

# Citizens Budget 2018

## Timor Leste



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



## The 2018 State Budget

The Government of Timor Leste promises to publish a citizen's budget each year to ensure that citizens are informed of the state budget in an accessible format. It is designed by the National Directorate of Budget and seeks to inform citizens of the relevant aspects of the state budget, revenue to be raised and details of expenditure to be made.

The Government of Timor-Leste's policies guided by the Strategic Development Plan are laid out in the Annual State Budget, with the objective of becoming an upper middle income country by 2030.



### What is the State Budget?

The State Budget is a document which includes forecasts of revenue and fixes expenditure for the upcoming year. It is based on government priorities. The Ministry of Finance organizes the 'Journada Orsamental' - a workshop with line ministries to discuss budget preparation for the year. After that all ministries submit their proposals to the Ministry of Finance which are compiled into documents called Pasta Verdes or Green Briefs. These are agreed upon by a Budget Review Committee and are sent to Parliament for discussion. Once the Parliament agrees upon the budget, it is 'enacted' - that is it is the final budget for the upcoming year.

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### INVESTING IN PEOPLE

The government is committed to improve health, education and social security.

#### Education

12% of the recurrent Budget will target the Education Sector. \$1.7 million will be invested in education infrastructure across 20 projects.

\$14.4 million to Municipalities for the School Feeding program, subsidies for schools, and operational costs and services for administrative authorities.

\$2.4 million to the Ministry of Education, Youth and Sport, for various sporting events and youth activities throughout the year.

\$23.9 million to the Human Capital Development Fund for capacity development and scholarships.

#### Social security

Social Security is 21% of the recurrent budget.

\$48.9 million to the Ministry of Social Solidarity and Inclusion towards social programs, including the old age and disability pensions, Bolsa de Mãe, and support to victims of natural disasters.

\$99 million is dedicated to veteran pensions.

#### Health care

\$12.4 million to the Ministry of Health for treatments abroad, primary healthcare and subsidy for Cuban Doctors in Timor-Leste.

\$10.3 million to SAMES to improve healthcare.

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### INVESTING IN INFRASTRUCTURE

Infrastructure allocation in 2018 is 37.8% less than 2017. The budget for the Infrastructure Fund (excluding loans) in 2018 is \$323.6 million across 21 programmes.

The 2018 Infrastructure Fund allocates budget to the roads program (39.8%), the Tasi Mane Development Program (31.15%), and the electricity programme (5%).

\$4.8 million to the Ministry of Public Works for clean water and sanitation programme in rural and urban areas.

\$8 million is allocated to informatics projects under the Infrastructure fund.

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### INVESTING IN ECONOMIC DEVELOPMENT

\$12.1 million to the Ministry of Petroleum and Mineral Resources to support the National Petroleum Authority and Minerals (ANPM), TIMOR GAP and the Institute of Petroleum and Geology (IPG).

\$4.6 million to the Ministry of Justice for its Itania Rai program and the cadastral survey. These are key programs for improving land rights in Timor Leste.

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### GOOD GOVERNANCE

\$6.0 million to the National Electoral Commission in subsidies to political parties. The aim is to develop and strengthen the democratic process in Timor-Leste.

\$1 million to the Whole of Government to support fiscal, management and budget performance reform.

## Macroeconomic assumptions of the State Budget

Real non-oil GDP\* is expected to grow at 0.6% in 2018. This is affected by low growth, political uncertainty, and restrained government expenditure due to the duodecimal system\*\*.

Inflation is expected to remain low and stable at 1.8%. This will contribute to increasing Timor-Leste's competitiveness.

Agriculture prices are expected to increase marginally through 2018 and 2019 but then gradually decrease in future years due to improvements in supply.

Appreciation of the dollar has benefited Timorese consumers as imports have become cheaper. This also makes non-oil exports expensive and can constrain the export sector.

45.5% of total tax is projected to come from direct tax and 54% from indirect tax. Excise duty is the biggest contributor to indirect tax.

Petroleum Wealth for 2018 is estimated to be \$18,345.9 million. Accordingly the 3% ESI is estimated at \$550.4 million for 2018.

Summary	Forecast	Forecast	
%	2017	2018	2019
Real GDP (non-oil)	-5.3	0.6	4.5
Inflation CPI***	0.6	1.8	2.7

\*Real gross domestic product is a measurement of economic output that accounts for the effects of inflation or deflation. In Timor Leste, non oil GDP refers to all GDP that is not derived from the Petroleum Fund.

\*\*A budget system in 2018 which mandated that spending in each month of 2018 could only be equal to 1/12 of each line item appropriation in the 2017 budget. It was created as the initial 2018 presented budget was not passed by Parliament.

\*\*\*A consumer price index (CPI) measures changes in the price level of market basket of consumer goods and services purchased by households.

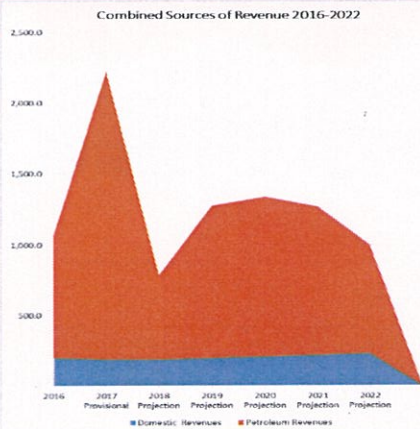
## REVENUE

Total revenue is projected to be \$788.7 million for 2018 with 76% coming from petroleum revenue.

