

Treasury Monthly Budget Report – August 2017

Extracted from Government Financial Statistics (GFS) on 13th October 2017

Summary

In August, Government recorded a net operating surplus of VT 283.3 million. The total Government net operating balance recorded by the end of August 2017 is a surplus VT 1,763.7 million which is equivalent to 2.2 percent of GDP.

The net operating balance for Government operations, excluding donor funds, in August was a surplus of VT 580.1 million. The total year to date operating balance recorded is a surplus of VT 2,154.8 million equivalent to 2.7 percent of GDP.

Government Revenue

In August, the Government collected VT 2,058.6 million revenue which is 32.2 percent more than what was collected in August 2016 (VT 1,557.2 million). At the end of August 2017, the total Government revenue collections were VT 14,153.8 million, 77.1 percent of the budget target (VT 18,354.0 million), 3.5 percent more to what was collected in the equivalent period last year (VT 13,678.7 million).

VAT which is the biggest source of Government revenue was VT 815.8 million in August, totalling up to VT 4,673.1 million representing 72.4 percent of the budget target (VT 6,451.3 million). This is a 21.6 percent increase from VAT revenue collected up to August 2016 (VT 3,842.2 million). Import duties, second biggest source of revenue for the Government, collected VT 340.4 million in August, totalling up to VT 2193.2 million. This is 75.5 percent of the budget target (VT 2,905.1 million) and an increase of 9.2 percent relative to the amount collected up to August in 2016 (VT 2,009.3 million). Excise tax collected in August 2017 was VT 121.7 million. Total collections from Excise tax up to August 2017 is VT 1,577.6 million, which signifies 77.3 percent of the budget target (VT 2,039.7 million) and is 3.2 percent more than what was collected until August last year (VT 1,529.2 million).

Among other revenue constituting fees and charges, Vanuatu Development Support Program (VDSP) and Vanuatu Contribution Programme (VCP), together collected VT 1,375.2 million by the end of August. In 2017, VERP, VDSP and VCP¹ have collectively brought VT 1,842.8 million which is 90.9 percent of their budget target (VT 2,028.5 million).

Government Expenses

The month of August saw Government expenses standing at a total amount of VT 1,478.5 million. This is an increase of 24.8 percent compared to the Government spending in the same period of the previous year (VT 1,184.3 million). To date, Government expenses recorded VT 11,999.1 million representing 62.0 per cent of the budget target (VT 19,364.3 million) and an increase of 6.7 percent compared to total Government spending up to August in 2016 (VT 11,249.5 million). In June, a supplementary budget of VT 1,828.3 million was appropriated towards Government operations and payroll for the budget year 2017.

The total Government expense is controlled and in line with the budget target. However, there are some major spending items which includes;

- Allowance-Scholarship (VT 372.1 million against a budget target of VT 263.4 million)
- Subsistence Allowance (VT 229.1 million against a budget target of VT 204.6 million)
- International Travel (VT 102.5 million against a budget target of VT 130.6 million)
- Official Entertainment (VT 70.6 million against a budget target of VT 52.2 million)
- Fees-Scholarships (VT 189.4 million against a budget target of VT 212.9 million)

¹ Vanuatu Economic Rehabilitation Programme (VERP) was introduced in 2015 aimed at raising revenue post Cyclone Pam through fast-track citizenship programme. VERP was phased out by March 2017 to be replaced by similar programmes - Vanuatu Development Support Programme (VDSP) and Vanuatu Contribution Programme (VCP).

- Termination (VT 245.6 million against a budget target of VT 197.4 million)
- Contract wages (VT 100.7 million against a budget target of VT 2 million)
- Responsibility Allowance (VT 18.7 million against a budget target of VT 17.4 million)
- Leave Expense (VT 54.3 million against a zero budget²)

Government Acquisition of Non-Financial Assets

During the month of August, net acquisition of non-financial assets recorded was worth VT 91.8 million.

Government Acquisition of Financial Assets

In August, the Government paid off VT 1.8 million worth of external loans. There has been no transaction in domestic bonds in the month of August.

