Presentation on the draft 2016 Budget

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Impact of lower oil production and oil prices on ESI

Actual and forecast petroleum revenues, 2002-2025

- 2013 Budget Forecast
- 2014 Budget Forecast
- 2015 Budget Forecast
- 2016 Budget Forecast
- Historical revenues

$million


Estimated Sustainable Income 2007-2016

$million


Source: Budget Books, various years
Planned expenditure and impact on Petroleum Fund

Actual and planned spending 2010-2020

- Salaries and Wages
- Transfer Payments
- Goods and Services
- Capital and Development
- Sustainable Fiscal Envelope

Actual and forecast Fund Balance, 2002-2025

- Balance lost due to excess withdrawals
- Petroleum Fund Balance

Source: Timor-Leste Transparency Portal, 2016 Draft Budget, Authors calculations
Key issues for Budget 2016

1. High quality Infrastructure
2. Financing for SDP priorities – education, health, agriculture
3. Long term fiscal sustainability
**Issue 1: Better infrastructure - Choosing the right projects**

**Infrastructure Fund Budget – 2015-2020**

- **Key MOF Recommendations**
  1. Public Gateway Review process for very large projects.
  2. Multi-project appraisal process for the south coast corridor.
  3. Involve the Major Project Secretariat early in the project cycle.
  4. Establish an EPIA-style agency to assess economic rates of return and inter-sectoral planning.

*Source: 2016 Draft Budget, Book 6*

1*Recommendations taken from Ministry of Finance and World Bank Public Expenditure Review: Infrastructure*
**Improving project implementation**

**Infrastructure Fund disbursements, 2011-2015**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Amount ($million)</th>
</tr>
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<tbody>
<tr>
<td>Q1 2011</td>
<td>150</td>
</tr>
<tr>
<td>Q3 2011</td>
<td>100</td>
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<tr>
<td>Q1 2012</td>
<td>200</td>
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<td>Q3 2012</td>
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<td>Q3 2015</td>
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**Key MOF Recommendations**

1. Pass the new omnibus procurement law and prepare standard operating procedures.

2. Require line ministries to submit procurement plans to the national procurement commission, and publish these.

3. Clarify circumstances in which direct awards can be considered.

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1 Recommendations taken from Ministry of Finance and World Bank Public Expenditure Review: Infrastructure

Source: Timor-Leste Transparency Portal, 2016 Draft Budget, Authors calculations
Sustainable operations and maintenance (O&M)

Key Recommendations

1. Allocate funding for maintenance of upgraded roads in 2016 – ($25 million)

2. Develop clear O&M strategy for each sector – roads, water, electricity, etc.

3. Use public private partnerships to leverage private sector expertise for O&M.

4. Review options for cost recovery to fund O&M

5. Require maintenance plan and O&M budget for all new investment projects.
Issue 2: Funding for SDP Priorities of Education, Health, Agriculture

Education budget by level of schooling

- Pre-primary per student
- Primary per student
- Secondary per student

Source: Budget Books – Various years, Timor-Leste National Census 2010, Author’s calculations.

Note: The chart shows the recurrent budget allocated to each level of schooling divided by the total cohort of students at each level.
1. **Reform public expenditure** – focus on core SDP priorities, excess withdrawals from Petroleum Fund limited to investments with high rates of return.

2. **Grow the non-oil economy** – Macroeconomic stability, investment in infrastructure and human capital, reforms to improve legal and regulatory framework.

3. **Improve domestic revenue collection** – Possible legal reforms to strengthen tax code, improved tax administration.
Thank you!