LUSA articles on proposed 2017 State Budget from LUSA, 14-17 October 2016

Unofficial translations from Portuguese by La'o Hamutuk

2017 Timorese budget will be $1.39 billion, the lowest in seven years

LUSA, 14 October 2016, 20:03

The proposed State Budget for Timor-Leste for 2017 foresees spending of $1.39 billion, the lowest since 2010, and revenues of $1.41 billion, the Deputy Minister of Finance told Lusa.

The total expenditure includes, as Hélder Lopes explained to Lusa, $101.8 million corresponding to the application of loans already contracted in the past by the Timorese Government and that will be applied in 2017 to "fund ongoing projects."

This value of $101.8 million, is part of a multi-year application loan package that the executive signed in the past, amounting to about $320 million.

Specifically, the budget text provides for total expenditure of $1,386,826,000 - a reduction of more than $566 million or almost 29% compared to the rectified 2016 budget and the lowest figure since 2010 when the government budgeted almost $838 million.

"It's a significant drop compared to the value of the 2016 budget due to several considerations, including the fact that it is an election year. With the 2007 and 2012 election years experience, we know that execution is always less," he told Portuguese deputy Minister of Finance.

Hélder Lopes explained that financial sustainability, execution capacity, the priorities set by the executive, and the desire to "not overheat the economy" were other factors that dominated the design of the public accounts policy for next year.

The text with the budget proposal for next year was presented by the Government to the National Parliament on Thursday afternoon and must be formally admitted to the plenary next week, because there are still some supporting documents.

In terms of spending, the budget foresees spending on wages of $208.85 million, in goods and services $395.8 million, $11.87 million in minor capital and $349 million in development capital (of which $101.8 million is from loans).

The volume of public transfers will be $421.27 million (it was $476 million in 2016), with the reduction due in large part to lower transfers to the Special Social Market Economy Zone of Oecusse and Atauro (ZEESM) which come down from $218 million in 2016 to $172.1 million next year.

Among public transfers in 2017 which have become even larger are $153.3 million for the Ministry of Social Solidarity, especially for payment of pensions to veterans and other social assistance programs, and $16 million to the Ministry of Petroleum and Mineral Resources for the three institutions in the sector, the ANPM, Timor Gap and IPG.

With regard to income, the government expects $1,414 million in revenue to State coffers, of which about $1.1 billion will come from the oil sector (including profit oil taxes on Timor Sea oil and gas, income taxes, additional profit tax, other taxes and oil royalties and return on investment, including the Petroleum Fund).

Non-oil revenues total $206.2 million from taxes, customs duties, fees and charges and autonomous agencies, including ZEESM.

The Government allocated a total of $14.25 million for the presidential and legislative elections of 2017, applying for the first time next year agreements signed with the Concordat with the Holy See, as regards the support given to the Catholic Church.

In total, state support to the Church in Timor-Leste will be around $15.5 million, of which $6.5 million will be transferred to the Bishops Conference and $9 million in public funds will support several church activities, including educational areas, throughout the year.

Asked whether the fact that the budget for 2017 is more conservative may gain greater approval of the President - who vetoed the accounts for 2016 - Helder Lopes said he preferred not to comment on political issues.

“From the point of view of the public budget perspective, this is a more realistic budget, considering it is an election year. We have to be realistic and think about what we can actually do in 2017,” he said.

Today, less than three months before the end of the year, the current budget execution rate (payments actually made) of the Timorese public accounts was less than 50%, totaling just $917 million.

Transparency Portal data confirm that the running total of payments already made and obligations (contracted but not yet paid) is $1.14 billion or 58.5% of the total budget ($1.95 million).

It is recalled that in July the government approved an amending budget to add about $391 million, intended to pay state debts, cover insufficient allocations for large projects and other aspects.

This increased the budgeted spending for 2016 from $1.5 to $1.9 billion.

Timorese budget back up in 2018 and will reach record high next year

17 October 2016, 13:45

Dili 17 out (Lusa) - The budget of the Timorese State, which in 2017 will be the most conservative in seven years, is expected to increase in 2018 and reach a record $2.48 billion in 2019, according to Government forecasts.

The forecasts are made in the government “fiscal outlook” for next year, Book 1 of the public accounts, to which the Lusa had access, which foresees unprecedented spending on public accounts of the country between 2018 and 2021.

The budget will be $2.27 billion in 2018 and $2.48 billion in 2019, then fall to $2.14 billion in 2020 and $1.95 billion in 2021, the same as the revised budget this year.

A growth trend has been observed over many years, and it seems to be interrupted only in 2017, when by many factors, and as explained to Lusa by the Deputy Minister of Finance, the spending will be more conservative, around $1.39 billion.

Hélder Lopes explained that financial sustainability, implementation capacity, priorities set by the executive and the desire “not to overheat the economy” were other factors that dominated the design of the policy of public accounts for next year.

The trend of increased spending will have an increasingly greater impact on the Petroleum Fund, with withdrawals over the Estimated Sustainable Income (ESI) to a record of $1.34 billion in 2019.

