

# Treasury Monthly Budget Report – December 2017

Extracted from Government Financial Statistics (GFS) on 16th January 2018

## Summary

*The total net operating balance for the Government in December was a deficit of VT 551.8 million. Total Government net operating balance recorded by the end of December 2017 is a surplus of VT 4,196.7 million which is equivalent to 5.3 per cent of GDP.*

*The net operating balance for Government operations, excluding donor funds, in December saw again a deficit of VT 1,992.2 million. However, the total year to date net operating balance recorded a surplus of VT 1,761.5 million equivalent to 2.2 per cent of GDP.*

## Government Revenue

*In December, the Government collected VT 1,592.9 million worth of revenue which is 20.9 per cent less than what was collected in equivalent period last year (VT 2,015.1 million). At the end of the year, the total Government revenue collections were VT 21,692.8 million, exceeding the budget target (VT 18,354.0 million) by 18.2 per cent and is 5.1 per cent more than what was collected in the equivalent period last year (VT 20,636.7 million).*

*The biggest source of revenue is VAT which collected VT 485.0 million in December, totalling up to VT 6,935.5 million exceeding its budget target (VT 6,451.3 million) by 7.5 per cent. This is a 17.9 per cent increase from VAT revenue collected up to December 2016 (VT 5,882.6 million). Taxes on international trade and transactions constituting import duties and export duties is the second biggest source of revenue for the Government. For the month of December it collected VT 348.2 million, totalling up to VT 3,533.0 million which exceeds the budget target (VT 2,905.1 million) by 21.6 per cent. This is also an increase of 11.9 per cent relative to the amount collected (VT 3,158.4 million) during the same period last year. Excise tax collection in December 2017 was VT 297.9 million. Total collections from Excise at the end of the year is VT 2,577.7 million, which signifies 126.4 per cent of the budget target (VT 2,039.7 million) and is 5.3 per cent higher than what was collected until December last year (VT 2,447.9 million).*

*Among other revenue constituting fees and charges, Vanuatu Development Support Program (VDSP) and Vanuatu Contribution Programme (VCP), together collected VT 150.2 million in December. In 2017, VERP, VDSP and VCP<sup>1</sup> have collectively brought VT 3,492.9 million exceeding its budget target (VT 2,028.5 million) by 72.2 per cent.*

## Government Expenses

*In December, the Government expense has recorded an amount of VT 3,585.2 million. This is an increase of 32.5 per cent compared to the Government spending in the same period of the previous year (VT 2,705.3 million). To date, Government expenses recorded VT 19,931.4 million representing 95.0 per cent of the budget target (VT 20,964.3 million) and an increase of 11.9 per cent compared to total Government spending up to December in 2016 (VT 17,806.2 million).*

*In December, the Government has appropriated an additional amount of VT 1.6 million worth of supplementary and standing appropriation. The VT 1.6 million worth of supplementary and standing appropriation includes VT 1.4 million for the severance package and VT 200 million for the Amebae state of emergency. The total supplementary and standing appropriation for the 2017 financial year is VT 3,428.3 million.*

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

<sup>1</sup> 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).

- Subsistence Allowance (VT 312.3 million against a budget target of VT 204.6 million)
- International Travel (VT 137.0 million against a budget target of VT 130.6 million)
- Official Entertainment (VT 95.6 million against a budget target of VT 52.2 million)
- Contract wages (VT 136.8 million against a budget target of VT 2 million)
- International Accommodation (VT 39.9 million against a budget target of VT 18.5 million)
- Local Accommodation (VT 26.9 million against a budget target of VT 25.3 million)
- Vehicle Repairs and Maintenance (VT 75.8 million against a budget target of VT 58.0 million)
- Court cost ( VT 88.3 million against budget target of VT 6.4 million)
- Vehicle additional ( VT 71.1 million against a budget target of VT 12.0 million)

### ***Government Acquisition of Non-Financial Assets***

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*During the month of December, the Government has spent VT 173.6 million on fixed assets and has disposed VT 33,000 worth of Fixed Assets.*

