

Treasury Monthly Budget Report – May 2017

Extracted from Government Financial Statistics (GFS) on 9th June, 2017

Summary

This month saw a total Government operation surplus of VT 372 million. The total Government net operation surplus recorded by the end of May is VT 2015.6 million equivalent to 2.5 per cent of GDP.

The net operation balance for Government operations, excluding donor funds, in May was a surplus of VT 163.4 million, bringing the total year to date figure to VT 1,481.7 million, equivalent to 1.9% of GDP.

Government Revenue

In May, the Government collected VT 1412.2 million revenue which is 4.6 cent less than what was collected in May 2016 (VT 1,480.2 million). At the end of May, the total Government Revenue collections was VT 8,422.6 million, 46 per cent of the budget target (VT 18,354.0 million) and 9.5 per cent more to what was collected in the equivalent period last year (VT 7,694.4 million).

VAT which is the biggest source of Government revenue was VT 484.2 million in May, totalling up to VT 2,721.1 million representing 42 per cent of the budget target (VT 6,451.3 million). This is a 22.0 per cent increase from VAT revenue collected up to May 2016 (VT 2230.9 million). Import duties, second biggest source of revenue for the Government, collected VT 256.2 million in May. This was 6.3 percent more than the amount collected in May 2016 (VT 241.1 million). Excise tax collected in May 2017 was VT 165.1 million. Total collections from Excise tax up to May is VT 944.3 million, which signifies 46 per cent of the budget target (VT 2,039.7 million) and is 4.9 per cent more than what was collected until May last year (VT 900.4 million).

Among other revenue constituting fees and charges, Vanuatu Economic Rehabilitation Programme (VERP) was a significant source of Government revenue in 2016 collecting 2.6 billion against a budget target 1.4 billion. VERP was phased out by March 2017 and collected VT 467.5 million. It is replaced by Vanuatu Development Support Program (VDSP) and Vanuatu Contribution Programme (VCP), both of which together collected VT 583.6 million by the end of May. In 2017, VERP, VDSP and VCP¹ have collectively brought VT 1,051.2 million which is 51.8 % of their budget target (VT 2,028.5 million).

Port dues, land rent and road tax are budgeted as significant sources of other revenue. Port dues collected VT 104.8 million which is 41.4 percent of budget target (VT 253 million). Land rent collected VT 1.09 million which is only 0.43 percent of its budget target (VT 250 million). This is because major proportion of land rent is expected to be collected in July 2017. Road tax have collected 151.8 million which is 78 percent of budget target (VT 193 million).

Government Expenses

The month of May saw Government expenses standing at a total amount of VT 1,248.8 million. This is a decrease of 24.5 per cent to the Government spending in the same period of the previous year (VT 1,653.5 million). To date, Government expenses recorded are VT 6,940.9 million representing 40 per cent of the budget target (VT 17,536 million).

The total Government expense is controlled and in line with the Budget target. However, some major spending items up to the end of May include;

- Allowance-Scholarship (VT 271.4 million against a budget target of VT 263.3 million)
- Subsistence Allowance (VT 152.4 million against a budget target of VT 204.5 million)
- International Travel (VT 72.8 million against a budget target of VT 130.6 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).

- Official Entertainment (VT 38.4 million against a budget target of VT 52.2 million)
- Fees-Scholarships (VT 140.5 million against a budget target of VT 212.8 million)
- Termination (VT 94.9 million against a budget target of VT 197.3 million)
- Contract wages (VT 57.9 million against a budget target of VT 2 million)
- Acting Allowances (VT 62 million against a budget target of VT 25.6 million)
- Responsibility Allowance (VT 10.8 million against a budget target of VT 17.4 million)
- Leave Expense (VT 27.3 million against a zero budget²)

Government Acquisition of Non-Financial Assets

During the month of May, the Government has spent VT 27.6 million on fixed assets and only sold of VT 55,000 worth of fixed assets.

Government Acquisition of Financial Assets

This month, the Government has repaid VT 28.6 million worth of external loans. There has been no transaction in domestic bonds.

