

Treasury Monthly Budget Report – January 2017

Summary

The net operating balance for total Government operations (including donors) at the end of January was a surplus of VT 991.7 million, equivalent to 1.2 percent of GDP.

The net operating balance for Government operations, excluding donor funds, at the end of January was a surplus worth VT 988.3 million, equivalent to 1.2 percent of GDP.

Government Revenue

During the first month of this year, the Government total receipts summed up to VT 2,283.6million. This represents 12.0 per cent of the Budget target (VT 18,354.0 million) and 31.4 per cent above what was collected in January a year ago (VT 1,737.5 million).

VAT, the main source of Government revenue collected VT703.8 million to date, representing 11.0 per cent of the budget target (VT 6,451.3 million). An increase of 20.6 per cent from VT 583.3 million collected in the equivalent month last year. Import Duties is the second largest stream of revenue collecting VT233.5 million in January, an 8.0 per cent against its budget target of VT2,898.6 million and 2.5 per cent below VT 239.6 million collected a year ago.

Excise, the third major Government revenue item collected VT 208.2 million this month representing a 10.0 per cent of the Budget target (VT 2,039.7 million) and 23.6 per cent above VT 168.5 million collected during the same period last year.

Another major revenue source for the government is the VERP program, collecting VT 233 million this month. This represents 11.5 per cent of the budget target (VT 2,028.5 million) and 344.7 per cent above VT 52.4 million collected during the equivalent month last year.

Government Expenses

Government expense in January was VT 1,295.3 million. This equals to 7 percent of the budget target (VT 17,536.0 million) and is 21.6 per cent above the level of spending (VT 1,065.2 million) in January 2016.

The Government expense is in line with the Budget Target. However, there are some major expenditure items that overspend or might overspend against their budget by the end of this financial year. These major expenditure items includes:

- Allowance-Scholarship (VT 95.7 million against a budget target of VT 263.3 million)
- Subsistence Allowance (VT 51.7 million against a budget target of VT 240.5 million)
- International Travel (VT 37.5 million against a budget target of VT 130.5 million)
- Official Entertainment (VT 29.0 million against a budget target of VT52.2 million)
- Fees-Scholarships (VT 27.9million against a budget target of VT 212.8 million)
- Termination (VT 15.9 million against a budget target of VT 197.3 million)
- Contract wages (VT 9.2 million against a budget target of VT 2 million)
- Acting Allowances (VT 9.6 million against a zero budget)
- Responsibility Allowance (VT 4.8 million against a zero budget)
- Leave Expense (VT 2.5 million against a zero budget)

Government Acquisition of Non-Financial Assets

The Government purchased fixed assets worth VT 37.1 million, representing an increase of 145.7 per cent from VT 15.1 million spend during the same period a year ago.

To date, the Government only sold VT 4,000 worth of fixed assets representing a decline of 46.7 per cent against VT 7,500 collected during the equivalent period in 2016.

Government Acquisition of Financial Assets

In January, the Government has not issue nor amortise both domestic bonds and external loans.

Development Budget Highlights

Grants received from donors during the month total up to VT 86.7 million, a 1.0 percent of the budget target (VT 8,069.3 million) and 20.6 percent decrease to what was donated (VT 109.2 million) during the equivalent month in 2016. The majority of the donor funds was from Australia (VT 41.1 million), World Bank (VT 20.3 million) and New Zealand (VT 17.6 million). However, donations from other donors were also acknowledge by the Government.

Some Key terminology

- The **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.
- **Expenses** are spending that generate no return and reduce the net worth of the Government.
- When the Government **acquires fixed assets**, these can be used repeatedly and don't affect its net worth.
- **Compensation of employees** figures follow the pay days, Vanuatu runs a fortnightly pay system.
- **Interest payments** and **Grants** are paid on fixed dates as they are payments to external Government entities.
- Therefore, Ministry of Finance and Economic warrant releases only really control the '**Use of goods and services**' budget and the '**Fixed capital assets**' budget.
- **Revenue** adds to the net worth of the Government and excludes borrowing (domestic or external).
- **VAT** is paid at a 12.5% rate and excludes VAT paid by departments as it is one branch of Government paying another.
- **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.