Development Budget Highlights

During August, VT 167.8 million worth of grants were received from donors giving the grand total to date of VT 2,897.2 million. The amount represents 35.9 percent of the budget target (VT 8,069.3 million). Major donors up to the end of August are Australia (VT 627.4 million), World Bank (VT 577.6 million) and A.D.B (VT 299.6 million). Other contributing donors are greatly acknowledged.

² The expenses budgeted zero are financed through Recurrent Fund. The amount allocated towards these activities from Budget Ceiling of each Line Ministry is based on discretion of the respective Line Ministry.

- **Net operating balance** is equal to revenue minus expenses and indicates whether the government is able to sustain its current level of operations. The Government must aim for a surplus.
- **Net lending/borrowing** is often referred to as the fiscal surplus/deficit and indicates whether the Government is taking out or giving resources from or to the economy.
- **Expense** is a decrease in net worth resulting from a transaction.
- **Revenue** is an increase in net worth resulting from a transaction.
- **VAT (Value Added Taxes)** is the tax on goods or services collected in stages by enterprises but ultimately charged in full to the final purchasers.
- **Interest payments** and **Grants** are paid on fixed dates as they are payments to external Government entities.
- **Taxes on international trade and transactions** are almost all import duties based on Cost, Insurance, and Freight (CIF) values.
- **Excise** is charged on goods sold in the country regardless of whether they were produced domestically or overseas.
- In terms of **revenue**, **grants** refer to funds for donor assisted projects provided by donors and also general budget support from donors.
- The **Government operations funded by donors'** numbers represent only revenue and expenses to and from the Government's central development fund account. Some donors continue to operate outside the Government system so these numbers understate the total value of donor support to Vanuatu.
- **Net acquisition of domestic financial assets** is positive when the Government accumulates cash reserves and negative when it draws down on its overdraft.
- **Net incurrence of domestic financial liabilities** is positive when Government bonds are raised through auction and negative when they are retired (paid out).
- **Net incurrence of external liabilities** is positive when the Government draws down external loans and negative when principal on these loans is repaid.
- **Compensation of employees** figures follow the pay days. Vanuatu runs a fortnightly pay system.

Annex 1: Revenue Trend

Revenue collected in August 2017 is higher than budget target figure predicted through cash flow analysis of fiscal years 2014-16 (Figure 1). This is majorly due to strong collections from VAT and import duties.

Cumulative revenue flow (Figure 2) indicates robust revenue collections relative to the budget target.