### ***Government Acquisition of Financial Assets***

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*In December, the Government paid off VT 10.0 million worth of external loans. There has been no transaction in domestic bonds in the month of December.*

### ***Development Budget Highlights***

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*During December, VT 1,664.5 million worth of grants were received from donors giving the grand total to date of VT 7,820.7 million. The amount represents 96.5 per cent of the budget target (VT 8,069.3 million). Major donors up to end of December are World Bank (VT 2,156.1 million), Australia (VT 1,333.3 million) and A.D.B (VT 933.4 million). Other contributing donors are greatly acknowledged.*

- **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 December 2017 is considerably higher than budget target figure predicted through cash flow analysis of fiscal years 2016-17 (Figure 1).

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

Figure 1

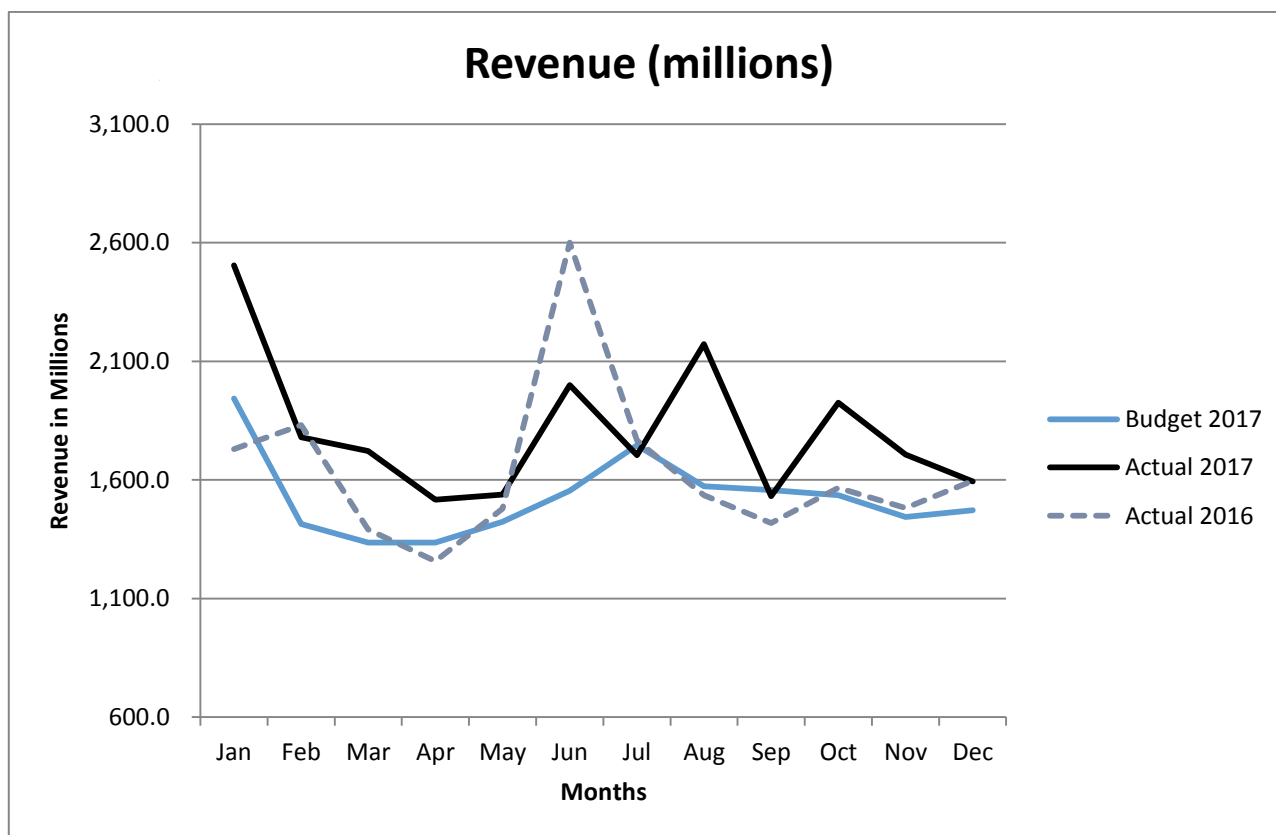
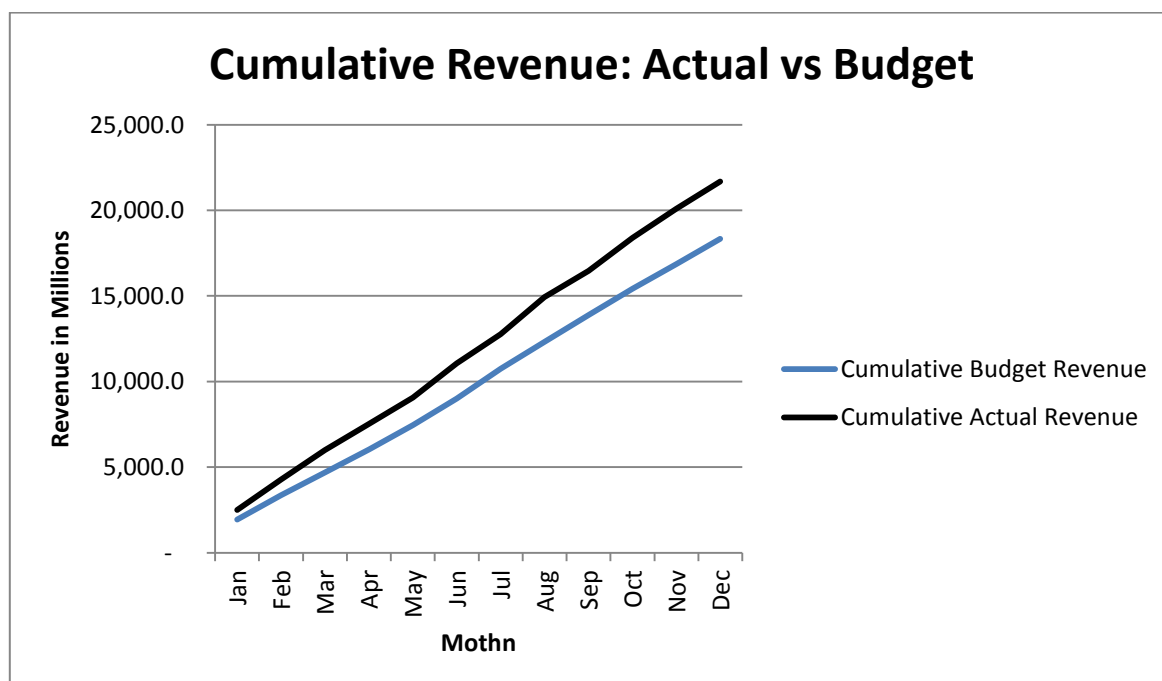


