve ser feita de acordo com as directivas emitidas pelo Ministério das Finanças e com os requisitos dos doadores.

#### **Artigo 12.º**

##### **Responsabilidade**

1. A assinatura de contratos sem cabimento orçamental gera responsabilidade política, financeira, civil e criminal, nos termos do artigo 46.º da Lei n.º 13/2009, de 21 de Outubro, alterada pelas Leis n.ºs 9/2011, de 17 de Agosto, e 3/2013, de 7 de Agosto, sobre Orçamento e Gestão Financeira.
2. Para efeitos de efectivação da responsabilidade financeira prevista no número anterior, considera-se que o titular do cargo político procede, com tal conduta, a um pagamento

indevido, sujeito a condenação em reposição da quantia correspondente, nos termos dos artigos 44.º e seguintes da Lei n.º 9/2011, de 17 de Agosto, na redacção que lhe foi dada pela Lei n.º 3/2013, de 7 de Agosto, que aprova a Orgânica da Câmara de Contas do Tribunal Superior Administrativo, Fiscal e de Contas.

### **Artigo 13.º**

#### **Entrada em vigor**

A presente lei entra em vigor no dia seguinte ao da sua publicação, produzindo efeitos a partir de 1 de Janeiro de 2015.

Aprovada em 18 de dezembro de 2014.

O Presidente do Parlamento Nacional,

Vicente da Silva Guterres

Promulgada em

Publique-se.

O Presidente da República,

Taur Matan Ruak

## ANEXO I

### Estimativa de receitas a serem cobradas e financiamento das despesas do Orçamento Geral do Estado para 2015 (US \$ milhões)\*

Tabela I - Estimativa de receitas

<b>1</b>	<b>Receitas Totais</b>	<b>2,530.5</b>
<b>1.1</b>	<b>Receitas Petrolíferas</b>	<b>2,290.1</b>
1.1.1	Imposto sobre Lucros Petrolíferos	652.3
1.1.2	Impostos do Mar de Timor (incluindo Kitan)	129.1
1.1.3	Imposto sobre o Rendimento	243.3
1.1.4	Imposto sobre Lucros Adicionais	267.9
1.1.5	Outros Impostos e Taxas Petrolíferas	81.8
1.1.6	Juros do Fundo Petrolífero	915.8
<b>1.2</b>	<b>Receitas Não Petrolíferas</b>	<b>162.8</b>
1.2.1	Impostos Directos	45.7
1.2.2	Impostos Indirectos	79.7
1.2.3	Outras Receitas e Taxas	0.2
1.2.4	Taxas e Encargos	37.2
1.2.5	Juros da Conta do Tesouro	0.0
<b>1.3</b>	<b>Doações</b>	<b>-</b>
<b>1.4</b>	<b>Receitas Próprias dos Serviços e Fundos Autónomos</b>	<b>7.6</b>
<b>1.5</b>	<b>Empréstimos</b>	<b>70.0</b>

\*Valores arredondados

Tabela II – Financiamento das Despesas

Receitas não petrolíferas incluindo receitas próprias dos serviços e fundos autónomos	170.4
Transferências do Fundo Petrolífero	1327.5
Empréstimos	70.0
Saldo do Fundo de Desenvolvimento do Capital Humano	2.1
<b>Total</b>	<b>1,570.0</b>

\*Valores arredondados

## ANEXO II

## Dotações Orçamentais para 2015 (US \$'000)

	Salários e Vencimentos	Bens e Serviços	Transferências	Capital Menor	Capital Desenvolvimento	Total das Despesas
<b>Total Despesas Incluindo Empréstimo</b>	<b>179,002</b>	<b>516,256</b>	<b>406,800</b>	<b>26,415</b>	<b>441,526</b>	<b>1,570,000</b>
<b>Total Despesas Orçamento Geral Estado</b>	<b>179,002</b>	<b>516,256</b>	<b>406,800</b>	<b>26,415</b>	<b>371,526</b>	<b>1,500,000</b>
<b>Excluindo Serviços e Fundos Autónomos, Fundos Especiais e Empréstimos</b>	<b>177,345</b>	<b>470,189</b>	<b>406,800</b>	<b>26,370</b>	<b>74,225</b>	<b>1,154,929</b>
<b>Incluindo Serviços e Fundos Autónomos</b>	<b>179,002</b>	<b>475,172</b>	<b>406,800</b>	<b>26,415</b>	<b>74,225</b>	<b>1,161,615</b>
<b>Total Serviços e Fundos Autónomos</b>	<b>1,658</b>	<b>4,984</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>6,686</b>
<b>Total Fundos Especiais</b>	<b>-</b>	<b>41,084</b>	<b>-</b>	<b>-</b>	<b>297,301</b>	<b>338,385</b>
<b>Fundos Especiais - Nova Dotação</b>	<b>-</b>	<b>38,984</b>	<b>-</b>	<b>-</b>	<b>297,301</b>	<b>336,285</b>
<b>Fundos Especiais - Saldo Transitado 2014</b>	<b>-</b>	<b>2,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,100</b>
<b>Total Empréstimo</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70,000</b>	<b>70,000</b>
<b>Empréstimo - Nova Dotação</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,900</b>	<b>58,900</b>
<b>Empréstimo - Saldo Transitado 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,100</b>	<b>11,100</b>
<b>Presidência da República</b>	<b>848</b>	<b>7,360</b>	<b>-</b>	<b>407</b>	<b>200</b>	<b>8,815</b>
Gabinete do Presidente da República	-	750	-	-	-	750
Casa Civil	812	5,024	-	278	200	6,314
Casa Militar	36	879	-	100	-	1,014
Secretariado Técnico Post CAVR	-	708	-	30	-	737
<b>Parlamento Nacional</b>	<b>4,490</b>	<b>8,509</b>	<b>930</b>	<b>1,275</b>	<b>146</b>	<b>15,350</b>
Parlamento Nacional	3,347	2,112	-	16	-	5,475
Gabinete do Presidente do Parlamento	73	572	-	-	-	645
Bancadas Parlamentares	-	-	930	-	-	930
Gabinete do Secretário-Geral do Parlamento	-	113	-	-	-	113
Comissão A	-	272	-	-	-	272
Comissão B	-	117	-	-	-	117
Comissão C	-	243	-	-	-	243
Comissão D	-	176	-	-	-	176
Comissão E	-	225	-	-	-	225
Comissão F	-	254	-	-	-	254
Comissão G	-	60	-	-	-	60
Conselho de Fiscalização Sistema Nacional Inteligência de Timor-Leste (CFSNI-TL)	-	200	-	2	-	202
Conselho Consultivo do Fundo Petrolífero	-	370	-	9	-	379
Grupo Mulheres Parlamentar de Timor Leste	-	125	-	-	-	125
Direcção de Administração	1,070	2,930	-	308	146	4,454
Direcção de Apoio Parlamentar	-	464	-	-	-	464

	Salários e Vencimentos	Bens e Serviços	Transferências	Capital Menor	Capital Desenvolvimento	Total das Despesas
Direcção de Pesquisa e Informação Técnica	-	163	-	-	-	163
Divisão de Tecnologia de Informação Comunicação	-	113	-	940	-	1,053
<b>Primeiro-Ministro</b>	<b>842</b>	<b>12,304</b>	<b>34,474</b>	<b>5,842</b>	<b>34,844</b>	<b>88,306</b>
Gabinete do Primeiro-Ministro	84	-	-	-	-	84
Secretariado do Primeiro-Ministro	24	1,562	-	-	-	1,586
Gabinete da Inspeção-Geral (GIG)	293	695	-	44	-	1,032
Direcção-Geral	10	21	-	-	-	31
Direcção Nacional de Administração e Finanças	104	1,047	-	69	-	1,220
Direcção Nacional de Recursos Humanos	54	64	-	-	-	118
Assessoria da Sociedade Civil	23	306	14,474	-	-	14,803
Residência Oficial do Primeiro-Ministro	-	66	-	-	-	66
Agência de Desenvolvimento Nacional (ADN)	-	2,430	20,000	4,586	34,844	61,860
Comissão Nacional de Aprovisionamento (CNA)	-	3,668	-	101	-	3,769
Serviço Nacional de Inteligência (SNI)	225	1,764	-	912	-	2,901
Agência de Planeamento Estratégico e de Investimento (APEI)	25	682	-	130	-	837
<b>Vice Primeiro-Ministro, Coordenador dos Assuntos Sociais</b>	<b>178</b>	<b>886</b>	<b>700</b>	<b>45</b>	-	<b>1,809</b>
Gabinete do Vice Primeiro-Ministro, Coordenador dos Assuntos Sociais	178	886	700	45	-	1,809
<b>Ministro de Estado e da Presidência do Conselho de Ministros</b>	<b>341</b>	<b>4,421</b>	<b>81,930</b>	<b>18</b>	-	<b>86,710</b>
Gabinete do Ministro	77	708	-	-	-	785
Direcção Nacional de Administração e de Apoio ao Conselho de Ministros	153	1,398	-	-	-	1,551
Direcção Nacional dos Serviços de Tradução	59	226	-	-	-	285
Unidade de Apoio Jurídico	36	533	-	-	-	569
Comissão Ad Hoc Trilateral Timor-Leste, Australia & Indonésia	-	900	-	18	-	918
Centro de Formação e Técnica de Comunicação	6	218	-	-	-	224
Gabinete do Director-Geral	10	93	-	-	-	103
Autoridade Região Administrativa Especial de Oe-cusse (ARAEOA) e Zona Especial de Economia Social de Mercado de Oe-cusse Ambeno e Ataúro (ZEESM)	-	-	81,930	-	-	81,930
Gabinete Porta-Voz do Governo	-	345	-	-	-	345
<b>Secretaria de Estado do Conselho de Ministros</b>	<b>151</b>	<b>900</b>	-	<b>2,596</b>	-	<b>3,647</b>
Gabinete do Secretário de Estado	65	652	-	146	-	863
Gráfica Nacional	86	248	-	2,450	-	2,784
<b>Secretaria de Estado dos Assuntos Parlamentares</b>	<b>88</b>	<b>93</b>	-	-	-	<b>181</b>
Gabinete da Secretária de Estado	88	93	-	-	-	181
<b>Secretaria de Estado da Comunicação Social</b>	<b>247</b>	<b>874</b>	<b>500</b>	<b>350</b>	-	<b>1,971</b>
Gabinete do Secretário de Estado	78	342	160	-	-	579
Direcção de Disseminação de Informação	96	314	130	128	-	668
Centro de Rádio Comunitárias	61	177	210	206	-	654
Direcção Nacional Administração e Finanças	12	41	-	16	-	70
	91					

