



República Democrática de Timor-Leste

Financial Year 2013

Budget Execution Report for

Second Quarter

**Ministry of Finance
Directorate General of Treasury**

Financial Year 2013

Budget Execution Report for

Second Quarter

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Budget Execution Report up to the Second Quarter FY 2013

Overview of Financial Position

1. Budget Appropriations

The Budget for the Financial Year 2013 was approved on 18 February 2013 under Law No 02/2013.

The total approved appropriations including the special funds are US \$ 1,648 million. The Infrastructure Fund budget is US \$ 604.4 million, which includes US\$ 43.6 million financed from external borrowings. The budget for the Human Capital Development Fund for 2013 is US \$ 42.4 million. Excluding the Special Funds, the total appropriation comes to US \$ 1,001 million.

The original appropriations are shown in the table below, including a comparison to FY 2012.

Table 1

Appropriation Category	Original Appropriations	Final Appropriations	Variation from
	FY 2013 (US\$ '000)	FY 2012 (US\$ '000)	FY 2012 (US\$ '000)
Salary & Wages	160,531	139,037	21,494
Goods & Services	399,082	347,075	52,007
Minor Capital	49,595	49,184	411
Capital Development	152,500	124,828	27,672
Public Transfers	238,985	233,744	5,241
Total CFET	1,000,694	893,868	106,826
Capital Development Infrastructure Fund	604,377	875,133	(270,756)
Goods & Services Human Capital Development Fund	42,448	37,448	5,000
Total State Budget	1,647,519	1,806,450	(158,931)

2. Fiscal Estimates

The table below shows revenue and expenditure estimates, and the financing items of the budget. The budget estimates a total expenditure of US\$ 1,648 million and domestic non-petroleum revenue at US\$ 146 million during FY 2013. Parliament has approved transfers from the Petroleum Fund of up to US \$ 787 million during the year.

The total fiscal deficit is estimated at US\$ 1,501 million (US\$1,647 – US\$146 million). This deficit will be financed by transfers from the Petroleum Fund of US\$ 787 million, US\$ 43 million of external borrowings, unutilized funds from the Infrastructure and Human Capital Development Funds of \$453 million carried forward from 2012 and \$218 million from cash surpluses carried forward from 2012 .

Table 2

	Original Budget Estimates FY 2013 (US\$'000)	Original Budget Estimates FY 2012 (US\$'000)
RECEIPTS		
<i>1. Domestic Revenue (2+3)</i>	146,300	136,080
2. Tax revenue	105,760	95,060
3. Non-tax revenue	40,540	41,020
<i>4. Capital Receipts from Petroleum Fund</i>	<i>787,000</i>	<i>1,494,900</i>
5. Total State Budget Receipts (1+4)	933,300	1,630,980
EXPENDITURE		
<i>6. Recurrent Expenditure (7+8+9)</i>	841,046	702,269
7. Salary & Wages	160,531	140,287
8. Goods & Services	441,530	363,655
9. Transfers	238,985	198,327
<i>10. Minor Capital</i>	<i>49,595</i>	<i>47,763</i>
<i>11. Capital & Development</i>	<i>756,877</i>	<i>924,098</i>
12. Total Recurrent + Capital Expenditure (6+10+11)	1,647,518	1,674,130
SURPLUS/ DEFICIT		
<i>13. Recurrent Surplus / (Deficit) (1-6)</i>	<i>(694,746)</i>	<i>(566,189)</i>
<i>14. Fiscal Surplus / (Deficit) (1-12)</i>	<i>(1,501,218)</i>	<i>(1,538,050)</i>
<i>15. Fiscal Deficit financed by:</i>	<i>217,730</i>	
<i>a. Capital Receipts from Petroleum Fund</i>	<i>787,000</i>	<i>1,494,900</i>
<i>b. Drawdown from Cash Reserves</i>	<i>-</i>	<i>-</i>
<i>c. Rollovers</i>	<i>452,900</i>	<i>-</i>
<i>d. External Borrowings</i>	<i>43,588</i>	<i>-</i>

Budget Execution Whole of Government

1. Overall Budget Execution *including* Special Funds

The revenue and expenditure figures provided in this section include expenses under Special Funds and are provisional, subject to reconciliation and audit.

