Briefing for Civil Society
General State Budget

25 January 2013

By La’o Hamutuk
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Topics to discuss

- Overview of state budget
- Consequences of petroleum dependency
- Economic justice
- The Infrastructure Fund: past and future
- Six books about GSB 2013, and other sources
- La’o Hamutuk’s submission to Parliament
Basic Concepts

- Reseita/Revenue/Rendimentu
- Despesas/Expenditure/Gastus
- Transferénsia/Transfers
- Virement
- Gap or Deficit
- Carry Over
- Sustentaveis/Sustainable/Sustentavel
- Investment vs. spending
- Public debt
- Inflation

State Revenues and Expenditures (including auton. agencies)

The narrow bars show revenues from various sources.
The yellow and red striped area is loans which must be repaid in the future.
The blue part shows unspent money carried over from the previous year to be spent this year.
The green part is non-oil revenue from taxes, fees and autonomous agencies.
Most financing is from the Petroleum Fund (pink and purple), with the darker purple showing the Estimated Sustainable Income (ESI).
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Allocation of the 2013 State Budget ($1,798 million US Dollars)

- Infrastructure $882 million (49%)
- Governance $212 million (12%)
- Services $211 million (12%)
- Benefits $276 million (15%)
- Development $73 million (4%)
- Security $100 million (6%)
- Other $44 million (2%)

Graphic by La'o Hamutuk based on proposed 2013 State Budget Appropriations. December 2012

Last year’s original budget

Allocation of the 2012 State Budget ($1,674 million US Dollars)

- Infrastructure $894 million (53%)
- Governance $179 million (11%)
- Services $374 million (23%)
- Benefits $246 million (15%)
- Development $57 million (3%)
- Security $87 million (5%)
- Other $39 million (2%)

Graphic by La'o Hamutuk based on 2012 State Budget Appropriations. February 2012

Original budget, does not includes changes from the mid-year rectification.
• Most people live by subsistence agriculture.

• Many farms are on the south coast.

• The budget only allocates $36 million (2.0% of GSB 2013) for agriculture, compared with $26m in the 2012 rectified budget.

Sources of GSB 2013 (million USD)

- ESI from Petroleum Fund, $787, 44%
- Carryover, $410, 23%
- Above ESI from Petroleum Fund, $411, 23%
- Taxes, $106, 6%
- User fees, $18, 1%
- Autonomous agencies, $23, 1%
- Borrowing, $44, 2%
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25-Jan-13

T-L Depends on money from oil

- 2013 State Budget: $1,798 million
  $1,198 million (67%) will come from the Petroleum Fund in 2013.
  Maizumenus t$400 (22%) comes from the PF in the past and future.

- Non-oil GDP in 2013: $1,507 million

- GNI in 2013: $4,304 million
  $2,309 million comes from exporting non-renewable oil and gas. Together with $489 million from Petroleum Fund investments, this is 65% of our entire national economy, and 95% of State income.

  Oil revenues will fall every year and could end in 2024.

- State activities, paid for with oil money, are about half of our “non-oil” economy, because this money circulates in the local economy.

- Oil revenues don’t provide jobs or money for people – they all go to the State.

- Although the Petroleum Fund can support inter-generational equity, it does not guarantee good governance or prevent corruption, and will be empty soon if current policies continue.

South Sudan is the only national in the world which is more dependent on oil and gas than Timor-Leste.
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Financial benefits from the Sunrise project

Timor-Leste’s Annual Petroleum Revenues (discounted 3.7% / year)

If Sunrise construction starts in 2016.

- Total 2012-2051: $32.6 billion (discounted)
- In Petroleum Fund: $9.5 billion
- Possible other: $10.0 billion (< 5% chance)
- Total: $52.1 billion
- Spent over 40 years: $1.30 billion per year = $3.6 million per day.
- Timor-Leste population in 2051: 2.8 million
- Average 2011-2051 = 1.9 million.
- Total oil revenues: $1.88 per person per day.
- In 2012, TL will spend $3.76/person/day, of which $3.36 will come from oil and gas.

Graph by La'o Hamutuk based on government and company estimates. December 2011

How long will Timor-Leste's oil money last?