Figure 1

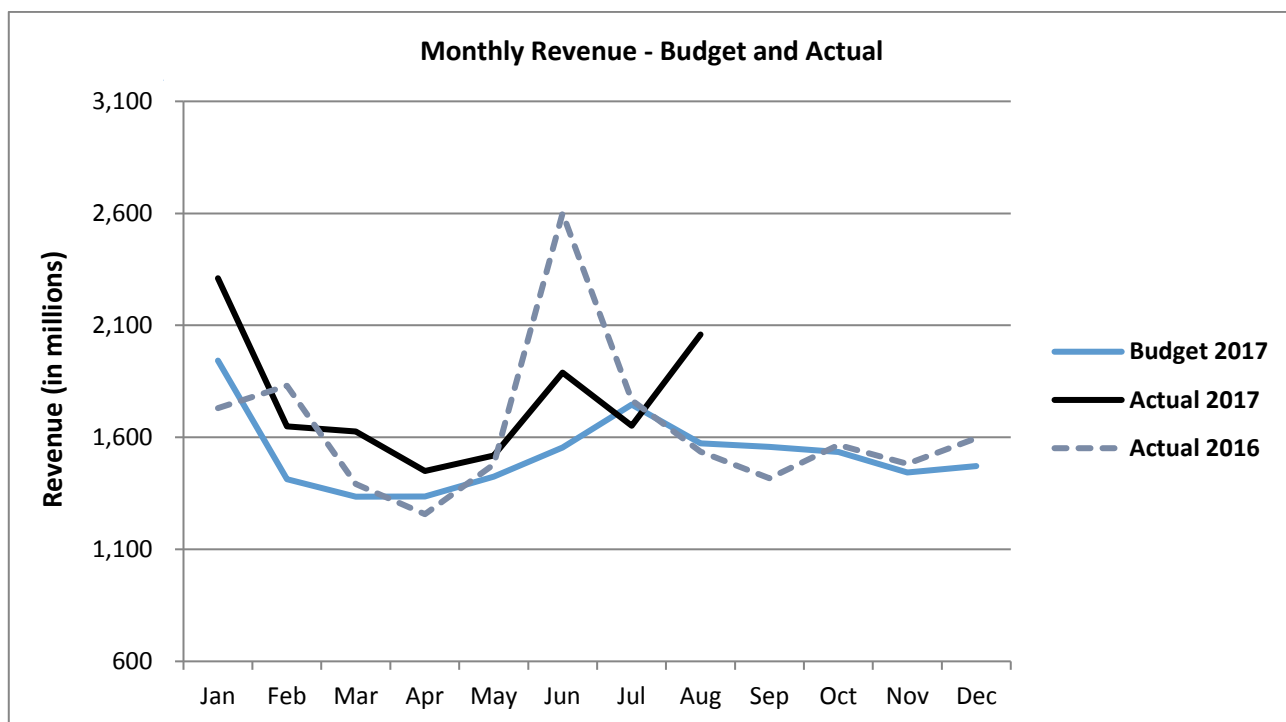