Table 3

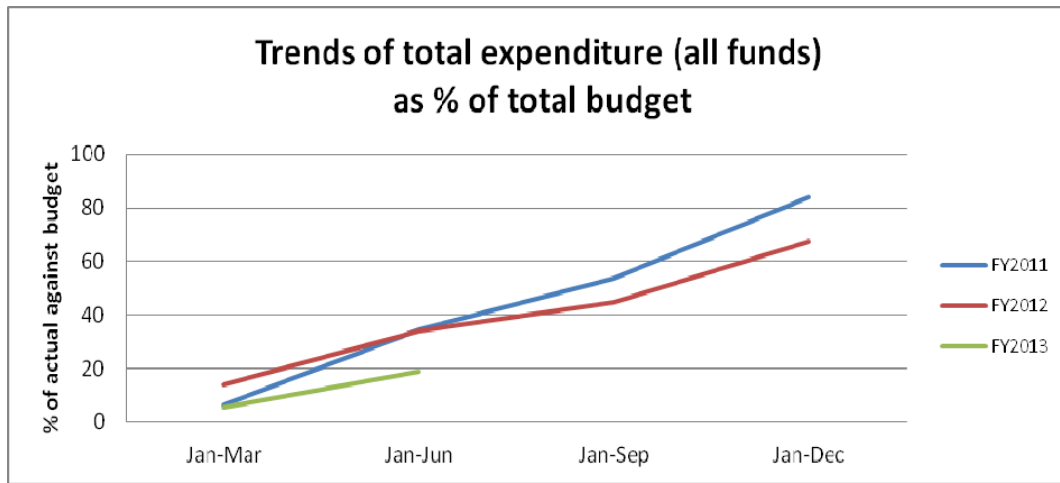
	Original & Current Budget Estimates	Actual Cash Expenditure for	% Actual Cash to Current Budget	% Actual Cash to Current Budget
	FY 2013 (US\$'000)	FY 2013 (US\$'000)	of Q2 FY 2013	of Q2 FY 2012
RECEIPTS				
1. Domestic Revenue (2+3)	146,300	65,276	45%	42%
2. Tax revenue	105,760	46,786	44%	42%
3. Non-tax revenue	40,540	18,490	46%	40%
4. Capital Receipts from Petroleum Fund	787,000	-	0%	28%
5. Total State Budget Receipts (1+4)	933,300	65,276	7%	29%
EXPENDITURE				
6. Recurrent Expenditure (7+8+9)	841,046	259,266	31%	44%
7. Salary & Wages	160,531	63,418	40%	43%
8. Goods & Services	441,530	112,783	26%	37%
9. Transfers	238,985	83,065	35%	57%
10. Minor Capital	49,595	2,151	4%	22%
11. Capital & Development	756,877	47,900	6%	27%
12. Total Recurrent + Capital Expenditure (6+10+11)	1,647,519	309,317	19%	34%
SURPLUS/ DEFICIT				
13. Recurrent Surplus / (Deficit) (1-6)	(694,746)	(193,990)	28%	44%
14. Fiscal Surplus / (Deficit) (1-12)	(1,501,218)	(244,041)	16%	33%
15. Fiscal Deficit financed by:				
a. Capital Receipts from Petroleum Fund	787,000	-	-	-
b. Drawdown from Cash Reserves	217,730	244,041		-
c. Rollover of Special Fund Balances	409,812			
d. External Borrowings Including Rollover from FY 2012	43,088	-	-	
e. Total Rollover (C+D)	452,900			
f. Additional External Borrowings FY 2013	500			

At the end of the Second Quarter the total domestic revenues collected and deposited into the Consolidated Fund of Timor Leste (CFET) were US\$ 65 million (45% of annual budget estimates). No funds were transferred during Quarters 1 and 2 from the Petroleum Fund, with accumulated Cash Reserves from 2012 being drawn down to fund expenditure. Overall total state budget receipts are 45% of budget estimates which is higher than the 42% achieved at the end of the corresponding quarter of FY 2012. The details of revenues collected are provided in Statement 1 attached to this report.

