

GFS Vol. 13

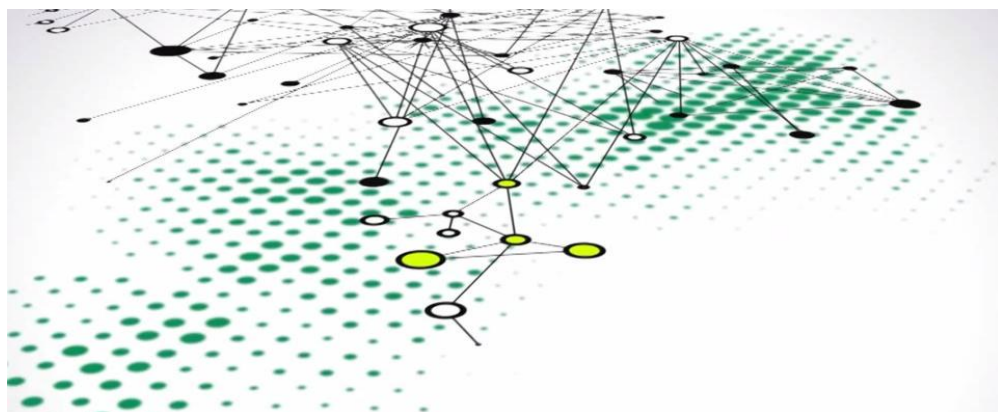


Democratic Republic of Timor-Leste
Ministry of Finance

QUARTERLY FISCAL BULLETIN

January- March 2016

Government Financial Statistics
(GFS)



Executive Summary

At the close of the first quarter of 2016, the General Government of Timor-Leste (GGoTL), including the Petroleum (PF) and Donor fund (DF), ran a net operating deficit of \$5.3 million with net borrowing of \$13.4 million. This is due to declining oil revenues. Without the PF and DF, the GGoTL ran a net operating deficit of \$212.0 million. This shows that the GGoTL is still reliant on the PF to sustain its current level of operations.

*General Directorate of State Finance
National Directorate of Economic Policy
Dili 2016*

1. Revenues

Total revenues for the GGoTL, PF and DF amounted to \$256.0 million by the 31st March 2016. This was divided into \$37.6 million from non-oil revenues, \$210.1 million from oil revenues and \$8.4 million from DF.¹

1.1. Non-oil Revenues

Non-oil revenues are composed of non-oil taxes, grants and other revenue:

Non-oil taxes are the greatest source of non-oil revenue for GGoTL (75.8% of total non-oil revenues) and totalled \$28.5 million at the close of the first quarter of 2016. These are divided into:

Taxes on income, profits and capital gains reached \$9.9 million at the end of the first quarter of 2016 and were -1.9% lower at the end of March 2016 than at the end of March 2015.

Taxes on goods and services were 35.7% higher than the total collected during the first quarter of 2015, reaching \$15.4 million at the end of the first quarter of 2016.

Taxes on international trade and transactions amounted to \$3.0 million by the 31st March 2016. This was 19.5% higher at the end of the first quarter of 2016 than at the end of the same period in 2015.

Other taxes totalled \$0.2 million at the end of the first quarter 2016, compared to \$0.03 million revenues which were collected for this category in the same period of 2015. Other taxes correspond to any tax revenue that is not otherwise classified.

Grants: By the end of first quarter of 2016, \$100.0 million was received in transfers from the PF in the form of the Estimated Sustainable Income (ESI).

Other revenue totalled \$9.1 million by the end of the first quarter 2016, a -10.4% decrease compared to other revenues obtained by the end of March 2015. This was mostly due to lower collection on property income and other sales of goods in 2016 compared to the same period of 2015.

1.2. Development Partner revenues

Revenues in the DF amounted to \$8.4 million at the close of the first quarter of 2016. These are obtained by means of grants received from all development partners.

1.3. Oil Revenues

Oil revenues are the major source of revenues in Timor-Leste (representing 82.0% of total oil and non-oil revenues at the end of first quarter). These are divided into:

Taxes totalled \$56.4 million in the first quarter of 2016, mostly due to income taxes recorded under taxes on income, profits and capital gains. This is a 62% fall compared to Q1 2015.