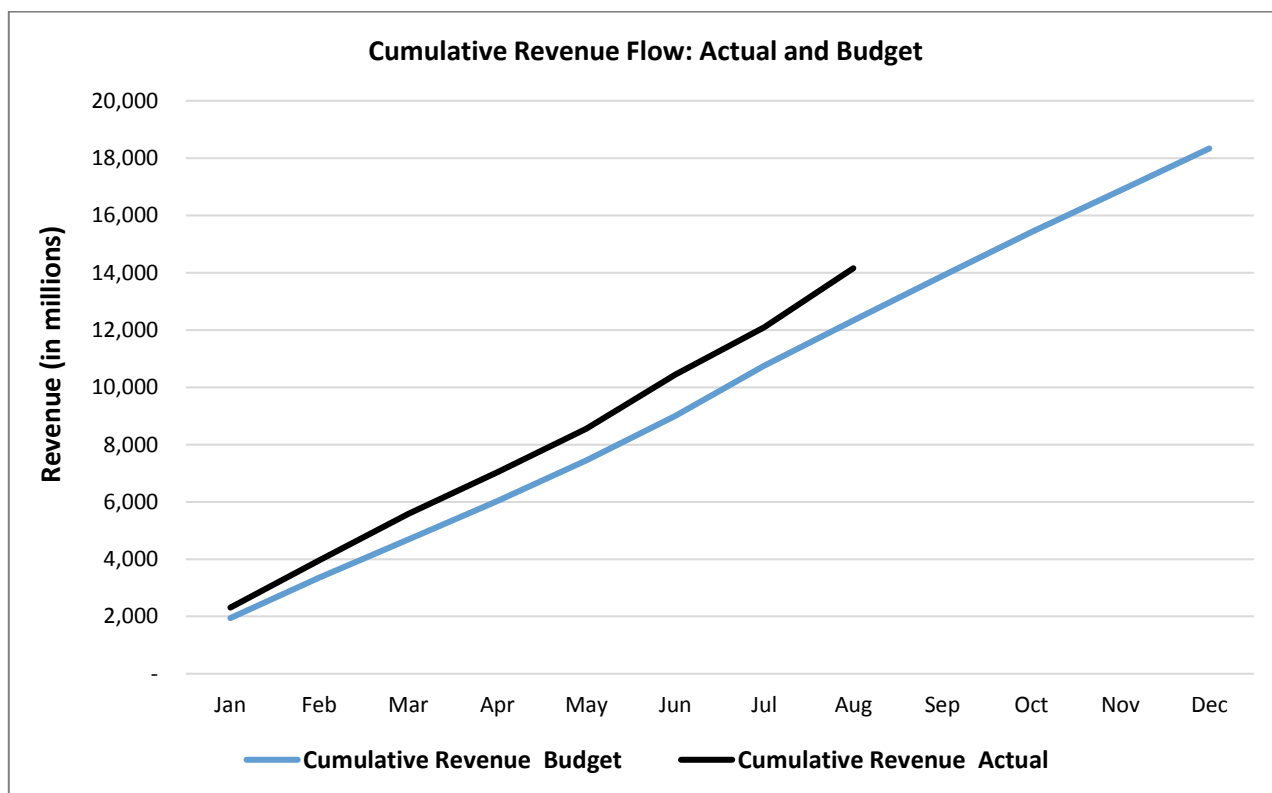