Development Budget Highlights

Grants received from donors in the month of May sums up to VT 208.6 million giving the grand total to date of VT 534 million. The amount represents 7 percent of the budget target (VT 8,069.3 million). Major donors up to the end of May are Australia (VT 217.9 million), ADB (VT 175.8 million) and U.N.D.P (VT 84.9 million). Again, 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

Actual revenue performance is consistently higher than budget cash flow figures reflecting healthy revenue collections (Figure1). Revenue in 2016 shows an unusual peak in June due to budget support received from European Development Fund (EDF) – 11. The budget for 2017 does not take into account expectation of any such contribution.

Cumulative revenue flow (Figure 2) indicates that actual revenue is in track with the budget target.

Figure 1

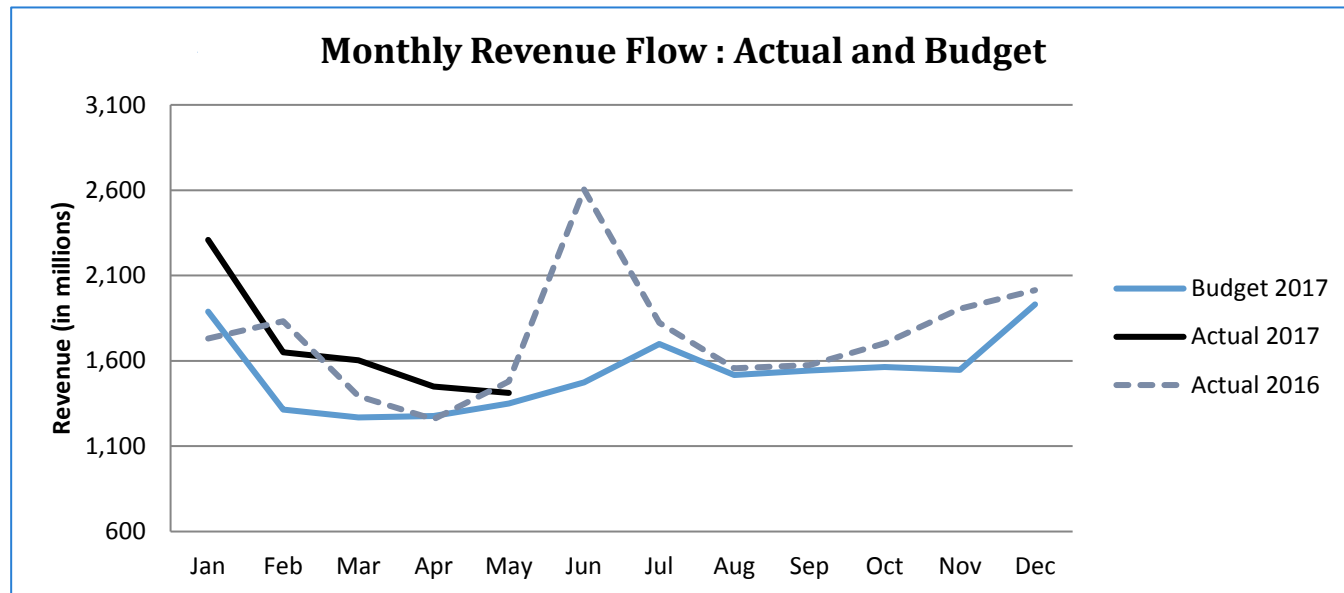
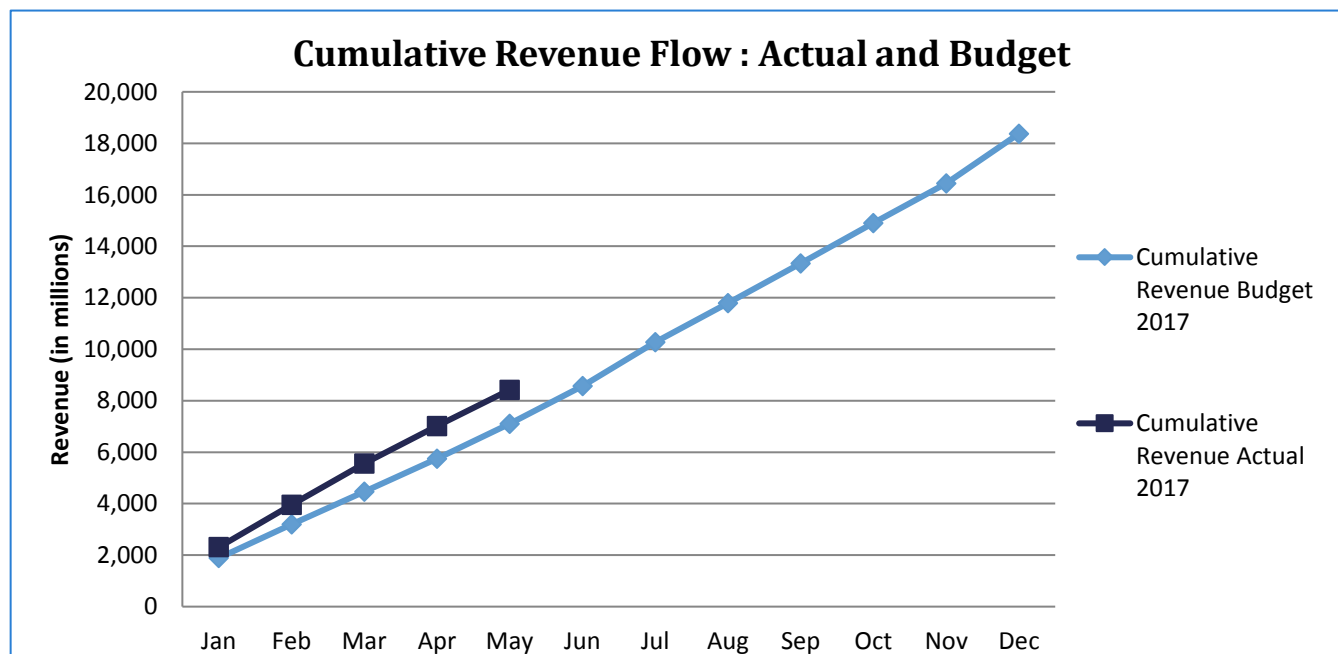


