

Citizens Budget 2019

Timor Leste



Democratic Republic of Timor-Leste
Ministry of Finance



The 2019 State Budget

The government of Timor Leste promises to publish a citizen's budget each year to ensure that citizens are informed of the state budget in an accessible format. It is designed by the Directorate of National Budget and seeks to inform citizens of the relevant aspects of the state budget, revenue to be raised and details of expenditure to be made.

The Government of Timor-Leste's policies guided by the Strategic Development Plan are laid out in the Annual State Budget, with the objective to become an upper middle income country by 2030.



What is the State Budget?

The State Budget is a document which includes forecasts of revenue and fixes expenditure for the upcoming year. It is based on government priorities. The Ministry of Finance organizes the 'Journada Orsamental'- a workshop with line ministries to discuss budget preparation for the year. After that various line ministries submit their proposals to the Ministry of Finance which are compiled into documents called Pasta Verdes or green books. These are agreed upon by the Budget Review Committee and are sent to Parliament for discussion. Once the Parliament agrees upon the budget, it is 'enacted'- that is, it is the final budget for the upcoming year.

INVESTING IN PEOPLE

The government is committed to strengthening social capital especially in health and education.

Education

13% of the recurrent budget will target the Education Sector.

\$18.1 million to Municipalities for the School Feeding program, subsidies for schools, and operational costs and services for administrative authorities.

\$20 million to the Human Capital Development Fund for capacity development and scholarships.

Social security

Social Security is the second largest sector in the budget with 17% of the recurrent budget allocated to it.

\$48.9 million to the Ministry of Social Solidarity and Inclusion towards social programs, including the old age and disability pensions, Bolsa de Mãe, and support to victims of natural disasters.

\$95.5 million is dedicated to veteran pensions.

Health care

6% of the total budget is allocated to investments in local and national hospital facilities and in basic sanitation across the country.

\$4.3 million has been allocated to SAMES for medication to improve healthcare in the country.

\$1.6 million to the Ministry of Health to buy minor capital items.

INVESTING IN INFRASTRUCTURE

\$366.4 million is allocated to the Infrastructure Fund in 2019. \$0.09 million of the total is loan projects.

\$76.0 million of investments will be made in Atauro Special Zones for Social Market Economy (ZEESM) and Special Administrative Region of Oecusse Ambeno (RAEOA) to continue to develop basic infrastructure and create a favourable environment for private sector investments.

\$79.4 million to the Ministry of Public Works towards fuel and maintenance of electricity generators in Hera and Betano and \$11.4 million for the maintenance of roads and bridges.

\$10.9 million to the Ministry of Public Works for a clean water and sanitation programme in rural and urban areas.

INVESTING IN ECONOMIC DEVELOPMENT

\$1.6 million to the Secretariat of State for Vocational Training Policy and Employment (SEFPOPE) for the rural employment programme. This will promote job creation, particularly in rural areas.

\$1.3 million has been allocated to cooperative group subsidies.

STRENGTHENING INSTITUTIONS

Municipal bodies, including special administrative regions, will receive 11% of the total recurrent budget, to ensure decentralized public sector delivery.

Macroeconomic assumptions of the State Budget

Over the medium term, the government is targeting a growth rate of 7% driven by private sector-led, sustainable development.

Inflation is expected to remain low and stable at 2.7%. This will positively contribute to Timor-Leste's competitiveness.

In 2019, the tax collection trend is expected to improve and reach \$136.3m. This largely results from an improvement in the private sector conditions and the macro-economic outlook.

Real (inflation adjusted) non-oil GDP is expected to grow at 5.9% in 2019. An end to political uncertainty and the duodecimal system* are expected to drive this acceleration.

The exchange rate forecast suggests there will be some small depreciation in the near future, providing an overall stable foundation for traders, alongside improved competitiveness.

Petroleum Wealth for the 2019 Budget Book calculations is estimated to be \$17,633.6 million. Accordingly, the 3% ESI is estimated at \$529.0 million for 2019.

Summary	Forecast	Forecast	Forecast
%	2017	2018	2019
Real GDP (non-oil) **	-5.3	0.6	5.9
Inflation CPI***	0.6	2.4	2.7

*Duodecimal system: A budget system in 2018 which mandated that spending in each month of 2018 could only be equal to 1/12 of each line item appropriation in the 2017 budget. It was created as the 2018 budget was not passed.

**Real gross domestic product is a measurement of economic output that accounts for the effects of inflation or deflation. In Timor-Leste, non oil GDP refers to all GDP that is not derived from the Petroleum Fund.

***A consumer price index (CPI) measures changes in the price level of market basket of consumer goods and services purchased by households.

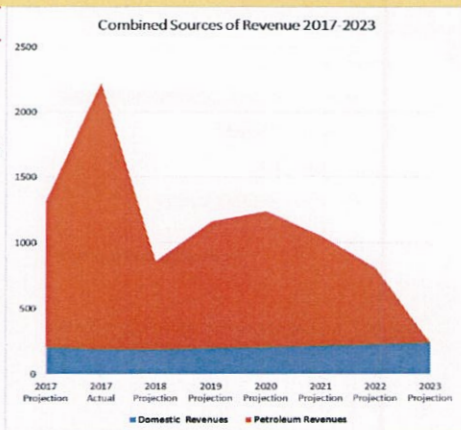
REVENUE

Total revenue is projected to be \$1,162 million for 2019 with 83% coming from petroleum revenues.