Figure 2



Annex 2: Expenditure Trend

Expenditure figure for August, 2017 is higher than budget target figure predicted through cash flow analysis of fiscal years 2014-16.

Cumulative expenditure trend (Figure 4) shows that overall expenses are in track with the budget target.

Figure 3

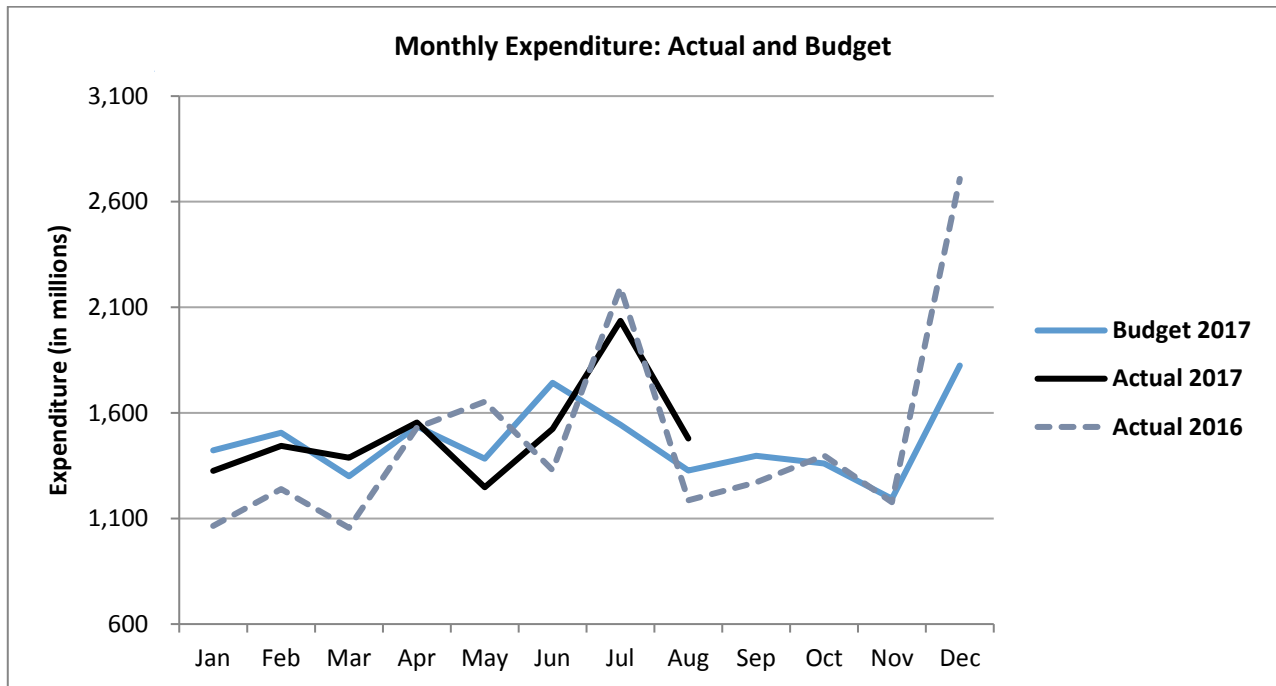
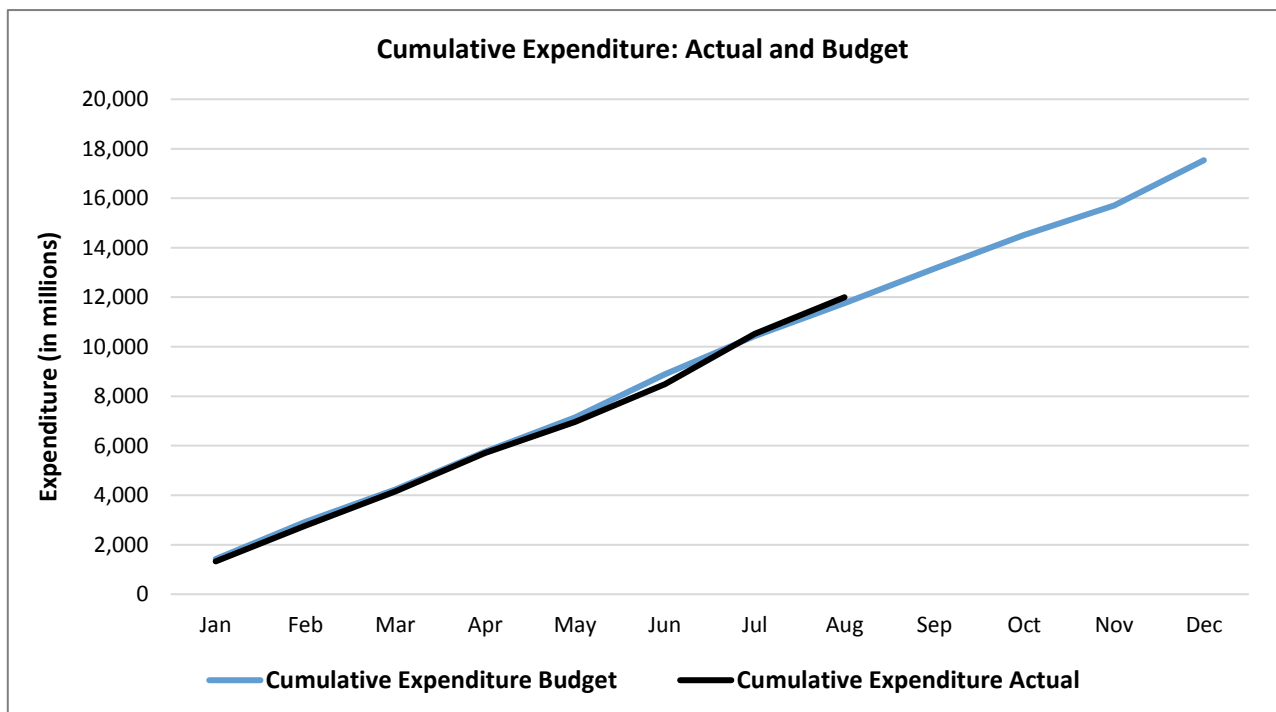