	Salários e Vencimentos	Bens e Serviços	Transferências	Capital Menor	Capital Desenvolvimento	Total das Despesas
<b>Secretaria de Estado do Fortalecimento Institucional</b>	<b>114</b>	<b>931</b>	<b>500</b>	<b>42</b>	-	<b>1,587</b>
Gabinete do Secretário de Estado	114	931	500	42	-	1,587
<b>Secretaria de Estado para o Apoio e Promoção do Sector Privado</b>	<b>572</b>	<b>2,026</b>	<b>1,513</b>	<b>128</b>	-	<b>4,238</b>
Gabinete da Secretária de Estado	139	915	1,019	84	-	2,157
Instituto de Apoio ao Desenvolvimento Empresarial	427	546	-	10	-	983
Agência Especializada de Investimento	6	565	494	34	-	1,098
<b>Secretaria de Estado para a Promoção da Igualdade</b>	<b>274</b>	<b>1,735</b>	<b>200</b>	<b>93</b>	-	<b>2,302</b>
Gabinete da Secretária de Estado	65	238	-	-	-	303
Direcção-Geral	51	137	-	-	-	188
Direcção Nacional da Administração, Logística e Finanças	52	967	-	93	-	1,112
Direcção Nacional de Política e Desenvolvimento do Género	92	376	200	-	-	668
Inspector e Auditor	14	17	-	-	-	31
<b>Secretaria de Estado da Juventude e do Desporto</b>	<b>481</b>	<b>1,029</b>	<b>6,500</b>	<b>56</b>	<b>595</b>	<b>8,661</b>
Gabinete do Secretário de Estado	65	264	1,020	-	-	1,349
Direcção-Geral	10	17	-	-	-	27
Direcção Nacional de Administração e Finanças	174	620	-	56	595	1,445
Direcção Nacional da Juventude	43	10	703	-	-	756
Direcção Nacional da Educação Física e Desporto	47	22	3,717	-	-	3,786
Direcção Nacional da Política do Desenvolvimento	36	16	413	-	-	465
Direcção Nacional de Comunicação	48	49	305	-	-	402
Direcção Nacional de Arte	31	9	342	-	-	382
Gabinete de Inspeção e Auditoria Interna	27	22	-	-	-	49
<b>Secretaria de Estado para a Política da Formação Profissional e Emprego</b>	<b>1,420</b>	<b>2,844</b>	<b>10,603</b>	<b>439</b>	<b>464</b>	<b>15,770</b>
Gabinete do Secretário de Estado	69	278	-	-	-	347
Inspeção-Geral do Trabalho	189	181	-	-	-	370
Direcção-Geral	120	51	-	-	-	171
Direcção Nacional de Administração e Finanças	247	1,111	-	-	-	1,358
Direcção Nacional do Aprovisionamento	21	32	-	54	464	571
Direcção Nacional da Condição do Trabalho	34	63	-	-	-	97
Direcção Nacional da Prevenção de Risco Profissional	28	56	-	-	-	84
Direcção Nacional da Colocação, Emprego e Protecção do Desemprego	28	35	-	-	-	63
Direcção Nacional da Segurança e Protecção Social	24	33	-	-	-	57
Direcção Nacional da Formação Profissional	114	71	-	-	-	185
Direcção Nacional de Emprego	101	589	10,593	385	-	11,668
Direcção Nacional das Relações de Trabalho	82	64	10	-	-	156
Secretaria de Apoio ao Conselho Nacional de Trabalho	41	29	-	-	-	70
Gabinete de Assistência Jurídica	8	24	-	-	-	32
Instituto Nacional do Desenvolvimento de Mão de Obra	19	66	-	-	-	85

	Salários e Vencimentos	Bens e Serviços	Transferências	Capital Menor	Capital Desenvolvimento	Total das Despesas
Gabinete do Fundo de Emprego e Formação Profissional	10	21	-	-	-	31
Adido do Trabalho na Coreia do Sul	204	73	-	-	-	277
Centro de Formação SENAI	81	68	-	-	-	149
<b>Ministério dos Negócios Estrangeiros e Cooperação</b>	<b>13,438</b>	<b>14,975</b>	-	<b>376</b>	-	<b>28,789</b>
Gabinete do Ministro	41	807	-	-	-	848
Gabinete de Inspecção-Geral e Auditoria	-	200	-	-	-	200
Instituto Diplomático	-	76	-	-	-	76
National Authorizing Officer-NAO	-	77	-	-	-	77
Agência de Cooperação Internacional de Timor-Leste-ACITL	-	232	-	-	-	232
Gabinete do Vice-Ministro	33	226	-	1	-	260
Gabinete do Secretário de Estado para os Assuntos da ASEAN	29	755	-	-	-	784
Direcção-Geral para os Assuntos ASEAN	-	135	-	-	-	135
Secretário-Geral	13,335	3,875	-	67	-	17,277
Desvalorização do Dólar	-	346	-	-	-	346
Celebração dos Dias Nacionais	-	120	-	-	-	120
Direcção-Geral Protocolo	-	60	-	-	-	60
Direcção-Geral para os Assuntos Bilaterais da Ásia e Pacífico	-	536	-	33	-	569
Direcção-Geral para os Assuntos Bilaterais da América, Europa e África	-	101	-	-	-	101
Direcção-Geral para os Assuntos Multilaterais	-	125	-	-	-	125
Direcção-Geral dos Assuntos Consulares e Comunidades Timorenses	-	205	-	-	-	205
Missão Permanente em Nova Iorque	-	430	-	-	-	430
Embaixada – Lisboa	-	285	-	-	-	285
Embaixada – Jacarta	-	226	-	-	-	226
Consulado – Denpasar	-	135	-	-	-	135
Consulado – Kupang	-	36	-	-	-	36
Embaixada – Washington	-	460	-	-	-	460
Embaixada – Canberra	-	214	-	-	-	214
Consulado – Sydney	-	86	-	-	-	86
Consulado – Darwin	-	176	-	-	-	176
Embaixada - Kuala Lumpur	-	223	-	-	-	223
Embaixada – Bruxelas	-	328	-	1	-	329
Embaixada – Banguécoque	-	120	-	1	-	121
Embaixada – Tóquio	-	399	-	-	-	399
Embaixada – Pequim	-	229	-	-	-	229
Embaixada – Maputo	-	183	-	1	-	184
Embaixada – Havana	-	140	-	-	-	140
Embaixada – Manila	-	132	-	-	-	132
Embaixada – Genebra	-	291	-	1	-	292

	Salários e Vencimentos	Bens e Serviços	Transferências	Capital Menor	Capital Desenvolvimento	Total das Despesas
Embaixada – Vaticano	-	213	-	-	-	213
Embaixada – Brasília	-	187	-	67	-	254
Embaixada – Seoul	-	369	-	-	-	369
Embaixada - CPLP/Unesco	-	221	-	1	-	222
Embaixada - Pretória	-	176	-	65	-	241
Embaixada – Luanda	-	216	-	65	-	281
Embaixada - Singapura	-	403	-	-	-	403
Embaixada – Hanói	-	156	-	-	-	156
Agente Consulado Atambua	-	47	-	-	-	47
Embaixada - Londres	-	347	-	-	-	347
Consulado - Wellington	-	210	-	73	-	283
Embaixada - Vienciana	-	105	-	-	-	105
Embaixada - Naypyidaw	-	113	-	-	-	113
Embaixada - Phnom Penh	-	106	-	-	-	106
Embaixada - Bandar Seri Begawan	-	137	-	-	-	137
<b>Ministério da Defesa e Segurança</b>	<b>26,597</b>	<b>40,389</b>	-	<b>4,046</b>	<b>1,316</b>	<b>72,348</b>
<b>Ministro da Defesa e Segurança</b>	<b>72</b>	<b>4,507</b>	-	-	-	<b>4,579</b>
Gabinete do Ministro	72	4,507	-	-	-	4,579
<b>Secretaria de Estado da Defesa</b>	<b>1,048</b>	<b>4,826</b>	-	<b>1,404</b>	<b>654</b>	<b>7,931</b>
Gabinete do Secretário de Estado	57	548	-	-	-	605
Direcção-Geral	14	49	-	-	-	63
Gabinete de Inspeção e Auditoria	27	52	-	-	-	79
Direcção Nacional de Administração e Finanças	32	565	-	-	-	596
Direcção Nacional de Planeamento e Intercâmbio Internacional	832	499	-	4	-	1,335
Direcção Nacional de Aprovisionamento	33	2,949	-	1,400	654	5,036
Direcção Nacional do Património	29	111	-	-	-	140
Direcção Nacional de Recursos Humanos	24	54	-	-	-	78
<b>FALINTIL-Forças de Defesa de Timor-Leste</b>	<b>7,903</b>	<b>11,830</b>	-	<b>160</b>	-	<b>19,893</b>
FALINTIL-Forças de Defesa de Timor-Leste	-	10,387	-	160	-	10,547
Quartel Geral das F-FDTL	7,903	1,443	-	-	-	9,346
<b>Secretaria de Estado de Segurança</b>	<b>4,037</b>	<b>5,026</b>	-	<b>1,406</b>	<b>522</b>	<b>10,991</b>
Gabinete do Secretário de Estado	65	57	-	-	-	122
Direcção-Geral	66	141	-	-	-	207
Gabinete de Inspeção e Auditoria	52	28	-	-	-	80
Direcção Nacional de Administração	130	684	-	1,000	122	1,936
Direcção Nacional de Finanças	58	20	-	-	-	78
Direcção Nacional de Protecção Civil	1,226	631	-	406	400	2,664
Direcção Nacional de Segurança de Edifícios Públicos	1,822	2,281	-	-	-	4,103