Assumptions:
- Oil price projections: EIA Reference case [more optimistic than MoF case], assuming Greater Sunrise pipeline to TL is built now.
- Petroleum Fund investments return 3.5%/year nominal. During 2010-11 the fund earned 2.7%/year.
- Domestic (non-oil) revenues increase 3.6%/year, growing to 20.0%/year after 2030. During 2010-2012, domestic revenues increased only 14%/year.
- State expenditures increase 10.0%/year, declining to 22.0%/year after 2030. During 2010-2012, expenditures increased 5%/year.
- Includes only $484 million in loans listed in GSB 2012.

Results:
- Petroleum Fund will be all spent by 2020.

Projections and graph by La'o Hamutuk based on RDTL state budgets, Petroleum fund reports and other sources. January 2013
Balance of trade

<table>
<thead>
<tr>
<th></th>
<th>Exports (US$/million)</th>
<th>Imports (US$/million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>17</td>
<td>289</td>
</tr>
<tr>
<td>2011</td>
<td>12</td>
<td>319</td>
</tr>
</tbody>
</table>

Balance of payments 2011: Income: $490 million (excl. oil)
Outgo: $1,873 million

Year-on-year inflation, from DNE
Impacts of inflation

- Prices go up.
- Capacity to buy things falls.
- Little people suffer most.
- Hard to start business.

Many children will become youth.

Timor-Leste Population by Age
(From 2010 census)

In 2024, it will be around 30,000 each year, and the oil will be gone. Today's youth will have children of their own.
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Dili is very different from the districts.

More than 70% of Dili’s population are among the wealthiest 20% of Timorese, while only 2.5% are below the poverty line.

More than half of families outside Dili live in poverty.

Consequences of borrowing when oil runs dry.

- Even without money, T-L will have to prioritize debt repayments over human development.
- The public service sector will get weaker.
- Borrowing today gives a heavy burden to future generations.
- Using the Petroleum Fund to pay for debt today ignores future generations’ right to live.
- We will create poverty for our children.

The Petroleum Fund shall contribute to a wise management of the petroleum resources for the benefit of both current and future generations.

(Petroleum Fund Law)
What do 600,000 working-age Timorese do for work?

- Farmers, fishers, other informal or unemployed: 71%
- Private businesses: 9%
- Public employees: 7%
- UN, embassies, int’l agencies: 6.7%
- Self-employed (taxi, market, kios): 8%
- $3/day labor for gov’t: 6%
- Local & int’l NGOs: 0.3%
- Petroleum sector: 0.1%

Donor support is less important now.

Percentage of Donor Support in Combined Sources Budget

Based on information from 2012 State Budget and Aid Transparency Portal, May 2012
Nasaun sira ne’ebé atinje MDG gasta 28% husi GSB ba saúde no edukasaun. Timor-Leste aloka de’it 11.7% iha 2013.

Careful: GDP distorts reality!

<table>
<thead>
<tr>
<th>In 2010, Timor-Leste’s GDP: $876 million GNI: $3,199 million. In other countries, GNI and GDP are almost the same.</th>
<th>Public expenditure on education</th>
<th>Public expenditure on education</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of GDP</td>
<td>% of total government expenditure</td>
</tr>
<tr>
<td>2008</td>
<td>2009</td>
<td>2010</td>
</tr>
<tr>
<td>South-East Asia</td>
<td></td>
<td></td>
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<tr>
<td>Brunei Darussalam</td>
<td>2.0</td>
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<tr>
<td>Cambodia</td>
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<tr>
<td>Indonesia</td>
<td>2.8</td>
<td>3.5</td>
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<tr>
<td>Lao PDR</td>
<td>2.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Malaysia</td>
<td>4.1</td>
<td>5.8</td>
</tr>
<tr>
<td>Myanmar</td>
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<td>Philippines</td>
<td>2.7</td>
<td>2.7</td>
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<tr>
<td>Singapore</td>
<td>2.6</td>
<td>3.1</td>
</tr>
<tr>
<td>Thailand</td>
<td>3.8</td>
<td>4.1</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>11.3</td>
<td>15.7</td>
</tr>
<tr>
<td>Timor-Leste (% of GNI)</td>
<td>2.4</td>
<td>4.7</td>
</tr>
<tr>
<td>Pacific</td>
<td></td>
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</tr>
<tr>
<td>Australia</td>
<td>4.4</td>
<td>5.1</td>
</tr>
<tr>
<td>Fiji</td>
<td>4.2</td>
<td>4.5</td>
</tr>
<tr>
<td>New Zealand</td>
<td>6.6</td>
<td>6.4</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>6.6</td>
<td>5.2</td>
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</table>
Allocation of 2013 GSB: $1,797.5 million