Figure 4



Annex 3: Statement Of Total Government Operations

STATEMENT OF TOTAL GOVERNMENT OPERATIONS												
GFS Code	GFS Description	Budget 2017	Total (VT mn)	%	January	February	March	April	May	June	July	August
TRANSACTIONS AFFECTING NET WORTH:												
A1	Revenue	26,423.3	17,051.1	65%	2,402.6	2,142.4	1,807.8	1,718.3	1,802.8	2,566.1	2,384.6	2,226.5
A11	Taxes	14,244.0	10,903.2	77%	1,867.7	1,307.0	1,237.8	1,070.9	1,167.1	1,398.0	1,327.3	1,527.6
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-	-	-
A113	Taxes on property	471.2	331.9	70%	24.6	55.8	46.2	32.7	30.5	44.5	61.0	36.6
A114	Taxes on goods & services	10,867.7	8,378.2	77%	1,608.6	988.4	906.7	800.9	880.4	1,047.1	995.5	1,150.5
	of which											
	Value-Added Tax	6,451.3	4,673.1	72%	704.7	518.0	522.7	488.0	507.9	545.3	570.6	815.8
	Excise	2,039.7	1,577.6	77%	208.2	209.5	202.3	159.2	165.1	264.7	246.9	121.7
A115	Taxes on international trade & transactions	2,905.1	2,193.2	75%	234.5	262.8	284.9	237.2	256.2	306.4	270.8	340.4
A116	Other taxes	-	-	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-	-	-
A13	Grants	8,069.3	2,897.2	0.4	92.3	493.2	181.3	268.6	283.3	677.6	733.1	167.8
A14	Other revenue	4,110.0	3,250.6	79%	442.7	342.2	388.7	378.8	352.4	490.6	324.2	531.0
A2	Expense	27,433.6	15,287.4	56%	1,790.4	1,835.3	1,701.0	1,759.6	1,770.8	1,922.2	2,565.0	1,943.1
A21	Compensation of employees	10,631.6	6,224.6	59%	681.0	687.9	725.2	739.0	760.2	1,090.0	741.3	799.9
A22	Use of goods and services	11,372.7	4,760.3	42%	413.7	542.6	564.8	414.0	592.5	526.4	1,108.6	597.6
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-	-	-
A24	Interest	720.4	633.9	88%	23.2	66.7	204.3	49.3	6.2	80.0	120.6	83.6
A25	Subsidies	-	-	0%	-	-	-	-	-	-	-	-
A26	Grants	3,293.9	1,545.1	47%	121.7	417.0	101.4	137.8	64.6	120.1	211.2	371.3
A27	Social benefits	339.9	-	0%	379.5	62.3	100.2	40.7	176.3	84.4	234.0	35.4
A28	Other expense	1,075.2	-	0%	171.2	58.8	5.2	378.8	171.0	21.3	149.3	55.2
GOB	Gross operating balance (1-2+23+NOBz)	(1,010.3)	1,763.7	-175%	612.2	307.0	106.8	(41.3)	32.1	643.9	(180.3)	283.3
NOB	Net operating balance (1-2+NOBz)	(1,010.3)	1,763.7	-175%	612.2	307.0	106.8	(41.3)	32.1	643.9	(180.3)	283.3
	% of GDP		2.2%		0.8%	0.4%	0.1%	-0.1%	0.0%	0.8%	-0.2%	0.4%
TRANSACTIONS IN NONFINANCIAL ASSETS:												
A31	Net Acquisition of Nonfinancial Assets	15,954.2	883.0	6%	83.8	110.0	(101.3)	36.5	220.1	275.9	84.6	173.4
A311	Fixed assets	15,954.2	883.0	6%	83.8	110.0	(101.3)	36.5	220.1	275.9	84.6	173.4
A312	Change in inventories	-	-	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(16,964.5)	880.7		528.4	197.1	208.1	(77.8)	(188.0)	368.0	(265.0)	109.9
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):												
		-21.3%	1.1%									
A32	Net acquisition of financial assets	(1,828.3)	712.4	0%	528.4	195.2	(459.0)	150.8	(216.6)	358.1	47.4	108.0
A321	Domestic	(1,828.3)	712.4	0%	528.4	195.2	(459.0)	150.8	(216.6)	358.1	47.4	108.0
A322	Foreign	-	-	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	15,136.3	(168.3)	-1%	-	(1.9)	(667.1)	228.6	(28.6)	(9.9)	312.4	(1.8)
A331	Domestic	-	105.2	-	-	-	(455.1)	247.8	-	-	312.4	-
A332	Foreign	15,136.3	(273.4)	(0.0)	-	(1.9)	(212.0)	(19.2)	(28.6)	(9.9)	-	(1.8)

Annex 4: Statement Of Government Operations Which Are Funded By Donors Through The Central Treasury Account