	Salários e Vencimentos	Bens e Serviços	Transferências	Capital Menor	Capital Desenvolvimento	Total das Despesas
Direcção Nacional de Prevenção de Conflitos Comunitários	115	258	-	-	-	373
Direcção Nacional de Aprovisionamento	74	35	-	-	-	109
Serviços de Migração-Civil	429	890	-	-	-	1,319
<b>Polícia Nacional de Timor-Leste</b>	<b>13,393</b>	<b>13,396</b>	-	<b>1,034</b>	<b>140</b>	<b>27,963</b>
Direcção Nacional de Administração e Finanças	13,393	4,631	-	663	140	18,827
Unidade Especial da Polícia	-	2,275	-	-	-	2,275
Unidade de Patrulhamento das Fronteiras	-	1,286	-	122	-	1,408
Unidade Marítima	-	1,034	-	1	-	1,035
Comando Nacional de Operações	-	1,101	-	157	-	1,258
Centro da Formação da Polícia	-	1,240	-	91	-	1,331
Região I	-	751	-	-	-	751
Região II	-	500	-	-	-	500
Região III	-	474	-	-	-	474
Região Oe-Cusse	-	104	-	-	-	104
<b>Intituto de Defesa Nacional</b>	<b>145</b>	<b>805</b>	-	<b>42</b>	-	<b>992</b>
Instituto de Defesa Nacional	145	805	-	42	-	992
<b>Ministério das Finanças</b>	<b>4,029</b>	<b>13,580</b>	-	-	-	<b>17,609</b>
Gabinetes da Ministra e da Vice-Ministra	155	-	-	-	-	155
Direcção-Geral dos Serviços Corporativos	1,444	13,580	-	-	-	15,024
Direcção-Geral de Finanças do Estado	374	-	-	-	-	374
Direcção-Geral do Tesouro	291	-	-	-	-	291
Direcção-Geral de Impostos	338	-	-	-	-	338
Direcção-Geral das Alfândegas	672	-	-	-	-	672
Direcção-Geral de Estatística	615	-	-	-	-	615
Unidades Orgânicas do Ministério	142	-	-	-	-	142
<b>Dotações para todo o Governo</b>	-	<b>67,135</b>	<b>23,341</b>	<b>1,148</b>	-	<b>91,624</b>
Fundo de Contrapartidas	-	5,500	-	-	-	5,500
Auditoria Externa	-	3,000	-	-	-	3,000
Reserva de Contingência	-	18,935	-	-	-	18,935
Quotas de Membro de Instituições Internacionais	-	3,655	-	-	-	3,655
Pensões aos Ex-Titulares e Ex-Membros dos Órgãos de Soberania	-	-	5,991	-	-	5,991
Serviços de Postos Integrados na Fronteira	-	806	-	39	-	845
Fundo de Contribuição às Instituições de Carácter Social	-	-	200	-	-	200
Provisão para g7+	-	-	2,500	-	-	2,500
Serviço de Registo e Verificação Empresarial	-	1,102	-	81	-	1,183
Secretariado dos Grandes Projectos	-	1,855	-	40	-	1,895
Provisão para Serviços Legais	-	19,500	-	-	-	19,500
Conselho Especial para a Delimitação Definitiva das Fronteiras Maritimas	-	500	-	-	-	500

	Salários e Vencimentos	Bens e Serviços	Transferências	Capital Menor	Capital Desenvolvimento	Total das Despesas
Presidência da CPLP	-	3,500	-	-	-	3,500
Contribuição Financeira	-	-	4,000	-	-	4,000
Provisão para Actividade de Pesquisa Estatística	-	4,488	-	509	-	4,997
Provisão para Diagnóstico dos Recursos Humanos	-	400	-	-	-	400
Reforma Fiscal e Macro-económica	-	3,200	-	-	-	3,200
Provisão para Capitalização do Banco Central de Timor-Leste	-	-	10,000	-	-	10,000
Provisão de Fundos para a Casa de Saber	-	-	150	-	-	150
Provisão para o Centro de Diálogo, Reconciliação e Paz	-	-	500	-	-	500
Provisão para a Oficina de Manutenção de Veículos do Governo	-	695	-	479	-	1,174
<b>Ministério da Justiça</b>	<b>4,284</b>	<b>19,810</b>	<b>450</b>	<b>426</b>	<b>1,350</b>	<b>26,320</b>
Gabinete do Ministro	78	52	-	-	-	130
Gabinete do Vice-Ministro	65	46	-	-	-	111
Gabinete do Secretário de Estado de Terras e Propriedades	63	39	-	-	-	102
Direcção-Geral	40	197	-	-	-	237
Gabinete de Inspeção e Auditoria	69	85	-	4	-	158
Direcção Nacional de Administração e Finanças	224	15,667	-	12	-	15,902
Direcção Nacional de Assessoria Jurídica e Legislação	97	60	-	-	-	157
Direcção Nacional dos Direitos Humanos da Cidadania	92	92	-	47	-	231
Direcção Nacional dos Registos e do Notariado	525	1,477	-	7	150	2,159
Direcção Nacional dos Serviços Prisionais e Reinserção Social	734	957	-	132	700	2,523
Centro de Formação Jurídica	92	85	-	-	-	177
Defensoria Pública	673	214	-	175	500	1,562
Direcção Nacional de Terras, Propriedades e Serviços Cadastrais	504	681	450	13	-	1,648
Comissão Nacional dos Direitos das Crianças	30	103	-	-	-	133
Polícia Científica de Investigação Criminal	998	55	-	37	-	1,089
<b>Ministério da Saúde Incluindo Serviços e Fundos Autónomos</b>	<b>26,471</b>	<b>27,760</b>	<b>9,972</b>	<b>1,254</b>	-	<b>65,457</b>
<b>Ministério da Saúde Excluindo Serviços e Fundos Autónomos</b>	<b>26,244</b>	<b>27,397</b>	<b>9,972</b>	<b>1,209</b>	-	<b>64,822</b>
Gabinete do Ministro	121	767	-	-	-	888
Gabinete da Vice-Ministra da Ética e Prestação de Serviços	64	139	-	-	-	203
Gabinete da Vice-Ministra para Gestão, Apoio e Recursos	64	147	-	-	-	211
Gabinete de Inspeção, Fiscalização e Auditoria	116	111	-	15	-	242
Direcção-Geral	128	257	-	15	-	400
Direcção Nacional de Administração e Recursos Humanos	1,515	1,787	4,250	15	-	7,567
Direcção Nacional Gestão Finanças e Aprovisionamento	253	935	50	132	-	1,370
Direcção Nacional de Saúde Pública	533	1,386	177	15	-	2,111
Direcção Nacional da Política Planeamento e Cooperação	162	143	995	15	-	1,315
Direcção Nacional de Serviços Hospitalares	279	11,047	4,300	15	-	15,641
Laboratório Nacional	276	265	-	15	-	556

	Salários e Vencimentos	Bens e Serviços	Transferências	Capital Menor	Capital Desenvolvimento	Total das Despesas
Hospital Nacional Guido Valadares	3,716	2,992	-	360	-	7,068
Hospital Referência de Baucau	1,189	1,126	-	186	-	2,501
Hospital Referência de Maliana	744	739	-	186	-	1,669
Hospital Referência de Maubisse	632	634	-	15	-	1,281
Hospital Referência de Suai	627	640	-	15	-	1,282
Serviços Distritais de Saúde de Aileu	1,000	264	-	15	-	1,279
Serviços Distritais de Saúde de Ainaro	904	270	-	15	-	1,189
Serviços Distritais de Saúde de Baucau	1,748	245	-	15	-	2,008
Serviços Distritais de Saúde de Bobonaro	1,240	302	-	15	-	1,557
Serviços Distritais de Saúde de Covalima	1,121	227	-	15	-	1,363
Serviços Distritais de Saúde de Díli	2,415	581	-	15	-	3,011
Serviços Distritais de Saúde de Ermera	1,237	359	-	15	-	1,611
Serviços Distritais de Saúde de Lautém	1,168	349	-	15	-	1,532
Serviços Distritais de Saúde de Liquiçá	990	213	-	15	-	1,218
Serviços Distritais de Saúde de Manatuto	1,243	402	-	15	-	1,660
Serviços Distritais de Saúde de Manufahi	1,020	300	-	15	-	1,335
Instituto de Ciências da Saúde	250	297	-	15	-	562
Serviços Distritais de Saúde de Viqueque	1,424	386	-	15	-	1,825
Gabinete da Ética e Controlo de Qualidade	65	88	200	15	-	368
SAMES (Serviço e Fundo Autónomo)	227	363	-	45	-	635
<b>Ministério da Educação</b>	<b>56,629</b>	<b>40,828</b>	<b>6,300</b>	<b>85</b>	<b>-</b>	<b>103,842</b>
Gabinete do Ministro	75	81	-	-	-	156
Gabinete do Vice-Ministro do Ensino Básico	65	36	-	-	-	101
Gabinete do Vice-Ministro do Ensino Secundário	65	39	-	-	-	104
Gabinete do Vice-Ministro do Ensino Superior e Ciência	65	36	-	-	-	101
Instituto Nacional Ciências Tecnologia	27	27	-	-	-	54
Gabinete do Inspector-Geral	124	59	-	-	-	183
Gabinete da Media Educativa e Serviços Técnico Especial	30	27	-	-	-	57
Direcção-Geral dos Serviços Corporativos	64	52	-	-	-	116
Direcção-Geral do Ensino Superior	31	80	-	-	-	111
Direcção Nacional de Finanças e Logística	303	8,081	-	85	-	8,468
Direcção Nacional dos Recursos Humanos	9,981	209	-	-	-	10,189
Direcção Nacional de Aprovisionamento	43	144	-	-	-	187
Direcção Nacional do Ensino Superior Universitário	612	561	1,750	-	-	2,923
Direcção Nacional do Ensino Superior Técnico	65	141	-	-	-	206
Direcção Nacional de Desenvolvimento das Ciências e Tecnologias	39	71	-	-	-	110
Direcção Nacional de Acção Social Escolar	103	13,147	2,709	-	-	15,959
Direcção Nacional do Currículo e Avaliação Escolar	78	6,939	-	-	-	7,017

