



Democratic Republic of Timor-Leste  
Ministry of Finance

## QUARTERLY FISCAL BULLETIN

January– March 2014

### GOVERNMENT FINANCE STATISTICS (GFS)

#### Executive Summary

*By the 31<sup>st</sup> March 2014, the General Government of Timor-Leste (GGoTL), including the Petroleum Fund (PF) ran a net operating balance of \$578.6 million and had a net lending capacity of \$567.2 million. Although this is a strong fiscal position, the GGoTL without the PF ran a net operating balance of -\$47.5 million. Therefore the GGoTL is still reliant on the PF and cash balance to sustain its current level of operations.*



## 1. Revenues

At the end of the first quarter of 2014, total revenues for the GGoTL and the PF<sup>1</sup> amounted to \$664.7 million. This was divided into \$35.5 million from non-oil revenues and \$629.2 million from oil revenues.

### 1.1 Non-oil Revenues

Non-oil revenues are composed of taxes, grants and other revenues. However no grants were received by GGoTL during the first quarter of 2014.

Non-oil taxes are the greatest source of revenue in the domestic non-oil economy (73% of total non-oil revenues) totalling \$26.0 million during the first quarter of 2014. These are divided into:

**Taxes on income, profits and capital gains** were 49.3% higher at the end of March 2014 than for the same period of 2013, reaching \$10.0 million at the end of the first quarter of 2014.

**Taxes on goods and services** totalled \$12.9 million at the end of the first quarter of 2014 and were thus the largest source of tax revenue. This collection was 11.2% higher than the \$11.6 million collected in 2013. The increase was mostly due to greater excise tax collection and particularly social game receipt collection (which increased from \$0.002 million in the first quarter of 2013 to \$0.1 million in the first quarter 2014).

**Taxes on international trade and transactions** were 23.1% higher at the end of the first quarter of 2014 than in the first quarter of 2013 and amounted to \$3.2 million. The increase was due to a rise of 22.4% in the collection of import duties.

Other non-tax revenue collected was 6.7% higher than the total collection for the first quarter of 2013, totalling \$9.5 million by the end of March 2014.

### 1.2 Oil Revenues

Oil revenues are the major source of revenues in Timor-Leste (representing 95% of total oil and non-oil revenues). These are divided into:

**Taxes** in the first quarter of 2014 totalled \$229.4 million, mostly due to income taxes recorded under taxes on income, profits and capital gains.

**Other revenue** included profit from oil, first tranche petroleum, interest, trust and dividend income and totalled \$399.8 million by 31<sup>st</sup> March 2014. This was mostly due to first tranche petroleum which reached \$217.1 million at the end of March 2014.

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<sup>1</sup> Donor Fund data was not available at time of publication for Q1 2014.

## 2. Expenses

Expenses incurred in the first quarter of 2014 by the GGoTL and the PF amounted to \$86.2 million. This was mostly incurred by the GGoTL which spent \$83.0 million, whilst \$3.1 million were expenditures in the PF.

### 2.1 General Government Expenditures

Expenditure categories for GGoTL are composed of:

**Compensation of Employees** was 16.5% higher than the \$30.9 million spent in the first quarter 2013, totalling \$36.0 million by the 31<sup>st</sup> March 2014.

**Use of Goods & Services** reached \$24.7 million by the end of the first quarter of 2014 (almost equal to that spent in the same quarter of 2013) and represented 29.8% of total expenses.

**Social benefits** totalled \$16.5 million in the end of the first quarter of 2014, 22.6% higher than that recorded in the same quarter of 2013.

**Other expenses** reached \$5.9 million at the end of the first quarter of 2014, much higher than the \$0.04 million spent 2013. This large increase was due to the transfer of public grants worth \$4.9 million.

### 2.2 PF Expenditures

PF expenses reached \$3.1 million in the first quarter of 2014 and were solely composed of management costs.

## 3. Net Operating Balance

The net operating balance is calculated as revenues minus expenses and it shows the Government's ability to sustain its current level operations, given revenues and expenses.<sup>2</sup>

At the end of the first quarter of 2014, the GGoTL and the PF were running a net operating surplus of \$578.6 million. However petroleum revenues played a key role in the GGoTL's fiscal surplus, as the net operating balance for the GGoTL without the PF and the PF Grants was -\$47.5 million<sup>3</sup> by the 31<sup>st</sup> March 2014.