Other revenue totalled \$153.7 million by 31st of March 2016. This included profit from oil, first tranche petroleum, interest, and trust and dividend income and. Other oil revenues collected fell 24.0% compared

¹ **Abstract** : Petroleum Fund (PF), Donor Fund (DF), General Government of Timor - Leste (GGoTL)

to the end of the March 2015, mostly due to First Tranche Petroleum, which decreased by 70.6% compared to the same period of 2015.

2. Expenses

Expenses incurred by the 31st March 2016 amounted to \$261.3 million, this is a 11.9% increase over Q1 2015. The GGoTL spent \$249.7 million, DF spent \$6.5 million whilst \$5.2 million were expenditures in the PF².

a. General Government Expenditures

Expenditure categories for GGoTL are composed of:

Compensation of Employees totalled \$44.3 million by the 31st March 2015, 5.0% higher than the \$42.2 million spent by the end of the first quarter 2015.

Use of Goods & Services was \$34.5 million during the quarter 2016, 22.5 % lower than the \$45.5 million spent by the end of the first quarter 2015, as part of government policy to reduced unnecessary spending in the government operation services.

Social benefits totalled \$22.2 million in the end of the first quarter of 2016, 21.7% higher than was recorded in the same period of 2015. This was due to an increase in social assistance transfers and personal benefit payment.

Other expenses totalled \$148.6 million at the end of the first quarter of 2016, much higher than the \$105.0 million recorded in the same period of 2015. The increase was strongly affected by a rise in the transfer of public grants which reached \$147.6 million by the end of the first quarter 2015.

b. Donor Fund Expenditures

DF expenditure was \$6.5 million by the end of the first quarter of 2016. This was divided into: \$0.9 million spent on compensation of employees. \$4.5 million spent on use of goods and services and \$1.1 million on other expenses.

c. Petroleum Fund Expenditures

Petroleum Fund expenses reached \$5.2 million on management fees by the end of the first quarter of 2016. In addition to this amount, \$100.0 million was transferred to the GGoTL (in the form of the ESI).

3. Net Operating Balance

By the 31st March, the GGoTL, DF and the PF were running a net operating deficit of \$5.3 million. The net operating deficit for the GGoTL without PF and DF was \$212.0 million, which demonstrates the key role that petroleum revenues play.

The net operating balance is calculated as revenues minus expenses and it shows the Government's ability to sustain its current level of operations, given revenues and expenses.

² The PF transferred \$100 million to the CFTL in grants on top of the \$5.18 million spent on management fees.

4. Net Acquisition of Non-Financial Assets

Net acquisition of non-financial assets records transactions that change GGoTL's holdings of non-financial assets. It is broadly equivalent to capital expenditure as recorded in the Charter of Accounts in Timor-Leste.

Total acquisition of non-financial assets for the GGoTL including DF and PF stood at \$8.1 million at the close of the first quarter of 2016. \$1.9 million was spent by DF and \$6.2 million was spent by the GGoTL (particularly on building, machinery and equipment).

5. Net Lending/Borrowing

Net borrowing for the GGoTL with the PF and DF was \$13.4 million at the end of the first quarter of 2016, taking into account the combination of total revenue, expenditures and acquisition of non-financial assets (Net lending/borrowing is calculated as the difference between revenues and expenditures). This means that the GGoTL with the PF and DF incurred a small deficit, which is due to lower oil revenues.

6. Net Acquisition of Financial Assets

At the 31st March 2016, the net acquisition of financial assets for the GGoTL, DF and the PF was -\$9.0 million. This was composed of two parts: a \$113.8 million deficit in the GGoTL and a \$104.9 million surplus in the PF.

The unrealized market value of financial assets is recorded under Other Economic Flows and reached \$257.4 million the end of the first quarter of 2016. This means that the value of the investments in the PF increased by \$257.4 million, following a \$159 million increase in the share and other equity from Q4 2015. This reflects improving international stock market performance and a strengthening dollar. This is also recorded separately to the net acquisition of financial assets in Table 5 of the annex, as it shows changes in value in PF investments.