Budget execution up to the second quarter for the whole of the State Budget *including* Special Funds was US\$ 309 million (on cash basis) which is 19% of the total budget of US\$ 1,647 million. This is lower than the budget execution of 34% for the corresponding period of FY 2012. A quarter-wise trend analysis of the total budget execution for all funds as a percent of total state budget, is presented in Figure 1 and shows that the execution for current year is also progressing at a slower pace compared to previous years. This is due to two factors – the timing of approval of the 2013

Budget resulting in greater caution in expenditure by Line Ministries and major high value infrastructure projects such as electrification nearing completion.

Figure 1



Statement 2 details of expenditures for each fund and appropriation category. This shows that *excluding* the Special Funds, expenditure up to Quarter 2 was US\$ 239.5 million, which represents 24 % of the budget appropriation of US\$ 1,000.6 million. Further, it can be seen from Statement 2 that the expenditure for the Infrastructure Fund for the Second quarter was US\$ 39.8 million while a cash expenditure of US\$ 10.6 million was recorded by the Human Capital Development Fund.

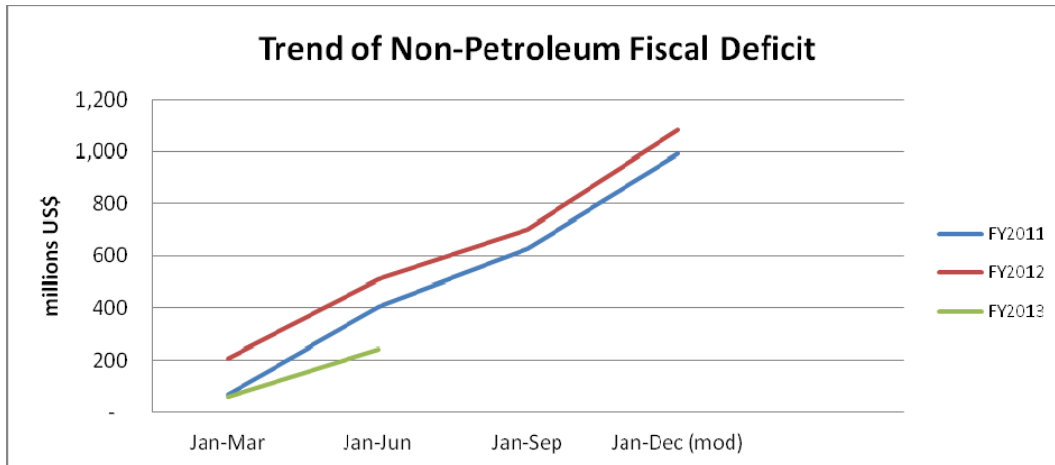
The consolidated position of expenditure for all funds based on functions is annexed as Statement 3. It can be seen that the main expenditure is for Economic Services (29% of total expenditure) followed by General Services (24%), Social Protection (20%), Education (11%), Health (5%) and Defense /Security (5%)

Details of expenditure by ministry and division are annexed in Statement 4. The statement also provides details for all appropriation categories including all funds.

The recurrent deficit till the end of the second quarter of FY 2013 was US\$ 193.9 million (28% of budget estimates), which is lower than corresponding period of previous year (2012) when it was 44%. This is due to reduced recurrent expenditure in 2013 compared to the same period in the previous year arising from the delayed approval of the budget.