## 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.

At the end of March 2014 total acquisition of non-financial assets for the GGoTL including the PF stood at \$11.3 million. However this expense was solely incurred by the GGoTL. Net acquisition of non-financial assets was 5% lower than the first quarter of 2013.

## 5. Net Lending/Borrowing

Net Lending/Borrowing is calculated as total expenditures minus revenues. Net lending for the GGoTL with the PF was \$474.8 million at the end of the first quarter of 2014, taking into account the combination of total revenue, expenditures and acquisition of non-financial assets. This means that the GGoTL with the PF incurred a surplus which is being invested in financial assets.

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<sup>2</sup> In Timor-Leste, Gross and Net Operating Balance are the same, as there is no inventory for depreciation of fixed capital to date.

<sup>3</sup> This number is obtained from the GGoTL net operating balance but excluding grants.

## 6. Net Acquisition of Financial Assets

The increase in the Government's holdings of financial assets is recorded under net acquisition of financial assets. In the case of Timor-Leste, the net lending capacity is being invested, mostly through the PF, in a range of financial assets including shares, securities, deposits, cash and other equities.

At the close of the first quarter of 2014, the net acquisition of financial assets for the GGoTL and the PF was \$474.8 million. This was composed of two parts: \$58.8 million was withdrawn from the CFTL cash balance to finance the gap between expenses and revenues in the GGoTL (this explains why the value is negative for currency and deposits in the tables in the annex) and \$533.6 million invested in financial instruments in the PF.

Finally the unrealized market value of financial assets is recorded under Other Economic Flows and reached \$92.4 million by the end of March 2014. This is recorded separately to the net acquisition of financial assets, as it shows changes in value in PF investments and thus results in the total acquisition of financial assets being larger than net lending in the tables in the annex.

## 7. Financial Conclusion

At the closing of the first quarter of 2014, the GGoTL including the PF had a strong fiscal position. It ran a net operating balance of \$578.6 million and had a net lending capacity of \$567.2 million. Total net lending capacity was then being invested in financial assets. However, without the PF, the GGoTL would not be in such a strong fiscal position and would need to borrow \$58.8 million to maintain its current level of operations.

## Annex: Statement of Total Government Operations

Figure 1. Accumulated Statement of Government Operations Q1 2014 (GGoTL and PF)