7. Net Incurrence of Liabilities

Net incurrence of liabilities totalled \$4.4 million by the 31st March 2016. This shows the disbursements of loans during Q1 2016 by the GGoTL.

8. Final Conclusion

At the close of the first quarter of 2016, the General Government of Timor-Leste (GGoTL), including the Petroleum (PF) and Donor fund (DF), ran a net operating deficit of \$5.3 million with net borrowing of \$13.4 million. This is due to declining oil revenues. Without the PF and DF, the GGoTL ran a net operating deficit of \$212.0 million. This shows that the GGoTL is still reliant on the PF to sustain its current level of operations.

FISCAL BULLETIN TIMOR-LESTE

Government Finance Statistics

Table 1. Accumulated All Statement of Government Operations (GGoTL, PF, DF, Transactions)

Data for 2016, in millions of US dollars.		Consolidated Fund, Infrastructure Fund and Human Capital Fund	Petroleum Fund	Donor Funds	Operations Between Government Units	Total
Revenue	1	137.6	210.1	8.4	-100.0	256.0
Taxes	11	28.5	56.4	0.0		84.9
Taxes on income, profits, and capital gains	111	9.9	53.6	0.0		63.6
Taxes on goods & services	114	15.4	2.8	0.0		18.1
Taxes on international trade & transactions	115	3.0	0.0	0.0		3.0
Other taxes	116	0.17	0.0	0.0		0.2
						0.0
Grants	13	100.0	0.0	8.4	-100.0	8.4
Other revenue	14	9.1	153.7	0.0		162.8
Property income	141	1.0	153.7	0.0		154.6
Other	142-145	8.2	0.0	0.0		8.2
Expense	2	249.7	105.2	6.5	-100.0	261.3
Compensation of employees	21	44.3	0.0	0.9	0.0	45.2
Use of goods & services	22	34.5	5.2	4.5	0.0	44.1
Consumption of fixed capital	23	0.0	0.0	0.0	0.0	0.0
Interest	24	0.0	0.0	0.0	0.0	0.0
Grants	26	0.0	100.0	0.0	-100.0	0.0
Social benefits	27	22.2	0.0	0.0	0.0	22.2
Other expense	28	148.6	0.0	1.1	0.0	149.8
Gross operating balance [1-2+23]	GOB	-112.0	104.9	1.9	0.0	-5.3
Net operating balance [1-2]	NOB	-112.0	104.9	1.9	0.0	-5.3
Net acquisition of nonfinancial assets	31	6.2	0.0	1.9	0.0	8.1
Acquisition of nonfinancial assets	311	6.2	0.0	1.9	0.0	8.1
Buildings & Structures	3111	6.2	0.0	1.1		7.3
Machinery & Equipment	3112	0.0	0.0	0.8		0.8
						0.0
Consumption of fixed capital [=23]	313	0.0	0.0	0.0	0.0	0.0
Net lending / borrowing [1-2-31 = 1-2M]	NLB	-118.3	104.9	0.0	0.0	-13.4
Net acquisition of financial assets	32	-113.8	104.9	0.0	0.0	-9.0
<i>by instrument</i>						
Currency and deposits	3202	-113.84	78.5	0.0	0.0	-35.3
Securities other than shares	3203	0.0	-95.55	0.0	0.0	-95.6
Loans	3204	0.0	0.0	0.0	0.0	0.0
Shares and other equity	3205	0.0	98.4	0.0	0.0	98.4
Other accounts receivable	3208	0.0	23.5	0.0	0.0	23.5
Net incurrence of liabilities	33	4.4	0.0	0.0	0.0	4.4
Loans	3304	4.4	0.0	0.0	0.0	4.4
Other accounts payable	3308	0.0	0.0	0.0	0.0	0.0
<i>Statistical discrepancy [32 - 33 - NLB-]</i>	<i>NLBz</i>	0.0	0.0	0.0	0.0	0.0
<i>Memorandum item:</i>						0.0
Total expenditure [2+31]	2M	255.9	105.2	8.4	-100.0	269.4

Note: Statistical Discrepancy should be zero.