Annex 1: Statement Of Total Government Operations

STATEMENT OF TOTAL GOVERNMENT OPERATIONS					
GFS Code	GFS Description	Budget 2017	Total (VT mn)	%	January
	TRANSACTIONS AFFECTING NET WORTH:				
A1	Revenue	26,423.3	2,370.2	9%	2,370.2
A11	Taxes	14,244.0	1,866.7	13%	1,866.7
A111	Taxes on income, profits, and capital gains	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-
A113	Taxes on property	471.2	24.6	5%	24.6
A114	Taxes on goods & services	10,867.7	1,607.6	15%	1,607.6
	of which				
	Value-Added Tax	6,451.3	703.7	11%	703.7
	Excise	2,039.7	208.2	10%	208.2
A115	Taxes on international trade & transactions	2,905.1	234.5	8%	234.5
A116	Other taxes	-	-	-	-
A12	Social contributions	-	-	-	-
A13	Grants	8,069.3	86.7	0.0	86.7
A14	Other revenue	4,110.0	416.9	10%	416.9
A2	Expense	25,605.4	1,378.6	5%	1,378.6
A21	Compensation of employees	10,429.2	680.1	7%	680.1
A22	Use of goods and services	9,746.9	366.5	4%	366.5
A23	Consumption of fixed capital	-	-	-	-
A24	Interest	720.4	23.2	3%	23.2
A25	Subsidies	-	-	0%	-
A26	Grants	3,293.9	121.7	4%	121.7
A27	Social benefits	339.9	-	0%	16.0
A28	Other expense	1,075.2	-	0%	171.1
GOB	Gross operating balance (1-2+23+NOBz)	817.9	991.7	121%	991.7
NOB	Net operating balance (1-2+NOBz) ^{cv}	817.9	991.7	121%	991.7
	% of GDP		1.2%		1.2%
	TRANSACTIONS IN NONFINANCIAL ASSETS:				
A31	Net Acquisition of Nonfinancial Assets	15,954.2	37.7	0%	37.7
A311	Fixed assets	15,954.2	37.7	0%	37.7
A312	Change in inventories	-	-	-	-
A313	Valuables	-	-	-	-
A314	Nonproduced assets	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(15,136.3)	954.0		954.0
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):	-19.0%	1.2%		
A32	Net acquisition of financial assets	-	954.0	0%	954.0
A321	Domestic	-	954.0	0%	954.0
A322	Foreign	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-
A33	Net incurrence of liabilities	15,136.3	-	0%	-
A331	Domestic	-	-	-	-
A332	Foreign	15,136.3	-	-	-
	Vertical check: Difference between net lending/borrowing and financing (1-2-31=32-33-NLBz=0)	0.0	0.0		0.0

Annex 2: 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
	TRANSACTIONS AFFECTING NET WORTH:				
A1	Revenue	8,069.3	86.7	1%	86.7
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	86.7	1%	86.7
A14	Other revenue	-	-	0%	-
A2	Expense	8,069.3	83.3	1%	83.3
A21	Compensation of employees	675.1	39.1	6%	39.1
A22	Use of goods and services	5,669.8	44.2	1%	44.2
A23	Consumption of fixed capital	-	-	-	-
A24	Interest	-	-	0%	-
A25	Subsidies	-	-	0%	-
A26	Grants	1,465.9	-	0%	-
A27	Social benefits	112.4	-	0%	-
A28	Other expense	146.2	-	0%	-
GOB	Gross operating balance (1-2+23+NOBz)	-	3.4		3.4
NOB	Net operating balance (1-2+NOBz) ^{c/}	-	3.4		3.4
		-	0.0%		0.0%
	TRANSACTIONS IN NONFINANCIAL ASSETS:				
A31	Net Acquisition of Nonfinancial Assets	15,654.8	-	0%	-
A311	Fixed assets	15,654.8	-	0%	-
A312	Change in inventories	-	-	-	-
A313	Valuables	-	-	-	-
A314	Nonproduced assets	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(15,654.8)	3.4	0%	3.4
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):				
A32	Net acquisition of financial assets	-	3.4		3.4
A321	Domestic	-	3.4		3.4
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 3: Statement Of Government Operations Excluding Donors

STATEMENT OF GOVERNMENT OPERATIONS EXCLUDING DONORS					
GFS Code	GFS Description	Budget 2017	Total (VT mn)	%	January
	TRANSACTIONS AFFECTING NET WORTH:				
A1	Revenue	18,354.0	2,283.6	12%	2,283.6
A11	Taxes	14,244.0	1,866.7	13%	1,866.7
A111	Taxes on income, profits, and capital gains	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-
A113	Taxes on property	471.2	24.6	5%	24.6
A114	Taxes on goods & services	10,867.7	1,607.6	15%	1,607.6
	of which				
	Value-Added Tax	6,451.3	703.7	11%	703.7
	Excise	2,039.7	208.2	10%	208.2
A115	Taxes on international trade & transactions	2,905.1	234.5	8%	234.5
A116	Other taxes	-	-	-	-
A12	Social contributions	-	-	-	-
A13	Grants	-	-	-	-
A14	Other revenue	4,110.0	416.9	10%	416.9
A2	Expense	17,536.0	1,295.3	7%	1,295.3
A21	Compensation of employees	9,754.1	641.0	7%	641.0
A22	Use of goods and services	4,077.1	322.3	8%	322.3
A23	Consumption of fixed capital	-	-	-	-
A24	Interest	720.4	23.2	3%	23.2
A25	Subsidies	-	-	0%	-
A26	Grants	1,828.0	121.7	7%	121.7
A27	Social benefits	227.5	16.0	7%	16.0
A28	Other expense	929.0	171.1	18%	171.1
GOB	Gross operating balance (1-2+23+NOBz)	817.9	988.3		988.3
NOB	Net operating balance (1-2+NOBz) c/	817.9	988.3		988.3
	% of GDP		1.2%		1.2%
	TRANSACTIONS IN NONFINANCIAL ASSETS:				
A31	Net Acquisition of Nonfinancial Assets	299.4	37.7	13%	37.7
A311	Fixed assets	299.41	37.7	13%	37.7
A312	Change in inventories	-	-	-	-
A313	Valuables	-	-	-	-
A314	Nonproduced assets	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	518.5	950.6		950.6
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):				
A32	Net acquisition of financial assets	-	950.6	0%	950.6
A321	Domestic	-	950.6	0%	950.6
A322	Foreign	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-
A33	Net incurrence of liabilities	(518.5)	-	0%	-
A331	Domestic	-	-	-	-
A332	Foreign	(518.5)	-	-	-

Annex 4: Summary of Revenue and Expense by Ministry

To be inserted once Data for Actuals 2017 is retrieved.

**Vision report 19/02/2015 includes VAT paid by Departments*