| Data for 2014, in millions of US dollars.       |             | Total<br>Quarter 1 | Total<br>Quarter 2 | Total<br>Quarter 3 | Total<br>Quarter 4 | Accumulated<br>Total |
|---|-------------|--------------------|--------------------|--------------------|--------------------|----------------------|
| <b>Revenue</b>                                  | <b>1</b>    | <b>664.7</b>       | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>664.7</b>         |
| <b>Taxes</b>                                    | <b>11</b>   | 255.4              | 0.0                | <b>0.0</b>         | 0.0                | <b>255.4</b>         |
| Taxes on income, profits, and capital gains     | 111         | 231.5              | 0.0                | 0.0                | 0.0                | 231.5                |
| Taxes on goods & services                       | 114         | 20.8               | 0.0                | 0.0                | 0.0                | 20.8                 |
| Taxes on international trade & transactions     | 115         | 3.2                | 0.0                | 0.0                | 0.0                | 3.2                  |
| Other taxes                                     | 116         | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                  |
|   |             | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                  |
| <b>Grants</b>                                   | <b>13</b>   | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | 0.0                | <b>0.0</b>           |
| <b>Other revenue</b>                            | <b>14</b>   | 409.3              | <b>0.0</b>         | <b>0.0</b>         | 0.0                | <b>409.3</b>         |
| Property income                                 | 141         | 400.8              | 0.0                | 0.0                | 0.0                | 400.8                |
| Other   | 142-145     | 8.5                | 0.0                | 0.0                | 0.0                | 8.5                  |
| <b>Expense</b>                                  | <b>2</b>    | <b>86.2</b>        | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>86.2</b>          |
| Compensation of employees                       | 21          | 36.0               | 0.0                | 0.0                | 0.0                | 36.0                 |
| Use of goods & services                         | 22          | 27.8               | 0.0                | 0.0                | 0.0                | 27.8                 |
| 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                | 0.0                | 0.0                | 0.0                | 0.0                  |
| Social benefits                                 | 27          | 16.5               | 0.0                | 0.0                | 0.0                | 16.5                 |
| Other expense                                   | 28          | 5.9                | 0.0                | 0.0                | 0.0                | 5.9                  |
| <b>Gross operating balance [1-2+23]</b>         | <b>GOB</b>  | <b>578.6</b>       | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>578.6</b>         |
| <b>Net operating balance [1-2]</b>              | <b>NOB</b>  | <b>578.6</b>       | <b>0.0</b>         | <b>0.0</b>         | 0.0                | <b>578.6</b>         |
| <b>Net acquisition of nonfinancial assets</b>   | <b>31</b>   | <b>11.3</b>        | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>11.3</b>          |
| Acquisition of nonfinancial assets              | 311         | 11.3               | 0.0                | 0.0                | 0.0                | 11.3                 |
| Buildings & Structures                          | 3111        | 11.3               | 0.0                | 0.0                | 0.0                | 11.3                 |
| Machinery & Equipment                           | 3112        | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                  |
|   |             | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                  |
| Consumption of fixed capital [=23]              | 313         | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                  |
| <b>Net lending / borrowing [1-2-31 = 1-2M]</b>  | <b>NLB</b>  | 567.2              | 0.0                | 0.0                | 0.0                | 567.2                |
| <b>Net acquisition of financial assets</b>      | <b>32</b>   | <b>474.8</b>       | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>474.8</b>         |
| <i>by instrument</i>                            |             | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                  |
| Currency and deposits                           | 3202        | 20.3               | 0.0                | 0.0                | 0.0                | 20.3                 |
| Securities other than shares                    | 3203        | 34.9               | 0.0                | 0.0                | 0.0                | 34.9                 |
| Shares and other equity                         | 3205        | 489.4              | 0.0                | 0.0                | 0.0                | 489.4                |
| Other accounts receivable                       | 3208        | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                  |
| <b>Net incurrence of liabilities</b>            | <b>33</b>   | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>           |
| Loans   | 3304        | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                  |
| Other accounts payable                          | 3308        | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                  |
| <i>Statistical discrepancy [32 - 33 - NLB-]</i> | <b>NLBz</b> | -92.4              | 0.0                | 0.0                | 0.0                | -92.4                |
| <i>Memorandum item:</i>                         |             | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                  |
| <b>Other Economic Flows</b>                     |             | 92.4               | 0.0                | 0.0                | 0.0                | 92.4                 |
| <b>Total expenditure [2+31]</b>                 | <b>2M</b>   | 97.5               | 0.0                | 0.0                | 0.0                | 97.5                 |

Note: Statistical Discrepancy should be zero.

Consumption of fixed capital will have to be calculated from inventory

Figure 2. Accumulated statement of Government operation (GGoTL)

Data for 2014, in millions of US dollars.