Figure 2



Annex 2: Expenditure Trend

The expenditure figure for May is lower than budget target figure as well as 2016 figure for May (Figure 3). The peak in expenditure in July 2016 is due to increased spending across all areas from the budget support received by European Development Fund (EDF) – 11 in June 2016. Similar expenditure spurts are not expected in 2017.

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

Figure 3

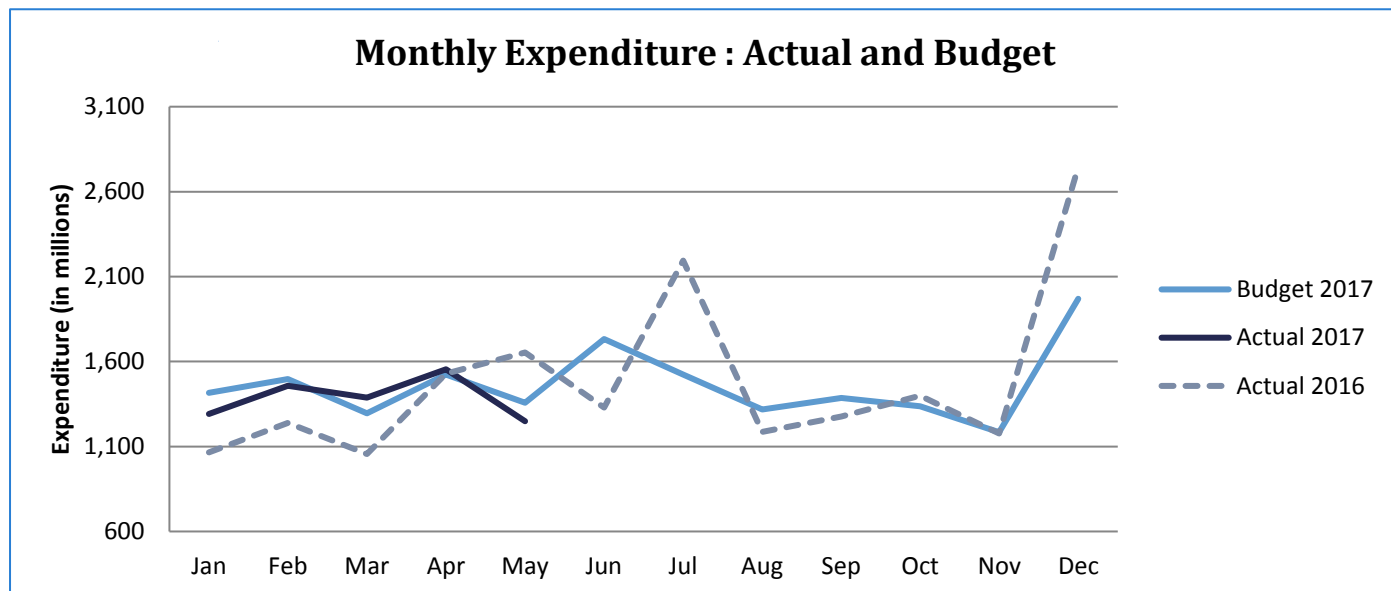
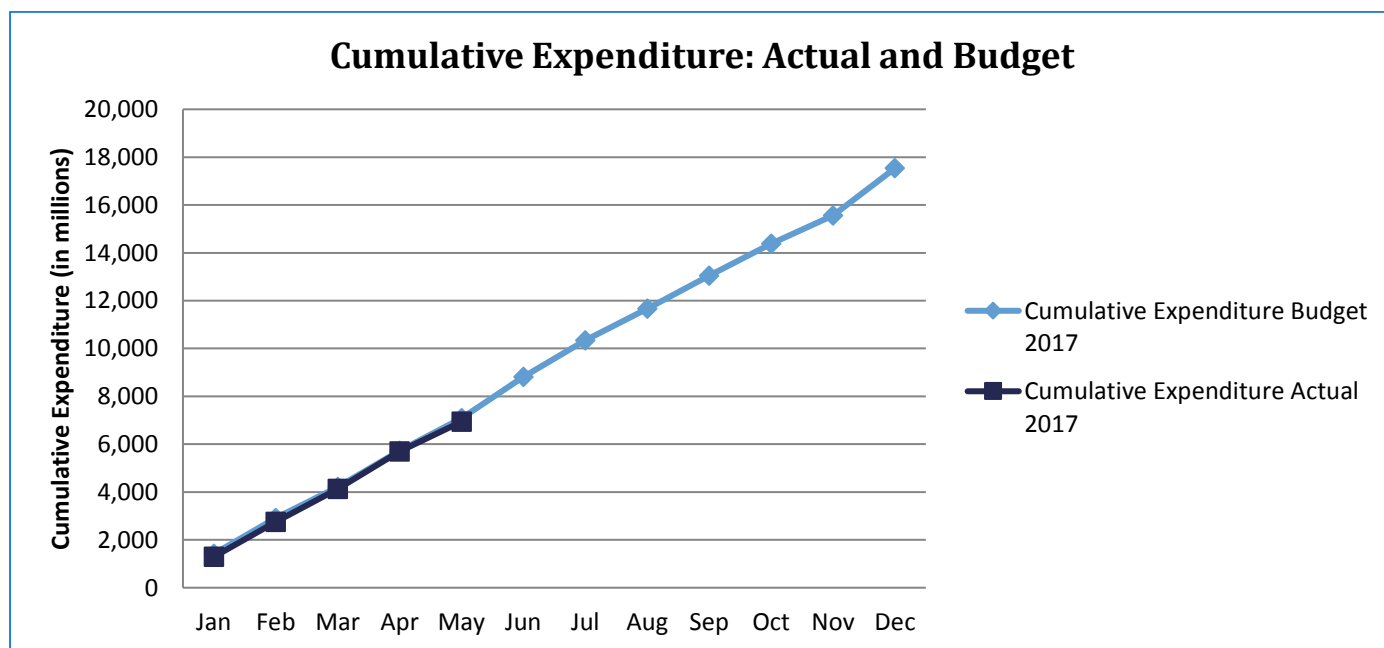