STATEMENT OF GOVERNMENT OPERATIONS WHICH ARE FUNDED BY DONORS THROUGH THE CENTRAL TREASURY ACCOUNT												
GFS Code	GFS Description	Budget 2017	Total (VT mn)	%	January	February	March	April	May	June	July	August
TRANSACTIONS AFFECTING NET WORTH:												
A1	Revenue	8,069.3	2,897.2	36%	92.3	493.2	181.3	268.6	283.3	677.6	733.1	167.8
A11	Taxes	-	-	0%	-	-	-	-	-	-	-	-
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-	-	-
A113	Taxes on property	-	-	0%	-	-	-	-	-	-	-	-
A114	Taxes on goods & services	-	-	0%	-	-	-	-	-	-	-	-
	of which											
	Value-Added Tax	-	-	0%	-	-	-	-	-	-	-	-
	Excise	-	-	0%	-	-	-	-	-	-	-	-
A115	Taxes on international trade & transactions	-	-	0%	-	-	-	-	-	-	-	-
A116	Other taxes	-	-	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-	-	-
A13	Grants	8,069.3	2,897.2	36%	92.3	493.2	181.3	268.6	283.3	677.6	733.1	167.8
A14	Other revenue	-	-	0%	-	-	-	-	-	-	-	-
A2	Expense	8,069.3	3,288.3	41%	464.6	391.1	312.6	205.2	522.8	398.3	529.1	464.6
A21	Compensation of employees	675.1	292.6	43%	39.1	27.3	32.9	34.5	33.0	58.7	33.7	33.5
A22	Use of goods and services	5,669.8	1,649.7	29%	65.7	258.0	161.1	126.9	323.0	181.2	296.9	236.8
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-	-	-
A24	Interest	-	-	0%	-	-	-	-	-	-	-	-
A25	Subsidies	-	-	0%	-	-	-	-	-	-	-	-
A26	Grants	1,465.9	478.6	33%	-	82.1	25.4	15.3	-	95.6	70.1	190.0
A27	Social benefits	112.4	867.1	771%	359.7	23.6	93.2	28.3	166.9	62.8	128.4	4.3
A28	Other expense	146.2	0.3	0%	0.1	-	-	0.2	-	-	-	-
GOB	Gross operating balance (1-2+23+NOBz)	-	(391.1)		(372.3)	102.1	(131.3)	63.4	(239.5)	279.3	204.0	(296.8)
NOB	Net operating balance (1-2+NOBz) ✓	-	(391.1)		(372.3)	102.1	(131.3)	63.4	(239.5)	279.3	204.0	(296.8)
		-	-0.5%		-0.5%	0.1%	-0.2%	0.1%	-0.3%	0.4%	0.3%	-0.4%
TRANSACTIONS IN NONFINANCIAL ASSETS:												
A31	Net Acquisition of Nonfinancial Assets	15,654.8	534.9	3%	46.7	83.8	(118.4)	18.0	189.5	211.2	22.5	81.7
A311	Fixed assets	15,654.8	534.9	3%	46.7	83.8	(118.4)	18.0	189.5	211.2	22.5	81.7
A312	Change in inventories	-	-	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(15,654.8)	(926.0)	6%	(419.0)	18.3	(12.9)	45.4	(429.0)	68.1	181.5	(378.5)
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):												
A32	Net acquisition of financial assets	-	(926.0)		(419.0)	18.3	(12.9)	45.4	(429.0)	68.1	181.5	(378.5)
A321	Domestic	-	(926.0)		(419.0)	18.3	(12.9)	45.4	(429.0)	68.1	181.5	(378.5)
A322	Foreign	-	-		-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-		-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	15,654.8	-	0%	-	-	-	-	-	-	-	-
A331	Domestic	-	-	0%	-	-	-	-	-	-	-	-
A332	Foreign	15,654.8	-	0%	-	-	-	-	-	-	-	-