Figure 2



## Annex 2: Expenditure Trend

Expenditure figure for December, 2017 is higher than budget target figure predicted through cash flow analysis of fiscal years 2016-17.

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

Figure 3

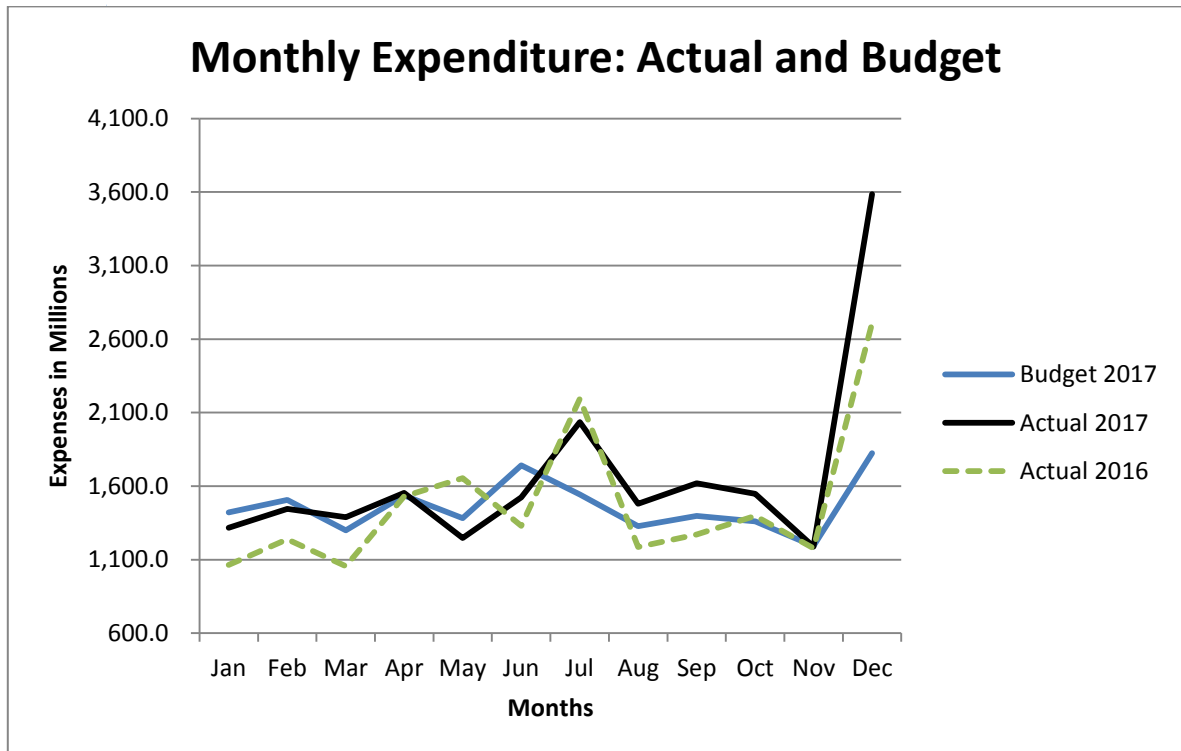
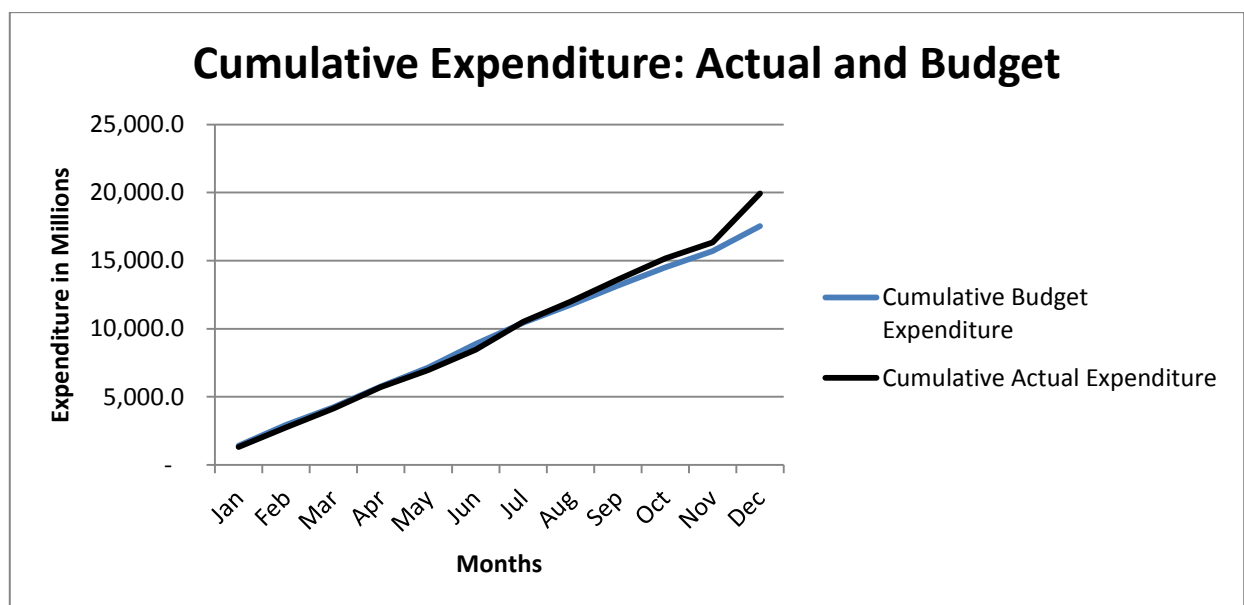