Figure 4



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
TRANSACTIONS AFFECTING NET WORTH:									
A1	Revenue	26,423.3	8,956.5	34%	2,353.0	1,863.4	1,665.4	1,454.0	1,620.8
A11	Taxes	14,244.0	6,574.5	46%	1,867.7	1,308.7	1,238.7	1,071.8	1,087.6
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-
A113	Taxes on property	471.2	190.0	40%	24.6	55.8	46.2	33.0	30.5
A114	Taxes on goods & services	10,867.7	5,108.9	47%	1,608.7	990.1	907.6	801.7	800.9
	of which								
	Value-Added Tax	6,451.3	2,721.1	42%	704.8	519.7	523.6	488.7	484.2
	Excise	2,039.7	944.3	46%	208.2	209.5	202.3	159.2	165.1
A115	Taxes on international trade & transactions	2,905.1	1,275.6	44%	234.5	262.8	284.9	237.2	256.2
A116	Other taxes	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-
A13	Grants	8,069.3	534.0	0.1	44.2	213.7	62.6	4.8	208.6
A14	Other revenue	4,110.0	1,848.1	45%	441.1	341.0	364.1	377.3	324.6
A2	Expense	25,605.4	6,940.9	27%	1,291.9	1,457.7	1,388.3	1,554.2	1,248.8
A21	Compensation of employees	10,429.2	3,425.2	33%	641.0	660.6	692.2	704.5	726.9
A22	Use of goods and services	9,746.9	1,566.5	16%	321.0	284.4	403.7	286.8	270.6
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-
A24	Interest	720.4	349.7	49%	23.2	66.7	204.3	49.3	6.2
A25	Subsidies	-	-	0%	0.1	-	-	0.1	-
A26	Grants	3,293.9	719.7	22%	121.7	334.9	76.0	122.5	64.6
A27	Social benefits	339.9	-	0%	13.8	52.3	6.9	12.4	9.5
A28	Other expense	1,075.2	-	0%	171.1	58.8	5.2	378.6	171.0
GOB	Gross operating balance (1-2+23+NOBz)	817.9	2,015.6	246%	1,061.1	405.7	277.1	(100.3)	372.0
NOB	Net operating balance (1-2+NOBz) %	817.9	2,015.6	246%	1,061.1	405.7	277.1	(100.3)	372.0
	% of GDP		2.5%		1.3%	0.5%	0.3%	-0.1%	0.5%
TRANSACTIONS IN NONFINANCIAL ASSETS:									
A31	Net Acquisition of Nonfinancial Assets	15,954.2	124.7	1%	37.1	26.2	15.5	18.4	27.6
A311	Fixed assets	15,954.2	124.7	1%	37.1	26.2	15.5	18.4	27.6
A312	Change in inventories	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(15,136.3)	1,890.9		1,024.0	379.5	261.6	(118.7)	344.4
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):									
		-19.0%	2.4%						
A32	Net acquisition of financial assets	-	1,421.9	0%	1,024.0	377.6	(405.5)	110.0	315.8
A321	Domestic	-	1,421.9	0%	1,024.0	377.6	(405.5)	110.0	315.8
A322	Foreign	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	15,136.3	(468.9)	-3%	-	(1.9)	(667.1)	228.6	(28.6)
A331	Domestic	-	(207.3)	-	-	-	(455.1)	247.8	-
A332	Foreign	15,136.3	(261.7)	(0.0)	-	(1.9)	(212.0)	(19.2)	(28.6)