	Salários e Vencimentos	Bens e Serviços	Transferências	Capital Menor	Capital Desenvolvimento	Total das Despesas
Direcção Nacional de Educação Pré-Escolar	1,299	150	72	-	-	1,521
Direcção Nacional do Ensino Básico	33,441	3,117	521	-	-	37,079
Direcção Nacional do Ensino Secundário Geral	4,649	518	151	-	-	5,318
Direcção Nacional do Ensino Secundário Técnico-Vocacional	1,192	962	1,097	-	-	3,251
Direcção Nacional do Ensino Recorrente	196	1,177	-	-	-	1,373
Instituto Nacional de Formação de Docentes e Profissionais da Educação (INFORDOPE)	1,369	2,898	-	-	-	4,267
Serviços Distritais de Educação de Díli	401	44	-	-	-	445
Serviços Distritais de Educação de Baucau	189	56	-	-	-	245
Serviços Distritais de Educação de Aileu	171	52	-	-	-	223
Serviços Distritais de Educação de Ainaro	208	47	-	-	-	255
Serviços Distritais de Educação de Bobonaro	259	59	-	-	-	318
Serviços Distritais de Educação de Ermera	177	66	-	-	-	243
Serviços Distritais de Educação de Lautém	169	66	-	-	-	235
Serviços Distritais de Educação de Liquiçá	174	52	-	-	-	226
Serviços Distritais de Educação de Manatuto	146	54	-	-	-	200
Serviços Distritais de Educação de Manufahi	193	58	-	-	-	251
Serviços Distritais de Educação de Covalima	224	61	-	-	-	285
Serviços Distritais de Educação de Viqueque	170	63	-	-	-	233
Agência Nacional para Avaliação e Acreditação Académica (ANAAA)	21	129	-	-	-	150
Direcção-Geral Pré-Escolar e Ensino Básico	26	27	-	-	-	53
Direcção-Geral Ensino Secundário	21	78	-	-	-	99
Direcção Nacional Biblioteca Escolar	34	45	-	-	-	79
Direcção Nacional Média Educativa e Centro de Impressão	65	441	-	-	-	506
Direcção Nacional do Currículo do Ensino Superior	66	523	-	-	-	589
Unidade de Infra-estruturas	-	360	-	-	-	360
<b>Ministério da Administração Estatal</b>	<b>6,139</b>	<b>11,333</b>	<b>24,888</b>	<b>921</b>	-	<b>43,281</b>
Gabinete do Ministro	77	88	-	-	-	165
Gabinete do Secretário de Estado da Descentralização Administrativa	64	1,618	-	-	-	1,682
Direcção-Geral da Descentralização Administrativa	20	31	-	-	-	51
Direcção Nacional do Planeamento e Finanças Municipais	43	35	-	-	-	78
Gabinete do Secretário do Estado do Desenvolvimento Local	64	94	-	-	-	158
Gabinete do Inspector-Geral	61	50	-	-	-	111
Direcção-Geral	14	72	-	-	-	86
Direcção Nacional da Administração e Finanças	78	3,883	-	921	-	4,882
Direcção Nacional de Planeamento, Avaliação e Cooperação Externa	51	51	-	-	-	102
Unidade de Aprovisionamento	21	38	-	-	-	59
Direcção Nacional de Gestão e Recursos Humanos	50	40	-	-	-	90

	Salários e Vencimentos	Bens e Serviços	Transferências	Capital Menor	Capital Desenvolvimento	Total das Despesas
Direcção Nacional de Protocolo e Comunicação Social (DNPCS)	47	51	-	-	-	98
Direcção Nacional de Logística e Informática	65	121	-	-	-	186
Arquivo Nacional	132	83	-	-	-	215
Secretariado Técnico da Administração Eleitoral	342	1,777	-	-	-	2,119
Direcção Nacional do Desenvolvimento Local	77	91	-	-	-	168
Secretariado Técnico do Programa Nacional Desenvolvimento de Sucos (STPNDS)	1,506	663	17,845	-	-	20,014
Direcção-Geral do Desenvolvimento	20	30	-	-	-	50
Direcção Nacional de Apoio a Administração de Sucos	52	100	-	-	-	152
Direcção Nacional da Administração Local	170	39	-	-	-	209
Administração do Distrito de Díli	777	1,186	991	-	-	2,954
Administração do Distrito de Baucau	143	112	904	-	-	1,159
Administração do Distrito de Aileu	342	99	451	-	-	892
Administração do Distrito de Ainaro	130	98	369	-	-	597
Administração do Distrito de Bobonaro	146	113	687	-	-	946
Administração do Distrito de Ermera	380	106	836	-	-	1,322
Administração do Distrito de Lautém	144	106	499	-	-	749
Administração do Distrito de Liquiçá	328	93	388	-	-	809
Administração do Distrito de Manatuto	147	111	379	-	-	637
Administração do Distrito do Manufahi	129	105	440	-	-	674
Administração do Distrito de Covalima	182	119	464	-	-	765
Administração do Distrito de Viqueque	140	106	637	-	-	883
Comissão Instaladora dos Municípios	197	25	-	-	-	222
<b>Ministério do Comércio, Indústria e Ambiente</b>	<b>2,317</b>	<b>14,524</b>	<b>4,800</b>	<b>308</b>	-	<b>21,950</b>
Gabinete do Ministro	77	289	-	-	-	365
Gabinete do Vice-Ministro	65	100	-	-	-	165
Gabinete Secretário Estado do Comércio	63	78	-	-	-	141
Gabinete Secretário de Estado da Indústria e Cooperativas	63	78	-	-	-	141
Gabinete do Secretário de Estado do Meio Ambiente	63	149	-	-	-	212
Gabinete de Auditoria Interna	41	47	-	-	-	88
Gabinete Jurídico	14	275	-	-	-	289
Direcção-Geral Administração e das Finanças	506	3,804	2,630	308.00	-	7,248
Direcção-Geral do Comércio	587	1,511	250	-	-	2,348
Direcção-Geral da Indústria e Cooperativas	312	1,483	1,600	-	-	3,395
Direcção-Geral do Ambiente	374	1,130	270	-	-	1,774
Inspecção Alimentar e Económico	93	302	50	-	-	445
Fundo Segurança Alimentar	60	5,280	-	-	-	5,340
<b>Ministério da Solidariedade Social</b>	<b>1,773</b>	<b>12,760</b>	<b>178,620</b>	<b>298</b>	<b>3,552</b>	<b>197,004</b>
Gabinete da Ministra	78	149	500	-	-	727

	Salários e Vencimentos	Bens e Serviços	Transferências	Capital Menor	Capital Desenvolvimento	Total das Despesas
Gabinete do Vice-Ministro	66	117	-	-	-	183
Gabinete do Secretário de Estado para os Assuntos dos Antigos Combatentes da Libertação Nacional	64	223	-	-	-	287
Gabinete do Secretário de Estado da Segurança Social	63	63	-	-	-	126
Direcção Nacional de Regime Não Contributivo de Segurança Social	96	652	34,920	-	-	35,668
Direcção Nacional Regime Contributivo de Segurança Social	50	462	1,002	-	-	1,514
Inspeção e Auditoria Interna	40	104	-	-	-	144
Direcção-Geral	47	400	-	-	-	446
Centro Regional de Solidariedade Social de Díli	43	73	-	-	-	116
Centro Regional de Solidariedade Social de Baucau	106	141	-	-	-	247
Centro Regional de Solidariedade Social de Bobonaro	99	105	-	-	-	204
Centro Regional de Solidariedade Social de Ermera	76	76	-	-	-	152
Centro Regional de Solidariedade Social de Manatuto	44	51	-	-	-	95
Centro Regional de Solidariedade Social de Manufahi	69	83	-	-	-	151
Direcção Nacional de Administração e Finanças	156	808	-	298	780	2,042
Direcção Nacional de Administração e Recursos Humanos	85	1,018	-	-	-	1,103
Direcção Nacional dos Assuntos dos Antigos Combatentes da Libertação Nacional	137	4,873	129,447	-	2,772	137,229
Direcção Nacional da Assistência Social	165	1,142	860	-	-	2,166
Direcção Nacional de Reinserção Social	134	462	10,892	-	-	11,488
Direcção Nacional de Gestão de Desastres	136	1,112	1,000	-	-	2,248
Centro Nacional de Reabilitação	21	647	-	-	-	668
<b>Ministério das Obras Públicas Incluindo Serviços e Fundos Autónomos</b>	<b>5,375</b>	<b>125,514</b>	<b>1,330</b>	<b>3,475</b>	<b>21,107</b>	<b>156,801</b>
<b>Ministério das Obras Públicas Excluindo Serviços e Fundos Autónomos</b>	<b>4,486</b>	<b>123,846</b>	<b>1,330</b>	<b>3,475</b>	<b>21,107</b>	<b>154,244</b>
Gabinete do Ministro das Obras Públicas	77	793	-	-	-	870
Secretaria de Estado Obras Públicas	63	36	-	-	-	99
Gabinete do Secretário de Estado da Eletricidade	63	41	-	-	-	104
Gabinete do Secretário de Estado de Água, Saneamento e Urbanização	63	25	-	-	-	88
Direcção-Geral dos Serviços Corporativos	314	2,419	1,330	3,475	21,107	28,645
Direcção-Geral das Obras Públicas	1,155	525	-	-	-	1,680
Direcção-Geral da Eletricidade	1,771	117,937	-	-	-	119,708
Direcção-Geral de Água, Saneamento e Urbanização	980	2,070	-	-	-	3,050
Instituto Público Gestão Equipamento (Serviço e Fundo Autónomo)	889	1,668	-	-	-	2,557
<b>Ministério dos Transportes e Comunicações Incluindo Serviços e Fundos Autónomos</b>	<b>1,714</b>	<b>5,181</b>	<b>-</b>	<b>671</b>	<b>2,714</b>	<b>10,280</b>
<b>Ministério dos Transportes e Comunicações Excluindo Serviços e Fundos Autónomos</b>	<b>1,173</b>	<b>2,228</b>	<b>-</b>	<b>671</b>	<b>2,714</b>	<b>6,786</b>
Gabinete do Ministro	73	58	-	-	-	131
	100					