Consumption of fixed capital will have to be calculated from inventory

FISCAL BULLETIN TIMOR-LESTE

Government Finance Statistics

Table 2. Accumulated Statement of Government Operations for the GGoTL

Data for 2015, in millions of US dollars.		Total Quarter 1	Total Quarter 2	Total Quarter 3	Total Quarter 4	Accumulated Total
Revenue	1	137.6	-	-	-	137.6
Taxes	11	28.5	-	-	-	28.5
Taxes on income, profits, and capital gains	111	9.9	-	-	-	9.9
Taxes on goods & services	114	15.4	-	-	-	15.4
Taxes on international trade & transactions	115	3.0	-	-	-	3.0
Other taxes	116	0.2	-	-	-	0.2
Grants	13	100.0	-	-	-	100.0
Other revenue	14	9.1	-	-	-	9.1
Property income	141	1.0	-	-	-	1.0
Other	142-145	8.2	-	-	-	8.2
Expense	2	249.7	-	-	-	249.7
Compensation of employees	21	44.3	-	-	-	44.3
Use of goods & services	22	34.5	-	-	-	34.5
Consumption of fixed capital	23	-	-	-	-	-
Interest	24	-	-	-	-	-
Grants	26	-	-	-	-	-
Social benefits	27	22.2	-	-	-	22.2
Other expense	28	148.6	-	-	-	148.6
Gross operating balance [1-2+23]	GOB	(112.0)	-	-	-	(112.0)
Net operating balance [1-2]	NOB	(112.0)	-	-	-	(112.0)
Net acquisition of nonfinancial assets	31	6.2	-	-	-	6.2
Acquisition of nonfinancial assets	311	6.2	-	-	-	6.2
Buildings & Structures	3111	6.2	-	-	-	6.2
Machinery & Equipment	3112	0.0	-	-	-	0.0
Consumption of fixed capital [=23]	313	-	-	-	-	-
Net lending / borrowing [1-2-31 = 1-2M]	NLB	(118.3)	-	-	-	(118.3)
Net acquisition of financial assets	32	(113.8)	-	-	-	(113.8)
<i>by instrument</i>						
Currency and deposits	3202	(113.8)	-	-	-	(113.8)
Securities other than shares	3203	-	-	-	-	-
Loans	3204	-	-	-	-	-
Shares and other equity	3205	-	-	-	-	-
Other accounts receivable	3208	-	-	-	-	-
Net incurrence of liabilities	33	4.4	-	-	-	4.4
Loans	3304	4.4	-	-	-	4.4
Other accounts payable	3308	-	-	-	-	-
<i>Statistical discrepancy [32 - 33 - NLB-]</i>	NLBz	-	-	-	-	-
<i>Memorandum item:</i>		-	-	-	-	-
Total expenditure [2+31]	2M	255.9	-	-	-	255.9

Note: Statistical Discrepancy should be zero.

Consumption of fixed capital will have to be calculated from inventory

Without PF, GGoTL runs Net Operation deficit US. \$ 835.9 Million which is Total Domestic Revenue minus Total Expenditure