Timor-Leste is highly dependent on oil revenue (90% of its total revenue). Non-oil revenue is expected to grow to 5% higher than the previous year.

Tax revenue, is the biggest source of domestic revenue, totalling nearly two thirds of total domestic revenue in 2019.

A low tax base, inadequate revenue collection capacity and current policies and legislations need to be revisited to increase domestic revenue in the future.

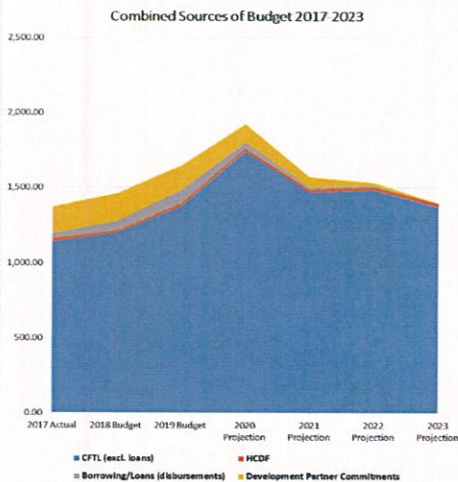


EXPENDITURE

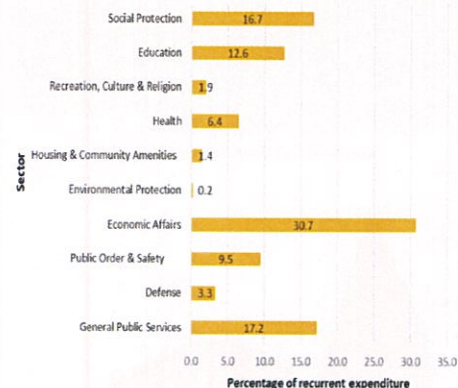
Total expenditure for 2019 budget is \$1,482.0 million (excluding donor funding activities of \$162.6 million). It is higher than the 2018 budget.

FISCAL DEFICIT

The total fiscal deficit is \$754.4 million, out of which excess withdrawals are from the Petroleum Fund (PF) at \$667.4 million and loans are \$87 million. The total amount budgeted to be withdrawn from the PF in 2019 is \$1,196.4 million. The Government



Recurrent expenditure by sector 2019



Other Information

For more information, please see budget books 1-6 (Budget Book1: Budget Overview, Book2: Annual Action Plan, Book3A: Infrastructure Fund, Book3B: Municipalities, Book3C: RAOEA & ZESSM, Book4a and 4b: Budget Line Items, Book5: Development Partners, Book 6: Special Funding—FCDH), which are published on the Ministry of Finance website: www.mof.gov.tl.

Cover photograph: Ministry of Finance, Timor Leste

Data and shape file sources: IMF World Economic Outlook, Ministry of Finance and Directorate General Statistics, Timor Leste.

considers that excess withdrawals are necessary in the medium term to finance priority capital expenditures.

LOANS

Total loan financing for 2019 is \$87.0 million. Timor Leste has 8 loan packages currently, at approximately \$355 million, of which 36% has been spent on road infrastructure projects.

What is the Petroleum Fund?

The Petroleum Fund of Timor-Leste is a sovereign wealth fund into which the surplus wealth produced by Timor Leste petroleum and gas income is deposited by its government.

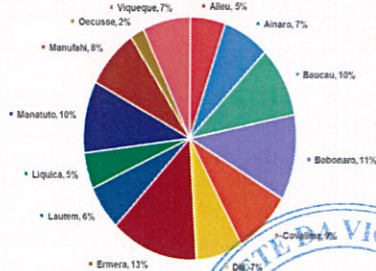
What is Estimated Sustainable Income (ESI)?

The ESI represents the maximum amount that can be withdrawn from the Petroleum Fund in a fiscal year so as to leave a sufficient Fund balance to be appropriated in all later years. Any withdrawal above this amount is called an “excess withdrawal”.

Funding to sub-national government

The 2019 Budget prioritises funding to municipalities which are the at the frontline of service delivery. They receive funds from Programa Dezenvolumentu Suku (PNDS) and Programa Dezenvolumentu Integrada Munisipius (PDIM).

Distribution of PDIM and PNDS funds in Municipalities 2019



You can also access budget information on Budget Transparency Portal (<http://www.budgettransparency.gov.tl>).

You can contact National Director of Budget Sr. Salomão Yaquim, email: nyaquim@mof.gov.tl, Telephone no 77305809 for more information. Director General State Finance Sr. Januario da Gama, email: jgama@mof.gov.tl, Telephone no 77852000 leads the budget initiative.

Serg Lobo Brites
Vice-Minister and Interim Minister of Finance