	Salários e Vencimentos	Bens e Serviços	Transferências	Capital Menor	Capital Desenvolvimento	Total das Despesas
Gabinete do Vice-Ministro dos Transportes e Comunicações	69	67	-	-	-	136
Direcção-Geral dos Serviços Corporativos	252	1,489	-	514	500	2,755
Direcção-Geral dos Transportes e Comunicações	716	588	-	157	2,214	3,675
Autoridade da Aviação Civil de Timor-Leste (AACTL)	63	26	-	-	-	89
Administração de Aeroportos e Navegação Aérea de Timor Leste (Serviço e Fundo Autónomo)	374	551	-	-	-	925
Autoridade Portuária de Timor-Leste (Serviço e Fundo Autónomo)	167	2,402	-	-	-	2,569
<b>Ministério da Agricultura e Pescas</b>	<b>6,241</b>	<b>16,420</b>	<b>750</b>	<b>498</b>	<b>3,749</b>	<b>27,658</b>
Gabinete do Ministro	78	70	-	-	-	148
Gabinete do Vice-Ministro	65	65	-	-	-	130
Gabinete do Secretário de Estado das Florestas e Conservação da Natureza	63	60	-	-	-	123
Gabinete do Secretário de Estado das Pescas	63	60	-	-	-	123
Direcção-Geral das Florestas e Pescas	29	25	-	-	-	54
Direcção Nacional da Conservação da Natureza	-	201	-	-	-	201
Direcção Nacional de Gestão Recursos Aquáticos e Inspeção das Pescas	153	116	-	-	-	269
Gabinete do Secretário de Estado da Pecuária	63	60	-	-	-	123
Direcção-Geral da Agricultura e Pecuária	29	25	-	-	-	54
Direcção Nacional de Veterinária	-	402	-	48	-	450
Direcção-Geral dos Serviços Corporativos	29	25	-	-	-	54
Direcção Nacional de Recursos Humanos	97	154	-	-	-	251
Direcção Nacional de Aprovisionamento e Logística	154	505	-	-	-	659
Direcção Nacional de Agro-Comércio	73	118	-	-	-	191
Direcção Nacional da Administração e Finanças	306	568	-	127	-	1,001
Inspeção e Auditoria	33	25	-	-	-	58
Gabinete Jurídico	21	10	-	-	-	31
Direcção Nacional de Pesquisa e Serviços Especiais	210	381	-	-	-	591
Direcção Nacional de Quarentena e Biosegurança	244	176	-	-	-	420
Direcção Nacional de Formação Técnica Agrícola	557	341	-	23	-	921
Direcção Nacional de Política e Planeamento	82	138	-	-	-	220
Direcção Nacional Agricultura e Horticultura	205	4,975	-	-	2,000	7,180
Direcção Nacional de Plantas, Indústria e do Café	126	440	-	-	-	566
Secretariado de Segurança e Soberania Alimentar, Nutricional e Cooperação	50	1,042	-	-	-	1,092
Direcção Nacional de Florestas e Gestão Bacias Hidrográficas	257	254	-	-	-	511
Direcção Nacional de Irrigação e Gestão Utilização de Água	121	568	-	-	1,749	2,438
Direcção Nacional das Pescas e Aquicultura	253	586	-	300	-	1,139
Direcção Nacional de Pecuária	299	1,131	-	-	-	1,430
Direcção Nacional de Apoio ao Desenvolvimento Comunitário Agrícola	139	2,816	750	-	-	3,705
Serviços de Agricultura do Distrito Aileu	109	61	-	-	-	170

	Salários e Vencimentos	Bens e Serviços	Transferências	Capital Menor	Capital Desenvolvimento	Total das Despesas
Serviços de Agricultura do Distrito Ainaro	153	77	-	-	-	230
Serviços de Agricultura do Distrito Baucau	272	100	-	-	-	372
Serviços de Agricultura do Distrito Bobonaro	308	121	-	-	-	429
Serviços de Agricultura do Distrito Covalima	258	107	-	-	-	365
Serviços de Agricultura do Distrito Ermera	165	68	-	-	-	233
Serviços de Agricultura do Distrito Liquiçá	163	77	-	-	-	240
Serviços de Agricultura do Distrito Lautém	260	105	-	-	-	365
Serviços de Agricultura do Distrito Manatuto	165	99	-	-	-	264
Serviços de Agricultura do Distrito Manufahi	252	105	-	-	-	357
Serviços de Agricultura do Distrito Viqueque	281	113	-	-	-	394
Direcção dos Serviços de Agricultura do Distrito de Díli	56	50	-	-	-	106
<b>Ministério do Turismo</b>	<b>857</b>	<b>5,930</b>	<b>1,000</b>	<b>109</b>	<b>768</b>	<b>8,664</b>
Gabinete do Ministro	75	317	-	-	-	392
Gabinete de Inspeção e Auditoria Interna	34	30	-	-	-	64
Gabinete do Secretário de Estado da Arte e Cultura	63	93	-	-	-	156
Direcção-Geral do Turismo	55	86	-	-	-	141
Direcção Regional de Turismo I (Distritos Díli)	-	30	-	-	-	30
Direcção Regional de Turismo II (Distritos de Baucau)	-	30	-	-	-	30
Direcção Regional de Turismo III (Distrito de Ainaro)	-	30	-	-	-	30
Direcção Regional de Turismo IV (Distrito de Ermera)	-	30	-	-	-	30
Direcção-Geral da Cultura	73	287	-	-	-	360
Inspeção-Geral de Jogos	66	65	-	-	-	131
Direcção Nacional dos Museus e Biblioteca	49	32	-	-	-	81
Direcção Nacional do Património Cultural	53	117	-	-	-	170
Direcção Nacional de Artes, Cultura e Indústrias Criativas Culturais	40	46	-	-	-	86
Direcção Nacional de Marketing do Turismo	35	79	-	-	-	114
Direcção Nacional do Plano e Desenvolvimento Turístico	29	97	-	-	768	894
Direcção Nacional de Empreendimentos, Actividades e Produtos Turísticos	39	837	-	-	-	876
Direcção Nacional dos Museus	48	35	-	-	-	83
Academia de Arte e Indústria Criativas Culturais	-	346	-	-	-	346
Gabinete do Direcção-Geral da Administração e Finanças	42	2,484	1,000	-	-	3,526
Direcção Nacional de Administração dos Recursos Humanos	31	73	-	-	-	104
Direcção Nacional de Gestão e Financeira	34	75	-	109	-	218
Direcção Nacional de Aprovisionamento e Logística	47	582	-	-	-	629
Direcção Nacional de Pesquisa e Desenvolvimento	44	29	-	-	-	73
Centro de Convenções de Dili-CCD	-	100	-	-	-	100
<b>Ministério do Petróleo e Recursos Minerais</b>	<b>251</b>	<b>2,146</b>	<b>11,500</b>	<b>9</b>	<b>-</b>	<b>13,906</b>
Gabinete do Ministro	62	585	-	-	-	647



	Salários e Vencimentos	Bens e Serviços	Transferências	Capital Menor	Capital Desenvolvimento	Total das Despesas
Direcção Nacional de Administração e Finanças	136	879	11,500	9	-	12,524
Secretariado TL- EITI	4	465	-	-	-	469
Direcção Nacional de Minerais	49	217	-	-	-	266
<b>Tribunais</b>	<b>1,534</b>	<b>1,717</b>	-	<b>440</b>	<b>1,919</b>	<b>5,610</b>
Conselho Superior da Magistratura Judicial	31	7	-	-	-	38
Tribunal de Recurso	1,162	1,499	-	440	1,919	5,020
Tribunais Distritais	341	212	-	-	-	553
<b>Procuradoria-Geral da República</b>	<b>1,423</b>	<b>1,162</b>	-	<b>136</b>	<b>501</b>	<b>3,221</b>
Procuradoria-Geral da República	1,020	1,089	-	136	501	2,746
Procuradoria Distrital de Baucau	190	30	-	-	-	219
Procuradoria Distrital de Suai	135	26	-	-	-	161
Procuradoria Distrital de Oe-cusse	78	18	-	-	-	96
<b>Provedoria dos Direitos Humanos e Justiça</b>	<b>520</b>	<b>781</b>	-	<b>110</b>	-	<b>1,411</b>
Provedoria dos Direitos Humanos e Justiça	399	692	-	110	-	1,201
Direções Direitos Humanos e Boa Governação	121	89	-	-	-	210
<b>RTTL, EP</b>	<b>734</b>	<b>1,117</b>	-	<b>267</b>	<b>300</b>	<b>2,417</b>
Direcção de Informação	235	68	-	-	-	303
Direcção de Administração e Finanças	151	922	-	60	300	1,432
Direcção de Programação	149	70	-	96	-	314
Direcção de Apoio Técnico	200	56	-	111	-	367
<b>Comissão Nacional de Eleições</b>	<b>542</b>	<b>2,185</b>	<b>6,000</b>	<b>37</b>	-	<b>8,764</b>
Comissão Nacional de Eleições	542	2,185	6,000	37	-	8,764
<b>Comissão Anti-Corrupção</b>	<b>388</b>	<b>929</b>	-	<b>276</b>	-	<b>1,593</b>
Comissão Anti-Corrupção	388	929	-	276	-	1,593
<b>Comissão da Função Pública</b>	<b>1,003</b>	<b>2,148</b>	-	<b>60</b>	-	<b>3,211</b>
Comissão da Função Pública	684	2,064	-	60	-	2,808
Instituto Nacional de Administração Pública	319	84	-	-	-	403
<b>Universidade Nacional Timor Lorosa'e</b>	<b>6,697</b>	<b>2,940</b>	-	<b>174</b>	<b>700</b>	<b>10,511</b>
Universidade Nacional Timor Lorosa'e	6,697	2,940	-	174	700	10,511