|   |             | Total<br>Quarter 1 | Total<br>Quarter 2 | Total<br>Quarter 3 | Total<br>Quarter 4 | Accumulate<br>d Total |
|---|-------------|--------------------|--------------------|--------------------|--------------------|-----------------------|
| <b>Revenue</b>                                  | <b>1</b>    | <b>35.5</b>        | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>35.5</b>           |
| <b>Taxes</b>                                    | <b>11</b>   | 26.0               | 0.0                | 0.0                | 0.0                | 26.0                  |
| Taxes on income, profits, and capital gains     | 111         | 10.0               | 0.0                | 0.0                | 0.0                | 10.0                  |
| Taxes on goods & services                       | 114         | 12.9               | 0.0                | 0.0                | 0.0                | 12.9                  |
| Taxes on international trade & transactions     | 115         | 3.2                | 0.0                | 0.0                | 0.0                | 3.2                   |
| Other taxes                                     | 116         | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                   |
| <b>Grants</b>                                   | <b>13</b>   | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>            |
| <b>Other revenue</b>                            | <b>14</b>   | 9.5                | 0.0                | 0.0                | 0.0                | 9.5                   |
| Property income                                 | 141         | 1.0                | 0.0                | 0.0                | 0.0                | 1.0                   |
| Other   | 142-145     | 8.5                | 0.0                | 0.0                | 0.0                | 8.5                   |
| <b>Expense</b>                                  | <b>2</b>    | <b>83.0</b>        | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>83.0</b>           |
| Compensation of employees                       | 21          | 36.0               | 0.0                | 0.0                | 0.0                | 36.0                  |
| Use of goods & services                         | 22          | 24.7               | 0.0                | 0.0                | 0.0                | 24.7                  |
| 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                | 0.0                | 0.0                | 0.0                | 0.0                   |
| Social benefits                                 | 27          | 16.5               | 0.0                | 0.0                | 0.0                | 16.5                  |
| Other expense                                   | 28          | 5.9                | 0.0                | 0.0                | 0.0                | 5.9                   |
| <b>Gross operating balance [1-2+23]</b>         | <b>GOB</b>  | <b>-47.5</b>       | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>-47.5</b>          |
| <b>Net operating balance [1-2]</b>              | <b>NOB</b>  | <b>-47.5</b>       | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>-47.5</b>          |
| <b>Net acquisition of nonfinancial assets</b>   | <b>31</b>   | <b>11.3</b>        | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>11.3</b>           |
| Acquisition of nonfinancial assets              | 311         | 11.3               | 0.0                | 0.0                | 0.0                | 11.3                  |
| Buildings & Structures                          | 3111        | 11.3               | 0.0                | 0.0                | 0.0                | 11.3                  |
| Machinery & Equipment                           | 3112        | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                   |
| Consumption of fixed capital [=23]              | 313         | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                   |
| <b>Net lending / borrowing [1-2-31 = 1-2M]</b>  | <b>NLB</b>  | <b>-58.8</b>       | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>-58.8</b>          |
| <b>Net acquisition of financial assets</b>      | <b>32</b>   | <b>-58.8</b>       | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>-58.8</b>          |
| <i>by instrument</i>                            |             | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                   |
| Currency and deposits                           | 3202        | -58.8              | 0.0                | 0.0                | 0.0                | -58.8                 |
| Securities other than shares                    | 3203        | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                   |
| Shares and other equity                         | 3205        | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                   |
| Other accounts receivable                       | 3208        | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                   |
| <b>Net incurrence of liabilities</b>            | <b>33</b>   | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>            |
| Loans   | 3304        | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                   |
| 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                   |
| <b>Memorandum item:</b>                         |             | 0.0                | 0.0                |                    |                    | 0.0                   |
| <b>Other Economic Flows</b>                     |             | 0.0                | 0.0                | 0.0                | 0.0                | 0.0                   |
| <b>Total expenditure [2+31]</b>                 | <b>2M</b>   | <b>94.4</b>        | <b>0.0</b>         | <b>0.0</b>         | <b>0.0</b>         | <b>94.4</b>           |

Note: Statistical Discrepancy should be zero.

Consumption of fixed capital will have to be calculated from inventory

Figure 3. Accumulated statement of government operation for the PF

Data for 2014, in millions of US dollars.

|  |           |              |            |            |            |              |
|--|-----------|--------------|------------|------------|------------|--------------|
| <b>Revenue</b>                             | <b>1</b>  | <b>629.2</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>629.2</b> |
| <b>Taxes</b>                               | <b>11</b> | 229.4        | 0.0        | <b>0.0</b> | 0.0        | <b>229.4</b> |
| Taxes on income, profits, and capital gain | 111       | 221.5        | 0.0        | 0.0        | 0.0        | 221.5        |
| Taxes on goods & services                  | 114       | 7.9          | 0.0        | 0.0        | 0.0        | 7.9          |
| Taxes on international trade & transactio  | 115       | 0.0          | 0.0        | 0.0        | 0.0        | 0.0          |
| Other taxes                                | 116       | 0.0          | 0.0        | 0.0        | 0.0        | 0.0          |
| <b>Grants</b>                              | <b>13</b> | <b>0.0</b>   | <b>0.0</b> | <b>0.0</b> | 0.0        | <b>0.0</b>   |
| <b>Other revenue</b>                       | <b>14</b> | 399.8        | <b>0.0</b> | <b>0.0</b> | 0.0        | <b>399.8</b> |
| Property income                            | 141       | 399.8        | 0.0        | 0.0        | 0.0        | 399.8        |
| Other                                      | 142-145   | 0.0          | 0.0        | 0.0        | 0.0        | 0.0          |
| <b>Expense</b>                             | <b>2</b>  | <b>3.1</b>   | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>3.1</b>   |
| Compensation of employees                  | 21        | 0.0          | 0.0        | 0.0        | 0.0        | 0.0          |
| Use of goods & services                    | 22        | 3.1          | 0.0        | 0.0        | 0.0        | 3.1          |
| 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        |              |            |            |            |              |

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## Key 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 PF, 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 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.