The non-petroleum fiscal deficit till the close of second quarter was US\$ 510.6 million which is 33% of budget estimates and is same as that for FY 2012. However in absolute terms the deficit is more during the year as compared to previous years, as shown is the Figure 2 below. This is due to increased size of budget during FY 2013 as compared to FY 2012.

Figure 2



2. Non-Petroleum Domestic Revenue Receipts

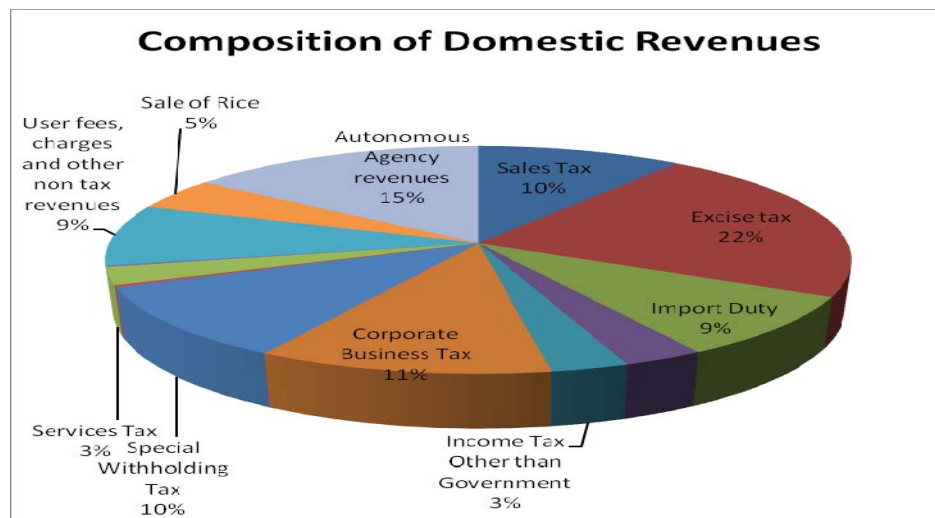
The total domestic revenue collections up to the second quarter were US\$ 65.2 million, these representing 45% of the estimates.

Non-tax revenue receipts of US\$ 8.7 million were 49% of estimates as shown in Total Non Fiscal Receipts in Statement 1. Autonomous Agencies collected \$9.8 million representing 43% of estimates as shown in Autonomous Agencies revenue in Statement 1.

Included in Taxas e Pagamentos de Utilização e Outras Receitas Não Fiscais is revenue of US\$37,000 from Mineral Extraction Taxes. This represents 95% of budgeted revenue and is a 16% increase from the revenue earned in the same period in 2012.

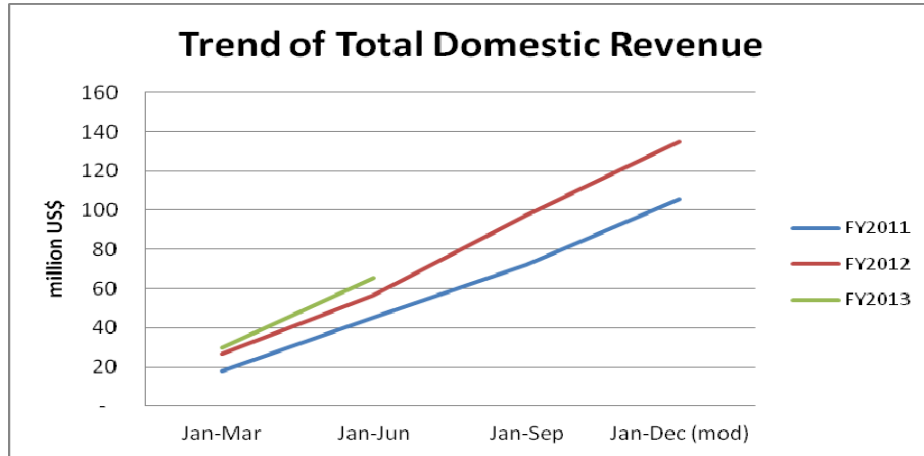
Excise Duties, Special Withholding Tax, Corporate Business Tax, Sales Tax and Import Duty are the major components of tax receipts, as shown in Figure 3 below. The details of various taxes, user fees & charges and other non-tax revenues are given in the annexed Statement 1.