**ANEXO III**

**Serviços e Fundos Autônomos parcialmente financiados por receitas próprias dentro do Orçamento Geral do Estado**

	Despesas	Receitas Próprias	Dotação do OGE
<b>ANATL</b>			
Salários e Vencimentos	374		
Bens e Serviços	551		
Transferências Públicas	-		
Capital Menor	-		
Capital de Desenvolvimento	-		
<b>Total</b>	<b>925</b>	<b>2,077</b>	<b>(1,153)</b>
<b>APORTIL (Inc. Berlin Nakroma)</b>			
Salários e Vencimentos	167		
Bens e Serviços	2,402		
Transferências Públicas	-		
Capital Menor	-		
Capital de Desenvolvimento	-		
<b>Total</b>	<b>2,569</b>	<b>5,392</b>	<b>(2,823)</b>
<b>IGE</b>			
Salários e Vencimentos	889		
Bens e Serviços	1,668		
Transferências Públicas	-		
Capital Menor	-		
Capital de Desenvolvimento	-		
<b>Total</b>	<b>2,557</b>	<b>134</b>	<b>2,423</b>
<b>SAMES</b>			
Salários e Vencimentos	227		
Bens e Serviços	363		
Transferências Públicas	-		
Capital Menor	45		
Capital de Desenvolvimento	-		
<b>Total</b>	<b>635</b>	<b>1</b>	<b>634</b>
<b>Total Fundos Autonomos e Serviços</b>	<b>6,686</b>	<b>7,604</b>	<b>(918)</b>
<b>Autoridade Região Administrativa Especial de Oe-cusse Ambeno (ARAEOA) e Zona Especial de Economia Social de Mercado de Oe-cusse Ambeno e Ataúro (ZEESM)</b>			
	Despesas	Receitas Próprias	Dotação do OGE
<b>Total</b>	<b>81,930</b>	<b>-</b>	<b>81,930</b>

**ANEXO IV**

**Dotações Orçamentais para 2015 do Fundo das Infraestruturas (US\$'000)**

<b>Nome do Programas/ Subprogramas</b>	<b>Despesas financiadas por saldo transitado de 2014</b>	<b>Salário e Vencimento</b>	<b>Bens e Serviços</b>	<b>Transferências Públicas</b>	<b>Capital Menor</b>	<b>Capital Desenvolvimento (reforço em 2015)</b>	<b>Total das Despesas</b>
<b>Total Incluindo</b>							
<b>Emprestimos</b>	<b>11,100</b>	-	-	-	-	<b>356,201</b>	<b>367,301</b>
<b>Total Excluindo</b>							
<b>Emprestimos</b>	-	-	-	-	-	<b>297,301</b>	<b>297,301</b>
<b>Total Empréstimos</b>	<b>11,100</b>	-	-	-	-	<b>58,900</b>	<b>70,000</b>
Programa de Agricultura e Pescas	-	-	-	-	-	7,236	<b>7,236</b>
Programa de Água e Saneamento	-	-	-	-	-	5,598	<b>5,598</b>
Programa Desenvolvimento Urbano e Rural	-	-	-	-	-	9,595	<b>9,595</b>
Programa de Edifícios Públicos	-	-	-	-	-	13,713	<b>13,713</b>
Programa de Sistema Financeiro e Suporte de Infraestruturas	-	-	-	-	-	19,135	<b>19,135</b>
Programa do Sector Juventude e Desporto	-	-	-	-	-	2,750	<b>2,750</b>
Programa do Sector Educação	-	-	-	-	-	7,962	<b>7,962</b>
Programa de Electricidade	-	-	-	-	-	57,128	<b>57,128</b>
Programa Informática	-	-	-	-	-	1,400	<b>1,400</b>
Objectivo Desenvolvimento Milénio	-	-	-	-	-	8,500	<b>8,500</b>
Programa do Sector Saúde	-	-	-	-	-	3,996	<b>3,996</b>
Programa de Defesa e Segurança	-	-	-	-	-	11,046	<b>11,046</b>
Sub Programa Segurança	-	-	-	-	-	7,389	<b>7,389</b>
Sub Programa							

Defesa	-	-	-	-	-	3,657	<b>3,657</b>
Programa de Solidariedade Social	-	-	-	-	-	-	-
Programa Desenvolvimento Tasi Mane	-	-	-	-	-	35,081	<b>35,081</b>
Programa de Estradas	-	-	-	-	-	54,800	<b>54,800</b>
Programa de Pontes	-	-	-	-	-	11,317	<b>11,317</b>
Programa de Aeroportos	-	-	-	-	-	19,000	<b>19,000</b>
Programa de Portos	-	-	-	-	-	7,855	<b>7,855</b>
Programa de Desenvolvimento Região Oe-Cusse	-	-	-	-	-	-	-
Programa do Sector Turismo	-	-	-	-	-	1,000	<b>1,000</b>
Preparação de Desenhos e Supervisão-Novos Projectos	-	-	-	-	-	8,189	<b>8,189</b>
Programa de Transportes	-	-	-	-	-	12,000	<b>12,000</b>
Programa de Empréstimos	11,100	-	-	-	-	58,900	<b>70,000</b>

#### ANEXO V

##### Dotações Orçamentais para 2015 do Fundo de Desenvolvimento do Capital Humano (US\$'000)

Nome do Programas/ Subprogramas	Despesas financiadas por saldo transitado de 2014	Salário e Vencimento	Bens e Serviços (reforço em 2015)	Transferência Públicas	Capital Menor	Capital Desenvolvimento	Total das Despesas
<b>Total</b>	<b>2,100</b>	-	<b>38,984</b>	-	-	-	<b>41,084</b>
Formação Profissional	300	-	9,819	-	-	-	<b>10,119</b>
Formação Técnica	100	-	3,698	-	-	-	<b>3,798</b>
Bolsas de Estudo	1,600	-	14,340	-	-	-	<b>15,940</b>
Outros Tipos de Formação	100	-	2,143	-	-	-	<b>2,243</b>
Assistência Técnica para Setor Judicial	-	-	5,010	-	-	-	<b>5,010</b>
Assistência Técnica para Ensino Terciário	-	-	3,974	-	-	-	<b>3,974</b>

## Part 4: Supporting Documentation

### 4.1: Justification for Transfer from the Petroleum Fund



PRIMEIRO  
MINISTRO

Gabinete do  
Primeiro-Ministro

N. ° Ref. GPM/X/2014

Sua Excelência  
Presidente do Parlamento Nacional  
Senhor Dr. Vicente Guterres  
Díli

**Assunto: Justificação da transferência superior ao Rendimento Sustentável Estimado do Fundo Petrolífero**

Excelência,

Na sequência da submissão, para consideração e aprovação do Parlamento Nacional, da Proposta de Lei do Orçamento Geral do Estado para 2015, e dando cumprimento ao estipulado na Lei do Fundo Petrolífero no seu artigo 9.º, venho por este meio apresentar a Vossa Excelência a justificação pela qual se prevê uma transferência superior ao Rendimento Sustentável Estimado do Fundo Petrolífero.

O mandato que nos foi confiado pelo povo timorense para assegurar a governação do país tem sido encarado com elevado sentido de responsabilidade. O cumprimento do programa governativo sufragado constitui assim uma obrigação, pois foi com base nesse programa que merecemos o voto de confiança para implementarmos o Plano Estratégico de Desenvolvimento. Sair da pobreza e transformar Timor-Leste num país de rendimento médio alto, em que os índices de desenvolvimento humano se atingem de forma justa e inclusiva, são os objectivos últimos deste projecto.

A utilização das receitas do petróleo é condição essencial para garantirmos a continuidade deste processo de construção da Nação. Mas o recurso ao Fundo Petrolífero tem de constituir, sempre, um acto de responsabilidade e de transparência.

Palácio do Governo,  
Avenida Presidente Nicolau Lobato,  
261, Díli, Timor-Leste



PRIMEIRO  
MINISTRO

Gabinete do  
Primeiro-Ministro

Os fundos que advêm da exploração dos recursos naturais são património do Estado de Timor-Leste, isto é, de todos nós, e por isso têm e devem ser utilizados em seu prol. Esse tem sido, aliás, o nosso princípio. O estabelecimento do Fundo Petrolífero, e as regras que estão associadas à sua utilização, demonstram o unânime entendimento de que é necessário um uso prudente dos recursos para promover o crescimento económico sustentável do país e a redução da pobreza em todas as suas dimensões, através do Rendimento Sustentável Estimado, mas ao mesmo tempo prevê que possamos recorrer a levantamentos adicionais se estes permitirem responder ao superior interesse nacional a longo prazo.

Como é do conhecimento de Vossa Excelência, o V Governo Constitucional tem proposto nos Orçamentos de Estado anteriores levantamentos acima dos 3% por considerar que estes são essenciais à execução das políticas e das reformas em curso. Refiro-me, em particular, ao dever do Estado de apoiar a população mais pobre, marginalizada e sem recursos para assegurar necessidades básicas, potenciando a sua saída desse círculo vicioso através do acesso à nutrição, à educação e à saúde, mas também à necessidade de se investir no crescimento e diversificação económica do país, criando infraestruturas importantes, formando recursos humanos qualificados e criando postos de trabalho, com vista a conferir progressiva sustentabilidade às políticas sociais.

Esta nossa linha de actuação mantém-se e por isso a proposta de Orçamento Geral do Estado para 2015 reflecte, no nosso entendimento, consistência, na medida em que damos continuidade aos investimentos prioritários, sejam de índole física, humana ou social, mas também prudência, dado que o caminho para a sustentabilidade fiscal exige a contracção das despesas correntes, razão pela qual se propõe apenas o aumento mínimo necessário.

Palácio do Governo,  
Avenida Presidência Nóbrega Soares,  
9800, Timor-Leste



Depois de uma rigorosa avaliação e monitorização das actividades propostas e realizadas em 2014, procedemos aos necessários ajustamentos com vista a conferir maior eficácia e eficiência aos projectos e programas para 2015.

O levantamento adicional previsto nesta proposta de Orçamento Geral do Estado é pois moderado e coerente com a política de antecipação de despesas prevista no Plano Estratégico de Desenvolvimento e que o Governo está a implementar. Esta medida implica levantamentos acima dos 3% do Fundo Petrolífero a curto médio prazo, com vista a financiar projectos de infraestruturas. A médio longo prazo, as infraestruturas criadas vão contribuir para o crescimento económico, que permitirá o aumento das receitas domésticas, o que associado a uma diminuição das despesas a médio prazo, vai permitir que os levantamentos acima do Rendimento Sustentável Estimado caiam para zero.