FISCAL BULLETIN TIMOR-LESTE

Government Finance Statistics

Table 3. Accumulated Statement of Government Operations for the Donor Fund

Data for 2015, in millions of US dollars.		Total Quarter 1	Total Quarter 2	Total Quarter 3	Total Quarter 4	Accumulated Total
Revenue	1	8.4	-	-	-	8.4
Taxes	11	0.0	-	-	-	0.0
Taxes on income, profits, and capital gains	111	0.0	-	-	-	0.0
Taxes on goods & services	114	0.0	-	-	-	0.0
Taxes on international trade & transactions	115	0.0	-	-	-	0.0
Other taxes	116	0.0	-	-	-	0.0
Grants	13	8.4	-	-	-	8.4
Other revenue	14	0.0	-	-	-	0.0
Property income	141	0.0	-	-	-	0.0
Other	142-145	0.0	-	-	-	0.0
Expense	2	6.5	-	-	-	6.5
Compensation of employees	21	0.9	-	-	-	0.9
Use of goods & services	22	4.5	-	-	-	4.5
Consumption of fixed capital	23	0.0	-	-	-	0.0
Interest	24	0.0	-	-	-	0.0
Grants	26	0.0	-	-	-	0.0
Social benefits	27	0.0	-	-	-	0.0
Other expense	28	1.1	-	-	-	1.1
Gross operating balance [1-2+23]	GOB	1.9	-	-	-	1.9
Net operating balance [1-2]	NOB	1.9	-	-	-	1.9
Net acquisition of nonfinancial assets	31	1.9	-	-	-	1.9
Acquisition of nonfinancial assets	311	1.9	-	-	-	1.9
Buildings & Structures	3111	1.1	-	-	-	1.1
Machinery & Equipment	3112	0.8	-	-	-	0.8
Consumption of fixed capital [=23]	313	0.0	-	-	-	0.0
Net lending / borrowing [1-2-31 = 1-2M]	NLB	0.0	-	-	-	0.0
Net acquisition of financial assets	32	0.0	-	-	-	0.0
<i>by instrument</i>		0.0	-	-	-	0.0
Currency and deposits	3202	0.0	-	-	-	0.0
Securities other than shares	3203	0.0	-	-	-	0.0
Loans	3204	0.0	-	-	-	0.0
Shares and other equity	3205	0.0	-	-	-	0.0
Other accounts receivable	3208	0.0	-	-	-	0.0
Net incurrence of liabilities	33	0.0	-	-	-	0.0
Loans	3304	0.0	-	-	-	0.0
Other accounts payable	3308	0.0	-	-	-	0.0
<i>Statistical discrepancy [32 - 33 - NLB]</i>	NLBz	0.0	-	-	-	0.0
<u>Memorandum item:</u>		0.0	-	-	-	0.0
Total expenditure [2+31]	2M	8.4	-	-	-	8.4

Note: Statistical Discrepancy should be zero.

Consumption of fixed capital will have to be calculated from inventory

FISCAL BULLETIN TIMOR-LESTE

Government Finance Statistics

Table 4. Accumulated Statement of Government Operations for the Petroleum Fund

Data for 2015, in millions of US dollars.		Total Quarter 1	Total Quarter 2	Total Quarter 3	Total Quarter 4	Accumulated Total
Revenue	1	210.1	-	-	-	210.06
Taxes	11	56.4	-	-	-	56.4
Taxes on income, profits, and capital gains	111	53.6	-	-	-	53.6
Taxes on goods & services	114	2.8	-	-	-	2.8
Taxes on international trade & transactions	115	0.0	-	-	-	0.0
Other taxes	116	0.0	-	-	-	0.0
Grants	13	0.0	-	-	-	0.0
Other revenue	14	153.7	-	-	-	153.7
Property income	141	153.7	-	-	-	153.7
Other	142-145	0.0	-	-	-	0.0
Expense	2	105.2	-	-	-	105.2
Compensation of employees	21	0.0	-	-	-	0.0
Use of goods & services	22	5.2	-	-	-	5.2
Consumption of fixed capital	23	0.0	-	-	-	0.0
Interest	24	0.0	-	-	-	0.0
Grants	26	100.0	-	-	-	100.00
Social benefits	27	0.0	-	-	-	0.0
Other expense	28	0.0	-	-	-	0.0
Gross operating balance [1-2+23]	GOB	104.9	-	-	-	104.9
Net operating balance [1-2]	NOB	104.9	-	-	-	104.9
Net acquisition of nonfinancial assets	31	0.0	-	-	-	0.0
Acquisition of nonfinancial assets	311	0.0	-	-	-	0.0
Buildings & Structures	3111	0.0	-	-	-	0.0
Machinery & Equipment	3112	0.0	-	-	-	0.0
Consumption of fixed capital [=23]	313	0.0	-	-	-	0.0
Net lending / borrowing [1-2-31 = 1-2M]	NLB	104.9	-	-	-	104.9
Net acquisition of financial assets	32	104.9	-	-	-	104.9
<i>by instrument</i>						
Currency and deposits	3202	78.5	-	-	-	78.5
Securities other than shares	3203	-95.6	-	-	-	-95.6
Loans	3204	0.0	-	-	-	0.0
Shares and other equity	3205	98.4	-	-	-	98.4
Other accounts receivable	3208	23.5	-	-	-	23.5
Net incurrence of liabilities	33	0.0	-	-	-	0.0
Loans	3304	0.0	-	-	-	0.0
Other accounts payable	3308	0.0	-	-	-	0.0
<i>Statistical discrepancy [32 - 33 - NLB-]</i>	NLBz	0.0	-	-	-	0.0
<i>Memorandum item:</i>		0.0	-	-	-	0.0
Total expenditure [2+31]	2M	105.2	-	-	-	105.2