Figure 3



The trends of domestic tax collection, as shown in Figure 4, indicate that the revenues collected during FY 2013 are higher than previous years and also follow the normal yearly pattern across the various quarters.

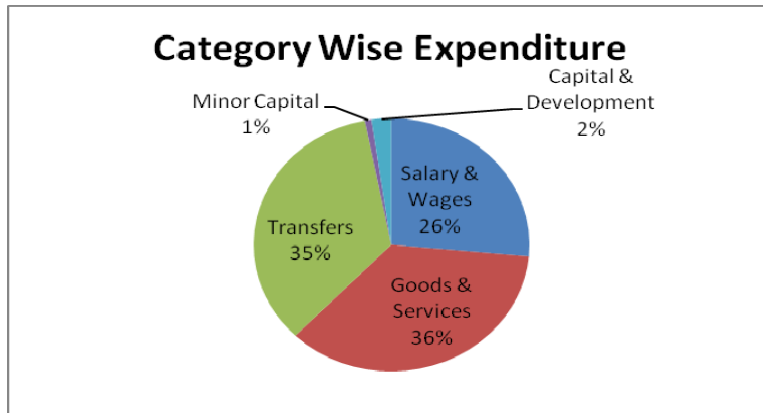
Figure 4



3. Expenditure by Appropriation Categories *excluding* Special Funds

Excluding the Special Funds, the major components of expenditure up to the end of the Second quarter were Goods & Services 36%, Transfers 35%, and Salary & Wages 26%, as shown in Figure 5 below. The higher percentage for Salaries & Wages has arisen due to lower actual expenditures to Quarter 2 for Goods & Services and Transfers.

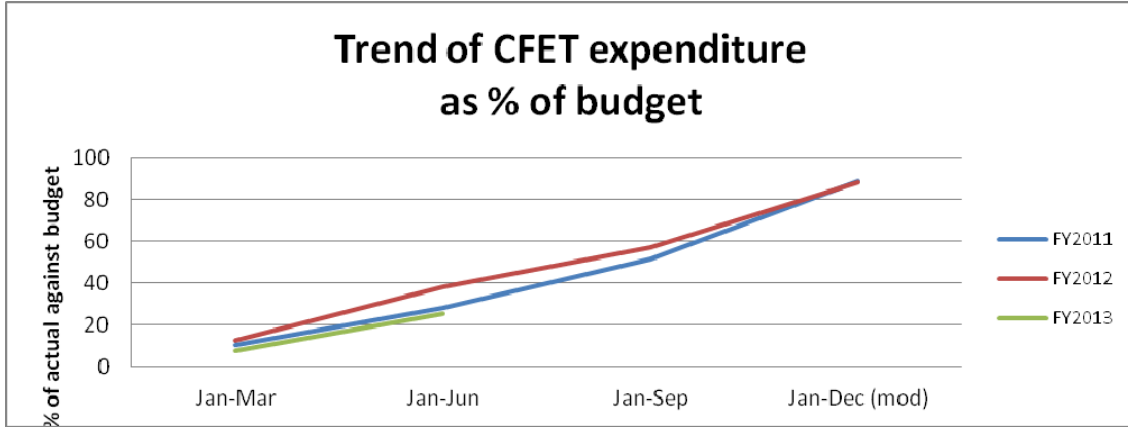
Figure 5



Category-wise details for each function and by ministry and division are provided in Statements 3 and 4 for all the funds.