Figure 4



# 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	September	October	November	December
TRANSACTIONS AFFECTING NET WORTH:																
A1	Revenue	26,423.3	29,513.5	112%	2,594.3	2,345.2	2,019.8	1,887.6	1,865.7	2,815.7	4,021.7	2,579.2	1,771.5	2,409.3	1,946.0	3,257.4
A11	Taxes	14,244.0	16,275.6	114%	1,867.2	1,306.9	1,237.8	1,071.1	1,167.5	1,398.0	1,327.3	1,527.7	1,128.1	1,597.8	1,347.6	1,298.8
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A113	Taxes on property	471.2	488.1	104%	24.6	55.8	46.2	33.0	30.5	44.5	61.0	36.6	32.1	61.0	31.0	31.9
A114	Taxes on goods & services	10,967.7	12,254.5	113%	1,608.1	988.3	906.7	800.9	880.8	1,047.1	995.5	1,150.6	858.4	1,120.6	978.7	918.7
	of which															
	Value-Added Tax	6,451.3	6,935.5	108%	704.3	518.0	522.7	488.0	508.3	545.3	570.6	815.7	551.3	684.1	542.2	485.0
	Excise	2,039.7	2,577.7	126%	208.2	209.5	202.3	159.2	165.1	264.7	246.9	121.7	132.7	289.1	270.5	297.9
A115	Taxes on international trade & transactions	2,905.1	3,533.0	122%	234.5	262.8	284.9	237.2	256.2	306.4	270.8	340.4	237.6	416.2	337.8	348.2
A116	Other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A13	Grants	8,069.3	7,820.7	1.0	89.3	565.6	298.6	371.2	326.9	816.4	2,318.1	407.2	239.7	483.9	239.3	1,664.5
A14	Other revenue	4,110.0	5,417.3	132%	637.8	472.7	483.4	445.3	371.3	601.3	376.4	644.3	403.7	327.7	359.2	294.1
A2	Expense	29,033.6	25,316.8	87%	1,780.5	1,840.4	1,742.6	1,759.8	1,795.7	2,025.8	2,638.1	2,116.5	2,141.9	2,230.5	1,435.8	3,809.2
A21	Compensation of employees	10,631.6	9,967.2	94%	676.8	688.0	725.2	739.1	760.2	1,089.7	741.3	799.9	768.7	836.3	776.7	1,365.2
A22	Use of goods and services	11,572.7	8,130.5	70%	405.4	545.6	606.4	414.1	617.5	630.2	1,181.8	770.9	788.5	838.5	527.5	804.1
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A24	Interest	720.4	949.1	132%	23.2	66.7	204.3	49.3	6.2	80.0	120.6	83.6	232.2	5.2	21.9	55.9