Annex 5: Statement Of Government Operations Excluding Donors

STATEMENT OF GOVERNMENT OPERATIONS EXCLUDING DONORS												
GFS Code	GFS Description	Budget 2017	Total (VT mn)	%	January	February	March	April	May	June	July	August
TRANSACTIONS AFFECTING NET WORTH:												
A1	Revenue	18,354.0	14,153.8	77%	2,310.3	1,649.2	1,626.5	1,449.7	1,519.5	1,888.6	1,651.5	2,058.6
A11	Taxes	14,244.0	10,903.2	77%	1,867.7	1,307.0	1,237.8	1,070.9	1,167.1	1,398.0	1,327.3	1,527.6
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-	-	-
A113	Taxes on property	471.2	331.9	70%	24.6	55.8	46.2	32.7	30.5	44.5	61.0	36.6
A114	Taxes on goods & services	10,867.7	8,378.2	77%	1,608.6	988.4	906.7	800.9	880.4	1,047.1	995.5	1,150.5
	of which											
	Value-Added Tax	6,481.3	4,673.1	72%	704.7	588.0	522.7	488.0	507.9	545.3	570.6	615.8
	Excise	2,008.7	1,577.6	77%	208.2	208.5	202.3	153.2	165.1	264.7	246.9	121.7
A115	Taxes on international trade & transactions	2,905.1	2,193.2	75%	234.5	262.8	284.9	237.2	256.2	306.4	270.8	340.4
A116	Other taxes	-	-	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-	-	-
A13	Grants	-	-	-	-	-	-	-	-	-	-	-
A14	Other revenue	4,110.0	3,250.6	79%	442.7	342.2	388.7	378.8	352.4	490.6	324.2	531.0
A2	Expense	19,364.3	11,999.1	62%	1,325.8	1,444.2	1,388.4	1,554.4	1,248.0	1,523.9	2,035.8	1,478.5
A21	Compensation of employees	9,956.5	5,931.9	60%	641.9	660.6	692.3	704.5	727.2	1,031.3	707.6	766.5
A22	Use of goods and services	5,702.9	3,110.6	55%	348.0	284.6	403.7	287.1	269.6	345.2	811.7	360.7
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-	-	-
A24	Interest	720.4	633.9	88%	23.2	66.7	204.3	49.3	6.2	80.0	120.6	83.6
A25	Subsidies	-	-	0%	-	-	-	-	-	-	-	-
A26	Grants	1,828.0	1,066.5	58%	121.7	334.9	76.0	122.5	64.6	24.5	141.0	181.3
A27	Social benefits	227.5	245.7	108%	19.8	38.7	6.9	12.4	9.4	21.6	105.6	31.2
A28	Other expense	929.0	1,010.5	109%	171.1	58.8	5.2	378.6	171.0	21.3	149.3	55.2
GOB	Gross operating balance (1-2+23+NOBz)	(1,010.3)	2,154.8		984.5	204.9	238.1	(104.7)	271.5	364.6	(384.3)	580.1
NOB	Net operating balance (1-2+NOBz) ✓	(1,010.3)	2,154.8		984.5	204.9	238.1	(104.7)	271.5	364.6	(384.3)	580.1
	% of GDP		2.7%		1.2%	0.3%	0.3%	-0.1%	0.3%	0.5%	-0.5%	0.7%
TRANSACTIONS IN NONFINANCIAL ASSETS:												
A31	Net Acquisition of Nonfinancial Assets	299.4	348.0	116%	37.1	26.2	17.1	18.5	30.5	64.7	62.2	91.8
A311	Fixed assets	299.41	348.0	116%	37.1	26.2	17.1	18.5	30.5	64.7	62.2	91.8
A312	Change in inventories	-	-	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(1,309.8)	1,806.7		947.4	178.8	221.0	(123.2)	241.0	299.9	(446.5)	488.3
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):												
A32	Net acquisition of financial assets	(1,828.3)	1,638.5	0%	947.4	176.9	(446.1)	105.4	212.4	290.0	(134.1)	486.5
A321	Domestic	(1,828.3)	1,638.5	0%	947.4	176.9	(446.1)	105.4	212.4	290.0	(134.1)	486.5
A322	Foreign	-	-	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(518.5)	(168.3)	32%	-	(1.9)	(667.1)	228.6	(28.6)	(9.9)	312.4	(1.8)
A331	Domestic	-	105.2	-	-	-	(455.1)	247.8	-	-	312.4	-
A332	Foreign	(518.5)	(273.4)	0.5	-	(1.9)	(212.0)	(19.2)	(28.6)	(9.9)	-	(1.8)