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$160.3m</td>
</tr>
<tr>
<td>Goods and services, including FCDH</td>
<td>$461.7m</td>
</tr>
<tr>
<td>Minor Capital</td>
<td>$47.2m</td>
</tr>
<tr>
<td>Public transfers (Individual/organization)</td>
<td>$236.5m</td>
</tr>
<tr>
<td>Development Capital (including Infra. Fund)</td>
<td>$891.9m</td>
</tr>
<tr>
<td>Donors</td>
<td>$200.4m</td>
</tr>
<tr>
<td>Consolidated Fund</td>
<td>$1,002.2m</td>
</tr>
<tr>
<td><strong>Infrastructure Fund (including carry-over &amp; borrowing)</strong></td>
<td>$752.9m</td>
</tr>
<tr>
<td><strong>Human Capital Development Fund</strong></td>
<td>$42.4m</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,797.5m</td>
</tr>
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</table>

Execution of 2012 final budget

<table>
<thead>
<tr>
<th>FUND SOURCE</th>
<th>Treasury CTFL</th>
<th>Avarion CTFL</th>
<th>APOR ITL CTFL</th>
<th>EDTL CTFL</th>
<th>PEM CTFL</th>
<th>SAMES ACCOUNT</th>
<th>Infrastructro Fund</th>
<th>Infrastructro Fund Loan (ADB)</th>
<th>Infrastructro Fund Loan (WBI)</th>
<th>Infrastructro Fund Loan (IFCA)</th>
<th>Infrastructro Fund Loan EMIM</th>
<th>Human Resource Fund</th>
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<tbody>
<tr>
<td>Total</td>
<td>$810,781,945</td>
<td>$50,773,863</td>
<td>$118,202,767</td>
<td>$1,193,994,138</td>
<td>$443,811,177</td>
<td></td>
<td></td>
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<tr>
<td>Orijinn</td>
<td>$773,024,671</td>
<td>$10,018,454</td>
<td>$37,464,763</td>
<td>$674,175,509</td>
<td>$516,365,945</td>
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<td></td>
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<tr>
<td>Kompromisus sira</td>
<td>$10,018,454</td>
<td>$0</td>
<td>$22,700</td>
<td>$495,012</td>
<td>$6,288</td>
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<tr>
<td>Kompromisus sira</td>
<td>$37,464,763</td>
<td>$22,700</td>
<td>$275,171</td>
<td>$1,844,851</td>
<td>$1,267,828</td>
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</table>

Source: Transparency Portal, 23 January 2013
Infrastructure Fund 2012. Allocation and execution

Graph by La'o Hamutuk based on data from the Government Transparency Portal, 18 Dec. 2012

Total Infrastructure Fund spending 2011-2017

- Agriculture&Fishery: 3%
- Water&Sanitation: 3%
- Urban&Rural Dev.: 0%
- Electricity: 25%
- Transport: 19%
- Informatics: 1%
- Public Buildings: 5%
- Education: 2%
- Security&Defense: 1%
- Health: 1%
- MDG: 8%
- Tasi Mane Project: 20%
- Design/Supervision new projects: 4%
- Social Solidarity: 0%
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Projetu boot husi Fundu Infrastrutura

Annual Infrastructure Fund spending by sector

- Agriculture&Fishery
- Water&Sanitation
- Urban&Rural Dev.
- Electricity
- Transport
- Informatics
- Public Buildings
- Education
- MDG
- Health
- Security&Defense
- Social Solidarity
- Tasi Mane Project
- Design/Supervision new project

Million of USD spent each year

THE OPEN BUDGET INDEX 2012

Public Availability of Timor-Leste's Budget Documents

<table>
<thead>
<tr>
<th>Year</th>
<th>Pre-Budget</th>
<th>Post-Budget</th>
<th>Public Budget</th>
<th>Overall Scores</th>
<th>Budget Transparency</th>
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</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Timor-Leste

Cambodia 15
Indonesia 67
Malaysia 39
Myanmar 0
Philippines 48
Thailand 36
Timor-Leste 36
Vietnam 19
Sources of budget information