Assim, estima-se entre 2015 e 2017 um aumento dos levantamentos acima do Rendimento Sustentável Estimado, condição temporária mas essencial para assegurar grandes investimentos na continuação da construção de infraestruturas chave, e uma diminuição progressiva a partir de 2018.

Neste quadro, em que é o Estado a liderar e a potenciar o desenvolvimento económico sustentável do país, temos pois de assumir a responsabilidade sobre o que nos propomos fazer com os dinheiros públicos. Nessa conformidade, o nosso plano de curto prazo, isto é, os projectos e programas que o V Governo Constitucional pretende implementar em 2015, foi elaborado com base na Matriz do Plano Estratégico de Desenvolvimento, ferramenta desenhada para apoiar a implementação das políticas e que nos permite monitorizar, avaliar e responsabilizar pelos resultados.



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A Matriz está organizada de acordo com os sectores estratégicos que correspondem aos quatro pilares do Plano Estratégico de Desenvolvimento:

- Sector Estratégico Social / Capital Social
- Sector Estratégico Infraestruturas / Desenvolvimento Infraestruturas
- Sector Estratégico Económico / Desenvolvimento Económico
- Sector Estratégico Governação / Quadro Institucional

Excelência,

O levantamento adicional acima do Rendimento Sustentável Estimado vai ser canalizado fundamentalmente para continuarmos a implementar o plano de infraestruturas, investimento nuclear para o sucesso das políticas em curso. Gostaria de salientar que o orçamento e o programa político para 2015 são uma etapa não isolada deste processo, antes representam a continuidade das actividades que temos vindo a desenvolver desde que nos munimos de uma estratégia de desenvolvimento que é incontestavelmente um projecto nacional.

No ano em que Timor-Leste assumiu a presidência da CPLP, e em que organizámos a Cimeira de Chefes de Estado em Díli, a Ponte da CPLP foi concluída e inaugurada, uma obra de grande importância para a capital. Mas é nos restantes distritos que enfrentamos agora desafios imensos. O desenvolvimento da Região Administrativa Especial de Oe-Cusse Ambeno, projecto liderado por Sua Excelência o Dr. Mari Alkatiri, Ex-Primeiro-Ministro, e a criação da Zona Especial de Economia Social de Mercado, vão potenciar o desenvolvimento económico e social da região, com particular incidência na melhoria das condições de vida das populações ali residentes. Também não posso deixar de mencionar o projecto de alargamento e recuperação da rede nacional de estradas, o fornecimento e a distribuição de electricidade a todo o país, o projecto do

Palácio do Governo,  
Avenida Francisco Xavier Lobato,  
201, Timor-Leste





PRIMEIRO  
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Tasi Mane e o investimento integrado na costa sul, a construção de portos, designadamente em Tibar e no Suai, e a construção e melhoria das instalações dos aeroportos. Estes são só alguns exemplos do ambicioso plano de infraestruturas a ser implementado que exige um esforço financeiro, e por isso o Fundo de Infraestruturas cresce cerca de 7% face ao ano de 2014, um investimento que é essencial para o desenvolvimento do país, seja a curto, médio ou a longo prazo.

Como oportunamente referi, cabe ao Estado assegurar o fornecimento de bens e serviços essenciais ao desenvolvimento sustentável e inclusivo do país. Refiro-me, nomeadamente, à necessidade de continuarmos a investir na nutrição das nossas crianças e jovens, através do programa da merenda escolar, mas também na saúde da população, através da disponibilização de medicamentos e alimentos aos nossos doentes. Este apoio ao sector social é fundamental para aspirarmos ao progresso da Nação. Devo também salientar que é indispensável para o desenvolvimento do sector económico continuar a financiar o projecto de electrificação, através da aquisição de combustível e da manutenção dos geradores, bem como o serviço de transporte do Berlim Nakroma, que exige investimento em combustível e manutenção, ou a aquisição e fornecimento de sementes aos nossos agricultores. Mais uma vez, são alguns exemplos daquilo que consideramos ser investimentos essenciais que é preciso garantir no Orçamento Geral do Estado para 2015.

Também de irrefutável importância é o programa de transferências públicas através do qual o Estado garante a realização de diversas actividades com um impacto directo na melhoria das condições de vida das pessoas. Refiro-me ao investimento em programas tão diversos como o Programa Nacional de Desenvolvimento dos Sucos, a promoção do emprego rural, a reabilitação de escolas e postos de saúde, a instalação de painéis solares para as comunidades, mas também às pensões para os combatentes da

Palácio do Governo,  
Av. da Paz e da Reconciliação,  
Dili, Timor-Leste



libertação nacional, o apoio aos inválidos, órfãos e sem-abrigo, às ONG, actividades do SISKKA e o novo centro de cardiologia, subsídios para tratamentos no estrangeiro, o centro de bambu, o programa de capacitação de meios de comunicação social e de jornalistas, o programa Uma Matenek para educação de crianças, entre outros. O capital adicional previsto na proposta de Orçamento de Estado para 2015 será pois investido num programa amplo e integrado de desenvolvimento a longo prazo e estas actividades que nos propomos realizar são parte imprescindível do mesmo.

O Governo procedeu ainda a uma análise das despesas do Estado nas rubricas de capital e reduzimos ou eliminámos os gastos considerados ineficazes ou desnecessários. Claro que salvaguardámos, ao mesmo tempo, os investimentos essenciais. Assim, prevemos em 2015 adquirir um navio de passageiros, que irá responder à necessidade de circulação com Oe-Cusse Ambeno, camiões de bombeiros e veículos especiais, o que permitirá aumentar a segurança das populações, equipamentos médicos, incluindo laboratórios, equipamentos de raio-X e camas, o que irá melhorar a prestação de cuidados de saúde no país. Como referi, estamos num contínuo processo de procura do aumento de eficácia sempre tendo em vista realizamos os investimentos que proporcionam um retorno efectivo para o Estado, contribuindo para o desenvolvimento a longo prazo da nação.

Associado ao financiamento que temos de garantir para implementar os grandes projectos acima referidos, temos de continuar a assumir o apoio, num registo de absoluta complementaridade, à formação e qualificação da nossa população. O crescimento e a diversificação da nossa economia, seja pela acção do nosso sector privado, seja pelo investimento externo no país, exigem uma força de trabalho qualificada e apta. O Fundo de Desenvolvimento Capital Humano tem-se revelado uma estratégia acertada para garantimos, de forma justa e equilibrada, o apoio à formação



de quadros. Nessa medida, vamos financiar os programas do Fundo, em particular a formação vocacional, procedendo ao mesmo tempo a uma rigorosa avaliação do impacto dos programas desde 2011 e à preparação de um mapa de recursos humanos por Distrito, sendo o objectivo otimizar este investimento melhorando a relação qualidade-custo dos programas e assegurando maior retorno do mesmo.

Estes investimentos estruturais que temos vindo a realizar, seja no âmbito de realizações físicas, humanas ou sociais, estão também a ser acompanhados pela construção de um quadro legal promotor do desenvolvimento social, económico e institucional do país.

Por exemplo, a aprovação este ano do currículo nacional de base do primeiro e segundo ciclos do ensino básico, do currículo nacional de base da educação pré-escolar e do referencial para as políticas de educação pré-escolar vão permitir-nos melhorar o ensino e preparar as nossas crianças para os desafios que a escola oferece. Já no sector económico, estabelecemos a primeira Zona Especial de Economia Social de Mercado e avançámos com uma importante iniciativa para reforçar o sector privado através da criação da "Investe Timor-Leste", a Agência Especializada de Investimento, cuja missão é promover o investimento privado e as exportações no país. Também a aprovação da Base Política para o Turismo, sector estratégico da economia nacional, tem agora um instrumento essencial para o seu desenvolvimento. O estabelecimento de um centro de formação em turismo e hotelaria e de quatro centros de informação turística previstos para 2015 são já um resultado da operacionalização desta política.

Outra prioridade deste Governo e que tem vindo a ser preparada com rigor é o processo de descentralização administrativa. A realização de eleições municipais em 3 distritos em 2015 é o concretizar de um compromisso por nós assumido e um passo fundamental



PRIMEIRO  
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na melhoria da prestação de serviços públicos à população e na melhor distribuição de recursos pelo país. Também a eleição de chefes de suco constitui sempre um importante reforço do processo de consolidação democrática do país.

Mas o desenvolvimento não é possível se estivermos fechados para o Mundo e por isso tenho de referir ainda o importante papel que Timor-Leste tem desempenhado na cena internacional, sendo absolutamente estratégico continuar a assegurar as condições necessárias para os desafios que enfrentamos no futuro. Pela primeira vez Timor-Leste preside à CPLP e é nosso objectivo encetar o aprofundamento das relações económicas entre os seus estados-membros, mas também contribuir para potenciar oportunidades comerciais na nossa região geográfica da Ásia Pacífico. Continuamos também a reforçar as nossas capacidades e a prepararmo-nos para a integração na ASEAN, um processo em curso e no qual não podemos desinvestir. Um outro Fórum fundamental, o G7+, para o qual temos contribuído de forma clara, seja a nível diplomático, técnico ou financeiro, exige que continuemos a liderar esta iniciativa que granjeia apoio, prestígio e respeito internacionais. Devo mencionar ainda o apoio que Timor-Leste tem dado à Guiné-Bissau, quer a nível técnico, no processo eleitoral realizado com enorme sucesso, quer financeiro, ao contribuímos para assegurar o normal funcionamento das instituições deste Estado irmão e cuja fragilidade exige a nossa contínua atenção e cooperação.

Excelência,

No percurso já percorrido conseguimos assegurar um objectivo central sem o qual não podemos aspirar ao desenvolvimento – um território onde se vive em paz e segurança. Mas compete-nos agora continuar a avançar neste caminho.

Palácio do Governo,  
Av. da Paz/Av. Nicolau Lobato,  
Dili, Timor-Leste





Uma população instruída, saudável e profissionalmente activa, uma administração pública profissional e eficiente, um sector privado forte e capaz, e um país dotado das infraestruturas básicas, são os ingredientes necessários para que a curto médio prazo a necessidade de financiamento pelo Fundo Petrolífero diminua. A economia não petrolífera do país está e vai continuar a crescer porque a diversificação económica começa a ser uma realidade e a sustentabilidade do seu crescimento está em processo de ser assegurada.