Trend analysis for CFET expenditure shown in Figure 6 below shows that CFET budget execution for 2013 as a percentage of the budget is lower than previous years due to the reason discussed above viz. delay in budget approval creating increased caution in expenditure.

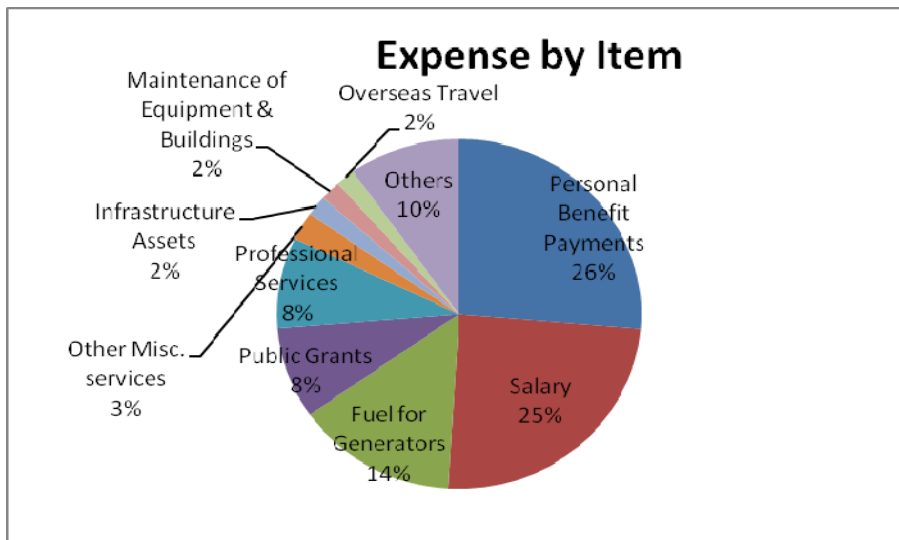
Figure 6



4. Expenditure by Items, *excluding* Special Funds

The major categories of expenditure in Quarter 2 were Transfer Payments 26%, Salaries & Allowances 25%, and Fuel for Generators 14% as shown in Figure 7 below. Details of expenditure by items are given in Statement 4.

Figure 7



5. Special Funds

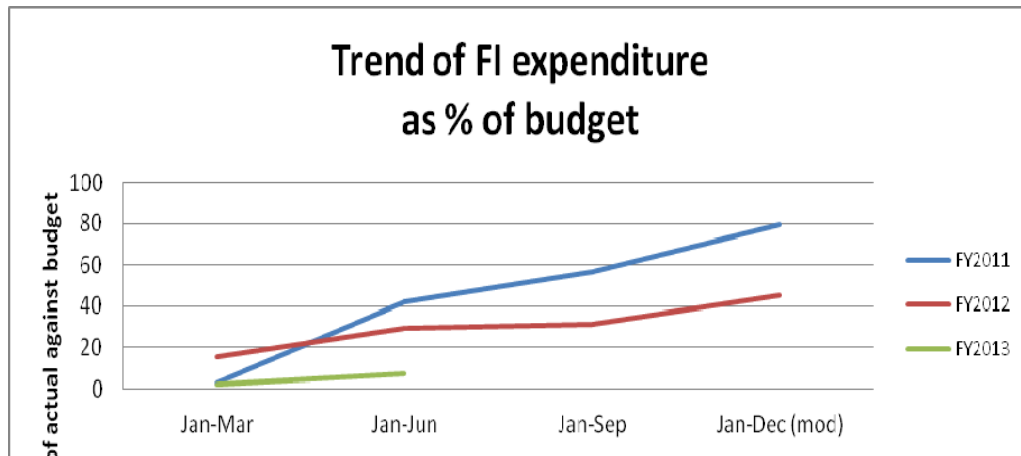
a. Infrastructure Fund

Total expenditures for the Infrastructure Fund at the end of Quarter 2 were US\$ 42.4 million. Major components of this expenditure were Roads & Bridges – US\$ 13.8 million and the Central Electricity Project – US\$ 14.3 million. A detailed statement for the Fund is appended in this report at Statement 5.