- La'o Hamutuk’s website  
  http://www.laohamutuk.org/econ/OGE13/12GSB2013.htm
- Budget Law in Jornál da República  
  http://www.jornal.gov.tl/
- Finance Ministry reports about execution  
- General State Accounts(2011)  
- Transparency Portal  
  http://www.transparency.gov.tl/english.html
- Google translate  
  http://translate.google.com/

State budget law with 5 annexes

Revenues, autonomous agencies and expenditures in general.

http://www.laohamutuk.org/econ/OGE13/LawEn.pdf
Six books from Finance Ministry

1. **Overview / summary**
   - Objectives, strategy, economy, revenues, spending financing, Petroleum Fund, new initiatives

2. **Annual Action Plans**
   - From each ministry

3. **Districts**
   - Programs in each district, subdistrict and suco

4. **Budget items (two volumes)**
   - To the level of directorates and agencies

5. **Development Partners**
   - From each donor, for each agency, project and district

6. **Special Funds**
   - List of projects in the Infra. & Human Capital funds for 5 years.

All can be found on La’o Hamutuk’s website.

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**Book 2 GSB 2013. Annual action plans, an example.**

Includes budget, profile of civil servants, and plans for all activities.

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**ZAMAN/19**

**MAP**

**Book 3 GSB 2013. Districts**

Includes staffing, PNDS, PDL, PDID, PDD1, PDD2, donors.

Books 4A & 4B. Example: Parliament

Includes many detailed pages about each directorate.
For 2014-2017, “projections” just add 4% every year.

## Book 5 GSB 2013. Development Partners

Information about each sector, each project.


## Book 6 GSB 2013. Infrastructure Fund & FDCH.

Information about each sector, each project.

Total expenditures from the Consolidated Fund during 2011

<table>
<thead>
<tr>
<th>Description</th>
<th>Cash Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>Custo de apoiar a realização da conferência, concertó e feira Design mes de Julho de 2011</td>
<td>118,514</td>
</tr>
<tr>
<td>Custo de apoiar a realização da conferência, concertó e feira Design mes de Julho de 2011</td>
<td>35,437</td>
</tr>
<tr>
<td>Salário dos prof. de alfabetização do mes de Abril-Junho 2011</td>
<td>38,975</td>
</tr>
<tr>
<td>Salário dos prof. de alfabetização do mes de Abril-Junho 2011</td>
<td>38,789</td>
</tr>
<tr>
<td>Orçamento de vacinação alimentação</td>
<td>336</td>
</tr>
<tr>
<td>Subsídio aos professores do prog. equivalência</td>
<td>27,222</td>
</tr>
<tr>
<td>Salário dos prof. de alfabetização do mes de Abril-Junho 2011</td>
<td>540</td>
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<tr>
<td>Salário dos prof. de alfabetização do mes de Abril-Junho 2011</td>
<td>40,062</td>
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<tr>
<td>Orçamento de vacinação alimentação</td>
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</tr>
<tr>
<td>Salário dos professores do prog. equivalência</td>
<td>19,420</td>
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<tr>
<td>Salário dos professores do prog. equivalência</td>
<td>4,960</td>
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<tr>
<td>Salário dos professores do prog. equivalência</td>
<td>27,222</td>
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<tr>
<td>Salário dos professores do prog. equivalência</td>
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<tr>
<td>Orçamento de vacinação alimentação</td>
<td>9,313</td>
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<tr>
<td>Salário dos professores do prog. equivalência</td>
<td>27,222</td>
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<tr>
<td>Salário dos professores do prog. equivalência</td>
<td>32,239</td>
</tr>
<tr>
<td>Salário dos professores do prog. equivalência</td>
<td>38,000</td>
</tr>
<tr>
<td>Incentivo para docente temporário da Fac. Agricultura do mes de Agosto-Dez de 2011</td>
<td>782</td>
</tr>
</tbody>
</table>

During 2011, the Ministry of Education paid from the Contingency Fund 93 times, totalling $4 million. Most were not urgent or unforeseeable.

Download the entire list from:

Ministerio da Educacao

3,955,467
Contracts in the Education Sector from the Procurement Portal

Download the entire list from: http://www.laohamutuk.org/econ/portal/ProcurementPortal16Nov2012.pdf

Thank you.

Get more and updated information from

- La’o Hamutuk’s website http://www.laohamutuk.org
- La’o Hamutuk’s blog http://laohamutuk.blogspot.com/
- Reference DVD-ROM from La’o Hamutuk next month.

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