Consideramos assim que os grandes investimentos que temos vindo a realizar através do levantamento acima dos 3% do Fundo Petrolífero vão não só catapultar o crescimento económico sustentável do país, mas também permitir o aumento das receitas do Estado por intermédio de uma população activa e de um sector privado vibrante, que em conjunto vão partilhar da responsabilidade de contribuir para a redução do esforço orçamental sob o Fundo Petrolífero.

Mas, como referi, este caminho ainda está a ser trilhado e face às razões acima apresentadas, submetemos à superior consideração do Parlamento a aprovação do levantamento que excede os 3% do Rendimento Sustentável Estimado e desta forma respondermos àquele que é o mais unânime interesse nacional – o desenvolvimento sustentável de Timor-Leste.

Para terminar, junto o "Relatório com a estimativa do montante em que ficará o Rendimento Sustentável Estimado dos exercícios orçamentais subsequentes, por força de transferência a partir do Fundo Petrolífero de montante superior ao Rendimento Sustentável Estimado", cumprindo assim o requisito legal, da alínea b) artigo 9.º da Lei do Fundo Petrolífero, bem como o "Relatório do Auditor Independente que certifique as estimativas de redução do rendimento sustentável estimado", conforme o prescrito na alínea c) do mesmo artigo.



PRIMEIRO  
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Aceite Vossa Excelência a minha mais elevada consideração e estima.

Dili, 13 de Outubro de 2014

Kay Rala Xanana Gusmão

Primeiro-Ministro

Palácio do Governo,  
Avenida Presidente Nicolau Lobato,  
Dili, Timor-Leste

## 4.2: ESI Report 1: Requirement for Transfers from the Petroleum Fund for 2015 ESI



República Democrática de Timor-Leste  
Ministério das Finanças  
Gabinete da Ministerial



*"Seja um bom cidadão, seja um novo herói para a nossa Nação"*

No: 497 / V/GMF / 2014-10

Dili, 8 October 2014

H.E. Kay Rala Xanana Gusmao  
Prime Minister  
Democratic Republic of Timor-Leste

### SUBJECT: REQUIREMENT FOR TRANSFERS FROM PETROLEUM FUND

Excellency,

This report is provided in accordance with Article 8 a) and b) of the Petroleum Fund Law No. 9/2005, of 3<sup>rd</sup> August as amended by Law No. 12/2011, of 28<sup>th</sup> September.

The Estimated Sustainable Income is calculated in accordance with provisions outlined in Schedule 1 of the Petroleum Fund Law.

Estimated Sustainable Income For Financial Year: 2015	Amount (USD) \$638.5 million
Estimated Sustainable Income For preceding Financial Year: 2014	Amount (USD) \$632.3 million

A review of the methodology which the ESI-calculations are based on is included in the Budget 2015.

According to Article 8 c) of the Petroleum Fund Law, the Independent Auditor shall certify the amount of the Estimated Sustainable Income. Please find attached the certification report.

Yours sincerely,

Emília Pires  
Minister

On behalf of Minister of Finance

Santina J.R.F. Viegas Cardoso  
Vice Minister



Edifício 5.1.º Andar,  
Palácio do Governo,  
Dili, Timor-Leste  
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Fax - +670 3331204  
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## 4.3: ESI Report 2: Requirement for Transfers from the Petroleum Fund for medium term ESI



República Democrática de Timor-Leste  
Ministério das Finanças



Gabinete da Ministerial

*"Seja um bom cidadão, seja um novo herói para a nossa Nação"*

No: 498 / V/GMF / 2014-10

Dili, 8 October 2014

H.E. Fernando Lasama de Araujo  
Acting Prime Minister  
Democratic Republic of Timor-Leste

### SUBJECT: REQUIREMENT FOR TRANSFERS FROM PETROLEUM FUND

Excellency,

This report is provided in accordance with Article 9 b) of the Petroleum Fund Law No. 9/2005, of 3<sup>rd</sup> August as amended by Law No. 12/2011, of 28<sup>th</sup> September.

As required in Article 9 b), the table below shows the reduction of Estimated Sustainable Income for Fiscal Years commencing after 2014, as a result of the proposed transfer from the Petroleum Fund of an amount in excess of the Estimated Sustainable Income in 2014:

Fiscal Year	Estimated Sustainable Income Withdrawals in 2015	
	\$638.5 million	\$1327.5 million
2016	653.6	632.4
2017	670.0	648.3
2018	687.4	665.0
2019	705.7	682.7
2020	724.6	701.1
2021	744.0	719.9
2022	763.9	739.1
2023	784.4	759.0
2024	805.5	779.3
2025	827.1	800.2


According to Article 9 c) the Independent Auditor shall certify the estimates of reduction in the Sustainable Income. Please find attached the certification report.

All calculations have been carried out by technical experts in the Ministry of Finance and with external professional assistance.

Yours sincerely,

Emilia Pires  
Minister

On behalf of Minister of Finance

  
Santina J.R.F. Viegas Cardoso  
Vice Minister



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## 4.4: Deloitte Report on the ESI

**Deloitte.**

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Her Excellency Emilia Pires  
Ministry of Finance  
Democratic Republic of Timor-Leste  
Edificio No. 5, Res-do-Cao  
Palacio do Governo, Dili, Timor-Leste

10 October 2014

Dear Minister

### **Report on Factual Findings relating to the estimated reduction in the Estimated Sustainable Income (Article 9)**

In accordance with Contract RDTL 83683 and subsequent addenda we have performed certain agreed upon procedures solely for the purpose of providing a report to the Government of the Democratic Republic of Timor-Leste in accordance with Article 9 (c) of Law 9/2005 *Petroleum Fund Law* as amended by Law 12/2011 *First Amendment to Petroleum Fund Law*. Our engagement was performed in accordance with the International Standard on Related Services (ISRS) 4400 *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*. This report should be read in conjunction with our contract which sets out the basis on which our work was performed.

#### **Scope of work and statement of responsibility**

At your request and agreement, we performed the procedures set out in the table below. The scope of our work was limited solely to those procedures. You are responsible for determining whether the scope of our work is sufficient for your purposes and we make no representations regarding the sufficiency of these procedures for your purposes. If we were to perform additional procedures, other matters might have come to our attention that would be reported to you.

This report should not be taken to supplant any other enquiries and procedures that may be necessary to satisfy the requirements of the recipients of the report.

The procedures we performed did not constitute a review or an audit of any kind and we have not expressed any opinion or drawn any conclusions on the procedures we have performed. We did not subject the information contained in this report or given to us by the Ministry of Finance to checking or verification procedures except to the extent expressly stated below. This is normal practice when carrying out such limited scope procedures, but contrasts significantly with, for example, an audit. The procedures we performed were not designed to and are not likely to have revealed fraud or misrepresentation by the Ministry of Finance. Accordingly, we cannot accept responsibility for detecting fraud (whether by management or by external parties) or misrepresentation by the management of the Ministry of Finance.

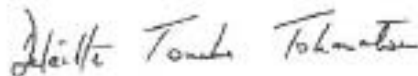
Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited

This report is provided solely for your exclusive use and solely for the purpose of satisfying the requirements Article 9 (c) of Law 9/2005 *Petroleum Fund Law* as amended by Law 12/2011 *First Amendment to Petroleum Fund Law*. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this engagement.

**Procedures and Findings**

Procedures	Findings
<p>1. Obtain the underlying calculations which support the report of Government that is to be provided to Parliament pursuant to Article 9(b).</p>	<p>1. The underlying calculations which support the report of Government to be provided to Parliament pursuant to Article 9(b) were obtained from the Ministry of Finance on 3 October 2014.</p>
<p>2. Agree the calculation methodology to the Estimated Sustainable Income calculation for the Fiscal Year Budget 2014 as previously obtained by Deloitte.</p>	<p>2. The calculation methodology was agreed to that of the Estimated Sustainable Income calculation used for the Fiscal Year Budget 2015 as previously obtained by Deloitte.</p>
<p>3. Obtain the value of the proposed Government transfer being an amount in excess of the Estimated Sustainable Income calculated by the Government for purposes of the Fiscal Year Budget 2014 and agree the value to the updated underlying calculation, which incorporates the proposed Government transfer.</p>	<p>3. A Government transfer of US\$1,327.5 million was advised by the Ministry of Finance to Deloitte and is noted to exceed the Estimated Sustainable Income of US\$638.5 million as previously calculated by the Government for purposes of the Fiscal Year Budget 2015, by US\$689 million. The US\$1,327.5 million was incorporated into the updated underlying calculation.</p>
<p>4. Re-perform the calculation of the estimated reduction in the Estimated Sustainable Income for the Fiscal Years commencing 1 January 2015 that results from the proposed Government transfer from the Petroleum Fund in Fiscal Year 2014.</p>	<p>4. The calculation of the estimated reduction in the Estimated Sustainable Income for future Fiscal Years commencing 1 January 2016 was re-performed without exception. The estimated reduction in the Estimated Sustainable Income in each future year from 2016 to 2025 ranged from US\$21.2 million to US\$26.9 million over the period as set out in Appendix A.</p>
<p>5. Provide a report to Government in accordance with of Law 9/2005 <i>Petroleum Fund Law</i> as amended by Law 12/2011 <i>First Amendment to Petroleum Fund Law</i>.</p>	<p>5. Report herewith.</p>

Yours faithfully



Deloitte Touche Tohmatsu

## Projected future payments

Excess of the Estimated Sustainable Income in 2015:

Fiscal Year	Estimated Sustainable Income Withdrawals in 2015	
	\$638.5 million	\$1,327.5 million
2016	653.6	632.4
2017	670.0	648.3
2018	687.4	665.0
2019	705.7	682.7
2020	724.6	701.1
2021	744.0	719.9
2022	763.9	739.1
2023	784.4	759.0
2024	805.5	779.3
2025	827.1	800.2

Prepared for the  
Government of the Democratic Republic of Timor-Leste  
by the



**MINISTRY OF FINANCE**

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