Trend analysis of budget execution (on a cash basis) for the fund shows that it is lower during the current year as compared to the corresponding period of previous year both in absolute terms and

as a percent of budget appropriation, as shown in Figure 9 below. This is due to major high value projects such as electrification nearing completion.

Figure 8

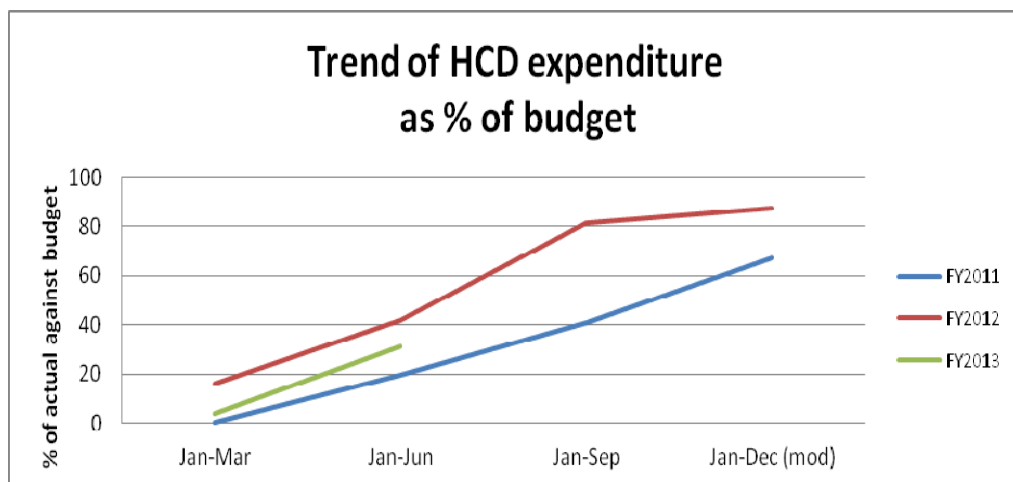


b. Human Capital Development Fund

At the end of Quarter 2, total expenditure for the Human Capital Development Fund was US\$ 10.6 million. The major components of expenditure were Scholarships – US\$ 7.2 million and Professional Training US\$ 2.5 million. A detailed statement for the Fund is appended in this report as Statement 6.

Trend analysis of budget execution (cash basis) for the fund shows that it is lower during the current year as compared to corresponding period of previous year both in absolute terms and as a percent of budget appropriation, as shown in Figure 10 below.

Figure 9



Conclusion and Summary

The domestic revenue collection up to the second quarter was US\$ 65.2 million against the whole of year estimates of US\$ 146.3 million (45%). As indicated in Table 3 (Row 12), budget execution up to the quarter 2 for the whole of the State Budget *including* Special Funds was US\$ 307 million (on a cash basis) which was 19% of the total budget of US\$ 1,647 million. Receipt collections are better than previous years while expenditures other than Salary & Wages have been significantly lower than 2012. Both Goods & Services and Transfers have contributed to lower expenditures at \$ 112.7 million and \$ 83 million respectively compared to \$ 363.6 million and \$ 198.3 million respectively for the same period in 2012. Overall, the non-petroleum fiscal deficit of 16% of budget as shown in Table 3 (Row 14) is lower than the previous year because of the lower expenditures indicated above.

The budget execution for the Infrastructure Fund was US\$ 39.8 million which is 7% of the budgeted amount of US\$ 604.3 million due mainly to major capital intensive projects nearing completion. This is lower than the previous year when \$234.9 million in costs were incurred in Quarter 2 of 2012. The Human Capital Development Fund which recorded US\$ 10.6 million as budget execution (25 % of the allocated fund of US\$ 42.4 million) has also expended lower levels compared to the previous year.