A25	Subsidies	-	-	0%	-	-	-	-	-	-	-	-	-	-	-	-
A26	Grants	3,293.9	2,407.7	73%	121.7	419.0	101.4	137.8	64.6	120.1	211.2	371.3	247.8	414.6	87.3	111.0
A27	Social benefits	1,739.9	-	0%	382.1	62.3	100.2	40.7	176.3	84.4	234.0	35.4	3.9	81.5	21.6	1,441.5
A28	Other expense	1,075.2	-	0%	171.2	58.8	5.2	378.8	171.0	21.3	149.3	55.2	100.8	54.3	0.9	31.5
GOB	Gross operating balance (1-2+23+NOBz)	(2,610.3)	4,196.7	-161%	813.8	504.8	277.2	127.8	70.0	789.9	1,383.7	462.7	(370.4)	178.9	510.2	(551.8)
NOB	Net operating balance (1-2+NOBz) <sup>q</sup>	(2,610.3)	4,196.7	-161%	813.8	504.8	277.2	127.8	70.0	789.9	1,383.7	462.7	(370.4)	178.9	510.2	(551.8)
	% of GDP		5.3%		1.0%	0.6%	0.3%	0.2%	0.1%	1.0%	1.7%	0.6%	-0.5%	0.2%	0.6%	-0.7%
TRANSACTIONS IN NONFINANCIAL ASSETS:																
A31	Net Acquisition of Nonfinancial Assets	15,954.2	2,284.8	14%	81.2	140.5	(34.6)	129.4	234.5	338.4	399.2	220.9	184.7	216.3	175.8	198.4
A311	Fixed assets	15,954.2	2,284.8	14%	81.2	140.5	(34.6)	129.4	234.5	338.4	399.2	220.9	184.7	216.3	175.8	198.4
A312	Change in inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(18,564.5)	1,912.0		732.6	364.3	311.8	(1.6)	(164.5)	451.4	984.5	241.8	(555.0)	(37.4)	334.4	(750.2)
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):																
		-23.4%	2.4%													
A32	Net acquisition of financial assets	(3,428.3)	1,470.2	0%	732.6	362.4	(355.3)	227.0	(193.1)	441.5	1,296.9	240.0	(769.4)	(40.8)	288.5	(760.2)
A321	Domestic	(3,428.3)	1,470.2	0%	732.6	362.4	(355.3)	227.0	(193.1)	441.5	1,296.9	240.0	(769.4)	(40.8)	288.5	(760.2)
A322	Foreign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	15,136.3	(441.8)	-3%	-	(1.9)	(667.1)	228.6	(28.6)	(9.9)	312.4	(1.8)	(214.3)	(3.3)	(45.8)	(10.0)
A331	Domestic	-	105.2	-	-	-	(455.1)	247.8	-	-	312.4	-	-	-	-	-
A332	Foreign	15,136.3	(546.9)	(0.0)	-	(1.9)	(212.0)	(19.2)	(28.6)	(9.9)	-	(1.8)	(214.3)	(3.3)	(45.8)	(10.0)