Tax revenues comprise the largest source of domestic revenues in Timor Leste, totalling 67.5% of total domestic revenues in 2017.

In 2018, domestic revenues are expected to be roughly constant to their 2017 level.

This trend is likely due to the weak macroeconomic performance and political environment.



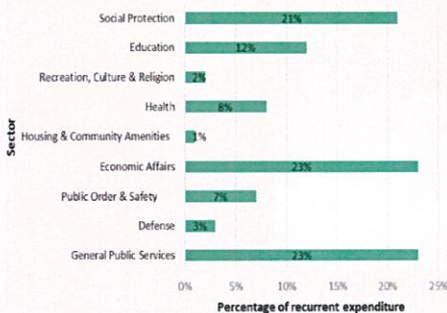
## EXPENDITURE

The 2018 combined sources of the State Budget totals \$1,459.1 million. This includes \$61.6 million in loan-financed projects) and \$181.7 million from development partners. 46% of planned disbursements by development partners is in social capital.

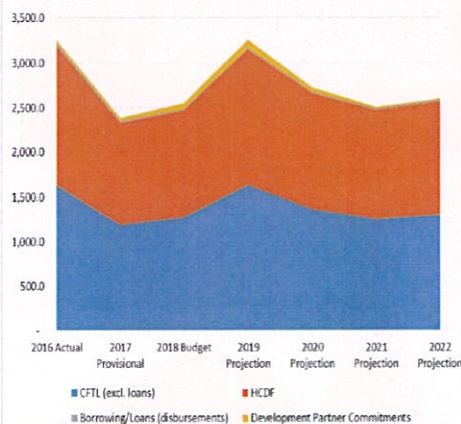
## FISCAL DEFICIT

The total fiscal deficit is \$538.1 million, out of which excess withdrawals from the Petroleum Fund are \$432.1 million. The total amount budgeted to be withdrawn from the PF in 2018 is \$982.5 million. The Government considers that excess withdrawals are

Recurrent expenditure by sector 2018



Combined Sources of Budget 2016-2022



### Other Information

For more information, please see budget books 1-6 (Budget Book1: Budget Overview, Book2: Annual Action Plan, Book3A: Infrastructure Fund, Book3B: Municipalities, Book3C: RAE&A & ZESSM, Book4a and 4b: Budget Line Items, Book5: Development Partners, Book 6: Special Fund—FCDH), which are published on the Ministry of Finance website: [www.mof.gov.tl](http://www.mof.gov.tl).

necessary in the medium term to finance priority capital expenditures.

## LOANS

Total loan financing for 2018 is \$61.6 million. This is a 39.5% reduction compared to the allocation in the 2017 State Budget, although only \$30.1 million of this allocation was actually disbursed in 2017.

### What is the Petroleum Fund?

The Petroleum Fund of Timor-Leste is a sovereign wealth fund into which the surplus wealth produced by Timor Leste petroleum and gas income is deposited by its government.

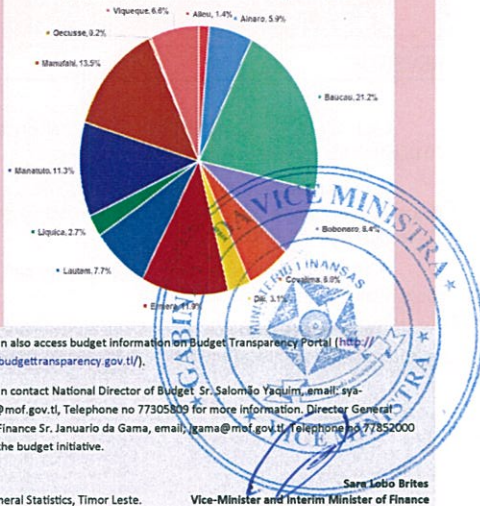
### What is Estimated Sustainable Income (ESI)?

The ESI represents the maximum amount that can be withdrawn from the Petroleum Fund in a fiscal year so as to leave a sufficient Fund balance to be appropriated in all later years. Any withdrawal above this amount is called an "excess withdrawal".

### Funding for Municipality Programmes

The 2018 Budget prioritises funding to municipalities which are the at the frontline of service delivery. They receive funds from Programa Desenvolventu Suku (PNDS) and Programa Desenvolventu Integrada Munisipius (PDIM).

Distribution of PDIM and PNDS funds in Municipalities 2018



You can also access budget information on Budget Transparency Portal (<http://www.budgettransparency.gov.tl/>).

You can contact National Director of Budget, Sr. Salomão Yaculum, email: [sa.yaculum@mof.gov.tl](mailto:sa.yaculum@mof.gov.tl), telephone no 77305809 for more information. Director General of State Finance Sr. Januario da Gama, email: [gama@mof.gov.tl](mailto:gama@mof.gov.tl), telephone no 77852000 leads the budget initiative.