Table 5. Analytical Framework for the Petroleum Fund

	2015				2016
	Q1	Q2	Q3	Q4	Q1
Opening Balance	16,538.6	16,824.9	16,870.1	16,444.7	16,491.3
Net Acquisition of Financial Assets	133.3	156.3	98.9	(112.4)	104.9
Other Economic Flows	153.1	(111.1)	(524.3)	159.0	257.4
Closing Balance	16,824.9	16,870.1	16,444.7	16,491.3	16,853.6
<i>Statistical discrepancy</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>

Terminology

Compensation of employees are remuneration in cash or kind, payable to an employee in return for work done and social insurance contributions made by a general government unit on behalf of its employees. Compensation of employees is incurred on a monthly basis in Timor-Leste.

Expenses include all transactions that decrease the net worth of the general government sector. Expenditures are financed from the ESI, excess withdrawals from the Petroleum Fund, loans or the use of cash balance.

General Government of Timor-Leste is the combination of the Consolidated Fund (CFTL), Human Capital and Development Fund (HCDF) and the Infrastructure Fund in Timor-Leste.

Grants: are non-compulsory current or capital transfers from one government unit to another government unit or an international organization. These are divided into estimated sustainable income (ESI) and excess withdrawals.

Gross Operating Balance is the revenue minus expenses other than consumption of fixed capital. It indicates whether the government is able to sustain its current level of operations and ideally should portray a surplus. However consumption of fixed capital is not measured in Timor-Leste, therefore Gross Operating Balance is equal to Net Operating Balance.

Net incurrence of financial assets: transactions that increase a unit's holdings of financial assets (when taking into consideration the liabilities of financial assets). Financial assets are understood as financial claims, monetary gold, and Special Drawing Rights (SDRs) allocated by the IMF.

Net incurrence of liabilities: Transactions that increase net financial liabilities, where financial liabilities are defined as obligations to provide economic benefits to the units holding the corresponding financial claims.

Net lending/borrowing is a balancing item defined as the net acquisition of all financial assets less the net incurrence of all liabilities from transactions. It is thus a summary measure indicating the extent to which GGoTL is either putting financial resources at the disposal of other sectors in the economy or utilizing the financial resources generated by other sectors.

Net Operating Balance is equal to revenue minus expenses and indicates whether the government is able to sustain its current level of operations.

Other Revenue includes a variety of forms of revenue earned by GGoTL including property income, sales of goods, fines & penalties and other miscellaneous revenue.

Revenues are all transactions that increase the net worth of general government sector and exclude domestic and external borrowing. Revenues tend to increase during the last period of the year, due to the collection of accumulated taxes.

Social benefits are current transfers to households to provide for needs arising from events such as sickness, unemployment, retirement, housing or family circumstances.

Taxes on goods & services are taxes levied on the production, extraction, sale, transfer, leasing or delivery of goods and rendering of services.

Taxes on income, profits, and capital gains are composed of corporate taxes in Timor-Leste.

Taxes on international trade & transactions include sales tax and other import duties in Timor-Leste.

Transactions in financial assets and liabilities record financial transactions. I.e. they record transactions that change a government's holdings of financial assets and liabilities. In Timor-Leste financial assets are all composed of currency and deposit.

Transactions in nonfinancial assets and liabilities record transactions that change a government's holdings of nonfinancial assets. In Timor-Leste these assets are classified as Buildings & Structures and Machinery & Equipment.

Use of goods & services includes total value of goods and services purchased by the general government sector for use in a production process or acquired for resale less the net change in inventories of those goods and services.