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

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## 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	September	October	November	December
TRANSACTIONS AFFECTING NET WORTH:																
A1	Revenue	18,354.0	21,692.8	118%	2,505.0	1,779.6	1,721.2	1,516.4	1,538.8	1,999.3	1,703.7	2,172.0	1,531.8	1,925.4	1,706.7	1,592.9
A11	Taxes	14,244.0	16,275.6	114%	1,867.2	1,306.9	1,237.8	1,071.1	1,167.5	1,398.0	1,327.3	1,527.7	1,128.1	1,597.8	1,347.6	1,298.8
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A113	Taxes on property	471.2	488.1	104%	24.6	55.8	46.2	33.0	30.5	44.5	61.0	36.6	32.1	61.0	31.0	31.9
A114	Taxes on goods & services	10,867.7	12,254.5	113%	1,608.1	988.3	906.7	800.9	880.8	1,047.1	995.5	1,150.6	858.4	1,120.6	978.7	918.7
	of which															
	Value-Added Tax	6,451.3	6,935.5	108%	704.3	518.0	522.7	488.0	508.3	545.3	570.6	815.7	551.3	684.1	542.2	485.0
	Excise	2,038.7	2,577.7	126%	208.2	208.5	202.3	159.2	165.1	264.7	246.9	121.7	132.7	289.1	270.5	297.9
A115	Taxes on international trade & transactions	2,905.1	3,533.0	122%	234.5	262.8	284.9	237.2	256.2	306.4	270.8	340.4	237.6	416.2	337.8	348.2
A116	Other taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A13	Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A14	Other revenue	4,110.0	5,417.3	132%	637.8	472.7	483.4	445.3	371.3	601.3	376.4	644.3	403.7	327.7	359.2	294.1
A2	Expense	20,964.3	19,931.4	95%	1,316.2	1,444.4	1,388.8	1,554.5	1,247.7	1,524.0	2,035.7	1,479.1	1,620.4	1,546.8	1,188.6	3,585.2
A21	Compensation of employees	9,956.5	9,507.6	95%	637.7	660.7	692.3	704.6	727.2	1,031.3	707.6	767.0	735.1	785.6	746.5	1,312.0
A22	Use of goods and services	5,902.9	4,941.4	84%	340.0	284.6	404.1	287.1	269.3	345.2	811.6	360.8	401.1	518.4	340.4	578.8
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A24	Interest	720.4	949.1	132%	23.2	66.7	204.3	49.3	6.2	80.0	120.6	83.6	232.2	5.2	21.9	55.9
A25	Subsidies	-	-	0%	-	-	-	-	-	-	-	-	-	-	-	-
A26	Grants	1,828.0	1,547.4	85%	121.7	334.9	76.0	122.5	64.6	24.5	141.0	181.3	147.8	164.8	57.3	111.0
A27	Social benefits	1,627.5	1,788.0	110%	22.4	38.7	6.9	12.4	9.4	21.6	105.6	31.2	3.6	18.5	21.6	1,496.1
A28	Other expense	929.0	1,197.9	129%	171.1	58.8	5.2	378.6	171.0	21.3	149.3	55.2	100.7	54.3	0.9	31.5
GOB	Gross operating balance (1-2+23+NOBz)	(2,610.3)	1,761.5		1,188.8	335.2	332.4	(38.1)	291.1	475.3	(332.0)	692.9	(88.6)	378.6	518.1	(1,992.2)
NOB	Net operating balance (1-2+NOBz) <sup>4/</sup>	(2,610.3)	1,761.5		1,188.8	335.2	332.4	(38.1)	291.1	475.3	(332.0)	692.9	(88.6)	378.6	518.1	(1,992.2)
	% of GDP		2.2%		1.5%	0.4%	0.4%	0.0%	0.4%	0.6%	-0.4%	0.9%	-0.1%	0.5%	0.7%	-2.5%
TRANSACTIONS IN NONFINANCIAL ASSETS:																
A31	Net Acquisition of Nonfinancial Assets	299.4	734.3	245%	37.4	26.2	17.1	18.4	30.9	64.8	62.2	91.9	54.3	76.5	81.1	173.6
A311	Fixed assets	299.41	734.3	245%	37.4	26.2	17.1	18.4	30.9	64.8	62.2	91.9	54.3	76.5	81.1	173.6
A312	Change in inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(2,909.8)	1,027.2		1,151.3	309.1	315.4	(56.6)	260.2	410.5	(394.2)	601.0	(142.9)	302.1	437.0	(2,165.8)
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):																
A32	Net acquisition of financial assets	(3,428.3)	585.4	0%	1,151.3	307.2	(351.7)	172.1	231.6	400.6	(81.8)	599.2	(357.3)	298.8	391.1	(2,175.8)
A321	Domestic	(3,428.3)	585.4	0%	1,151.3	307.2	(351.7)	172.1	231.6	400.6	(81.8)	599.2	(357.3)	298.8	391.1	(2,175.8)
A322	Foreign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(518.5)	(441.8)	85%	-	(1.9)	(667.1)	228.6	(28.6)	(9.9)	312.4	(1.8)	(214.3)	(3.3)	(45.8)	(10.0)
A331	Domestic	-	105.2		-	-	(455.1)	247.8	-	-	312.4	-	-	-	-	-
A332	Foreign	(518.5)	(546.9)	11	-	(1.9)	(212.0)	(19.2)	(28.6)	(9.9)	-	(1.8)	(214.3)	(3.3)	(45.8)	(10.0)