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
TRANSACTIONS AFFECTING NET WORTH:									
A1	Revenue	8,069.3	534.0	7%	44.2	213.7	62.6	4.8	208.6
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	534.0	7%	44.2	213.7	62.6	4.8	208.6
A14	Other revenue	-	-	0%	-	-	-	-	-
A2	Expense	8,069.3	-	0%	-	-	-	-	-
A21	Compensation of employees	675.1	-	0%	-	-	-	-	-
A22	Use of goods and services	5,669.8	-	0%	-	-	-	-	-
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)	-	534.0		44.2	213.7	62.6	4.8	208.6
NOB	Net operating balance (1-2+NOBz) ^{6/}	-	534.0		44.2	213.7	62.6	4.8	208.6
		-	0.7%		0.1%	0.3%	0.1%	0.0%	0.3%
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)	534.0	-3%	44.2	213.7	62.6	4.8	208.6
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):									
A32	Net acquisition of financial assets	-	534.0		44.2	213.7	62.6	4.8	208.6
A321	Domestic	-	534.0		44.2	213.7	62.6	4.8	208.6
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
TRANSACTIONS AFFECTING NET WORTH:									
A1	Revenue	18,354.0	8,422.6	46%	2,308.8	1,649.6	1,602.8	1,449.2	1,412.2
A11	Taxes	14,244.0	6,574.5	46%	1,867.7	1,308.7	1,238.7	1,071.8	1,087.6
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-
A113	Taxes on property	471.2	190.0	40%	24.6	55.8	46.2	33.0	30.5
A114	Taxes on goods & services	10,867.7	5,108.9	47%	1,608.7	990.1	907.6	801.7	800.9
	of which								
	Value-Added Tax	6,451.3	2,721.1	42%	704.8	519.7	523.6	488.7	494.2
	Excise	2,039.7	944.3	45%	208.2	209.5	202.3	153.2	165.1
A115	Taxes on international trade & transactions	2,905.1	1,275.6	44%	234.5	262.8	284.9	237.2	256.2
A116	Other taxes	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-
A13	Grants	-	-	-	-	-	-	-	-
A14	Other revenue	4,110.0	1,848.1	45%	441.1	341.0	364.1	377.3	324.6
A2	Expense	17,536.0	6,940.9	40%	1,291.9	1,457.7	1,388.3	1,554.2	1,248.8
A21	Compensation of employees	9,754.1	3,425.2	35%	641.0	660.6	692.2	704.5	726.9
A22	Use of goods and services	4,077.1	1,566.5	38%	321.0	284.4	403.7	286.8	270.6
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-
A24	Interest	720.4	349.7	49%	23.2	66.7	204.3	49.3	6.2
A25	Subsidies	-	0.1	0%	0.1	-	-	0.1	-
A26	Grants	1,828.0	719.7	39%	121.7	334.9	76.0	122.5	64.6
A27	Social benefits	227.5	95.0	42%	13.8	52.3	6.9	12.4	9.5
A28	Other expense	929.0	784.7	84%	171.1	58.8	5.2	378.6	171.0
GOB	Gross operating balance (1-2+23+NOBz)	817.9	1,481.7		1,016.9	191.9	214.5	(105.1)	163.4
NOB	Net operating balance (1-2+NOBz) ^{ex}	817.9	1,481.7		1,016.9	191.9	214.5	(105.1)	163.4
	% of GDP		1.9%		1.3%	0.2%	0.3%	-0.1%	0.2%
TRANSACTIONS IN NONFINANCIAL ASSETS:									
A31	Net Acquisition of Nonfinancial Assets	299.4	124.7	42%	37.1	26.2	15.5	18.4	27.6
A311	Fixed assets	299.41	124.7	42%	37.1	26.2	15.5	18.4	27.6
A312	Change in inventories	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	518.5	1,356.9		979.8	165.8	199.0	(123.5)	135.8
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):									
A32	Net acquisition of financial assets	-	888.0	0%	979.8	163.9	(468.1)	105.1	107.2
A321	Domestic	-	888.0	0%	979.8	163.9	(468.1)	105.1	107.2
A322	Foreign	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(518.5)	(468.9)	90%	-	(1.9)	(667.1)	228.6	(28.6)
A331	Domestic	-	(207.3)	-	-	-	(455.1)	247.8	-
A332	Foreign	(518.5)	(261.7)	0.5	-	(1.9)	(212.0)	(19.2)	(28.6)