Non-oil revenues will register a progressive increase over the years - growing from $171.4 million in 2016 to $206.2 million next year, and to $263.3 million in 2021. The growth is, however, insufficient to keep up with spending.

The dwindling value of the Petroleum Fund - due to less oil and lower dividend income - implies that withdrawals will increase at the same time the level of ESI is to fall.

The ESI was $787 million in 2013 and drops to only $419.6 million in 2019 (down 46.7%) when, in the same period, withdrawals rise from $844 million to $1,576 million, or 86.7% more.

Another trend is the gradual reduction in the support of development partners, which in 2017 will have a cut of about $50 million, up from this year to $156.6 million, and which will fall to disappear altogether in 2021.

In terms of new loans, the Timorese State has budgeted $101.8 million in 2017, $310.7 million in 2018 and $460.8 million in 2019, the highest in the analyzed period.

Loans go down in the next two years, according to the same document.

Overall, the draft state budget for 2017 envisages expenditure of $1.39 billion, the lowest appropriation since 2010, and revenues of $1.41 billion.

The total expenses includes, according Hélder Lopes, $101.8 million corresponding to loans already contracted in the past by the Timorese Government which will be applied in 2017 to "fund ongoing projects."

The budget provides for spending of $208.85 million for wages, $395.8 million for goods and services, $11.87 million for minor capital and $349 million for development capital (including here $101.8 million in loans).

The volume of public transfers will be $421.27 million (it was $476 million in 2016), with the reduction due in large part to lower transfers to the Special Social Market Economy Zone (ZEESM) of Oecusse and Atauro which come down from $218 million in 2016 to $172.1 million next year.

Among the large public transfers in 2017 are $153.3 million for the Ministry of Social Solidarity, especially for payment of veteran's pensions and other social assistance programs, and $16 million to the Ministry of Petroleum and Mineral Resources for the three institutions of the sector, the ANPM (National Petroleum and Minerals Authority), Timor Gap and IPG.

The government expects revenues to state coffers than $1,414 billion, of which about $1.1 billion will come from the oil industry (including taxes on Timor Sea profit oil, income and on additional profits, other taxes and oil rates and return on investment, including the Petroleum Fund).

Non-oil revenues will total $206.2 million from taxes, customs duties, fees and charges and autonomous agencies, including ZEESM.

ASP // MP

Timorese government debt was $59.7 million by July

17 October 2016, 16:12

The public debt of East Timor reached $59.7 million at the end of July due to the implementation of the first phase of seven loan packages signed by the Government "to date", the budget documents for 2017 reveal.

According explains the Budget Overview book accompanying the draft State Budget for 2017 to which Lusa had access today, the state signed in total loans worth $321 million.

These support packages "are designed to support infrastructure projects with high social and economic returns" and are spent "directly by the process of the projects", some of which are still at an early stage.

The Government explains that in 2017, "it was agreed to a cap of $500 million in loans over a maximum period of 40 years."

The loan packages were made in order to reduce pressure on the excessive withdrawals from the Petroleum Fund, the main source of income for public accounts.

Specifically, they are intended for, among other projects, improvements to several roads and drainage infrastructure in the Timorese capital.

Thus, according to the Government, total loans taken out in 2017 will be $101.8 million, $310.7 million in 2018 and to $460.8 million in 2019, falling to $317.8 million in 2020 and $218.2 million in 2021.

The draft State Budget of Timor-Leste for 2017 foresees spending of $1.39 billion, the lowest since 2010, and revenues of $1.41 billion.

Timorese budget for 2017 confirms the final years of oil revenues from the Timor Sea

17 October 2016, 22:30

The budget estimates the Timorese Government show a significant reduction of oil revenues in the coming years, which compared to 2015 are expected to fall to nearly a quarter in 2017.

With the non-oil Timorese economy still incipient, most of the state budget is financed by withdrawals from the Petroleum Fund, where the fall in oil prices and oil production, along with lower dividends if It has been pointed out in recent years.

The Government's accounts are presented in the "Budget Overview" book accompanying the proposed State Budget for 2017 to which Lusa had access today, which confirmed a scenario of 'exhaustion' of production in the Timor Sea.

Oil revenues from the Bayu-Undan and Kitan wells, which were $978.9 million last year, dropped to less than a third this year ($316.6 million) and should fall further, to $263.4 million in 2017.

This means that in two years, direct oil revenues' royalty and taxes - excluding dividends from the Petroleum Fund - will fall more than 73% in 2017, down to one-third ($82.5 million) in 2018.

In the same downward trend, despite the slight increase expected in 2017, is the return on investment of the Petroleum Fund, which in 2017 should amount to $842.9 million and in 2018 dropped to $824.1 million.

The data show that the previous government forecasts were too ambitious, since this year, for example, in the 2016 State Budget, the government forecast an average price of $64.7 per barrel of oil during 2016, but has now revised this forecast downwards to $42.7.

With the end of production of the Kitan field last year, attention is turning to the Bayu-Undan field, where the government has also revised lower production forecast, showing that the peak was reached in 2011 and that since then "It has been declining, to cease in 2020".