

Treasury Monthly Budget Report – July 2018

Summary

In July, the total net operating balance for the Government was a surplus of VT 63.6 million. Total Government net operating balance recorded by the end of July 2018 is a surplus of VT 6,583.6 million which is equivalent to 6.1 per cent of GDP.

The net operating balance for Government operations, excluding donor funds, in July was a deficit of VT 57.4 million. To date the total net operating balance recorded a surplus of VT 4,322.2 million which is equivalent to 4.0 per cent of GDP.

Government Revenue

During the month of July, Government receipts recorded VT 2,048.1 million which is 16.5 per cent more than the July collection in 2017 (VT 1,757.9 million). Total Government receipts at the end of July were VT 16,695.2 million, signifying a 73.1 per cent of the budget target (VT 22,851.6 million) and a 27.7 per cent more than revenue collection in the equivalent period last year (VT 13,072.7 million).

Implementation of Government's decision to increase Value Added Tax (VAT) from 12.5% to 15% from January 1 2018 is budgeted to increase VAT revenue by 35.5 per cent in 2018 compared to 2017.

VAT continues to be the main source of the Government's taxation revenue, recording VT 687.5 million in July which sums up to VT 4,722.7 million in these seven months of 2018. This represents 54.0 per cent of the budget target (VT 8,744.2 million) and is 22.5 per cent more than the collection made during the equivalent period in 2017 (VT 3,856.3 million). Taxes on international trade and transactions constituting import duties and exports duties is the second main source of Government tax revenue, collecting VT 303.6 million in July and VT 1,988.7 million up to end of July 2018. This collection represents 53.3 per cent of the budget target (VT 3,729.5 million) and 7.3 per cent more than collection during the same period in 2017 (VT 1,852.9 million). Excise tax collection for the first seven months is VT 1,532.2 million, which is 58.5 per cent of the budget target (VT 2,617.1 million) and is 5.2 per cent more than what was collecting during the equivalent period in 2017 (VT 1,456.0 million).

Among other revenue constituting fees and charges, Vanuatu Development Support Program (VDSP) and Vanuatu Contribution Programme (VCP), together collected VT 4,928.4 million by the end of July 2018. This is 132.5 per cent more than the budget target of VT 2,120.0 million and is 92.4 per cent more than what was collected (VT 2,562.2 million) by VERP, VDSP and VCP¹ during the equivalent months a year ago.

Government Expenses

Government expenditure is VT 2,105.5 million in July. This is an increase of 3.4 per cent compared to the Government spending in July 2017 (VT 2,035.6 million). Total Government expenditure to date is VT 12,373.0 million, representing 47.5 per cent of the budget target (VT 26,064.5 million) and an increase of 17.7 per cent compared to total Government spending in 2017 equivalent period (VT 10,513.8 million). The increase in Government expense was partially due to the implementation of GRT and Supplementary appropriation.

In June 2018, the Parliament approved a supplementary budget worth VT 5,739.2 million. This amount was allocated towards correcting GRT anomalies (13.7 per cent), external loan repayment (17.4), infrastructure project captured under goods and services (57.4 per cent), Vanuatu Government Scholarship (5.2 per cent), and emergency budget for disasters (6.3 per cent).

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).

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 337.1 million against a budget of VT 597.2 million)
- International Travel (VT 105.8 million against a budget target of VT 155.2 million)
- Acting Allowances (VT 72.7 million against a budget of VT 3.1 million)
- Overtime Wages (VT 63.8 million against a budget of VT 53.8 million)
- Leave Expense (VT 90.8 million against zero budget)
- Termination (VT 510.1 million against a budget target of VT 310.7 million)
- Infrastructure - Roads & Bridges (VT 83.8 million against budget target VT 15.2 million)
- Court Costs (VT 60.3 million against a budget target of VT 51.7 million)
- Vehicle-Additional vehicle (VT 21.1 million against a budget target of VT 13.6 million)
- Vehicle replacement (VT 47.5 million against a budget target of VT 19.0 million)

Government Acquisition of Non-Financial Assets

During the month of July, the Government has spent a net amount of VT 39.7 million in acquiring fixed assets. To date, the Government has spent a net amount VT 282.5 million on fixed assets.

Government Acquisition of Financial Assets

In July, the Government paid off VT 120.0 million worth of external loans (ADB) and VT 300.6 million worth of domestic bonds. To date, the Government has paid of VT 1,149.8 million worth of external loans and VT 1,414.9 million worth of domestic loans.

Development Budget Highlights

During July, VT 318.3 million worth of grants were received from donors giving the grand total to date of VT 4,336.3 million. The amount represents 29.7 per cent of the budget target (VT 14,582.3 million). Major donors up to July include World Bank (VT 2,673.0 million), Australia (VT 697.0 million), and ADB (VT 255.6 million). Other contributing donors are greatly acknowledged.

To date, donor funding expense has recorded VT 2,074.9 million which is equivalent to 14.2 per cent of the budget target (VT 14,582.3 million).

- **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: Government Revenue Trend

Government Revenue collected in July 2018 is higher than budget target figure predicted through cash flow analysis of previous fiscal years (Figure 1).

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

Figure 1

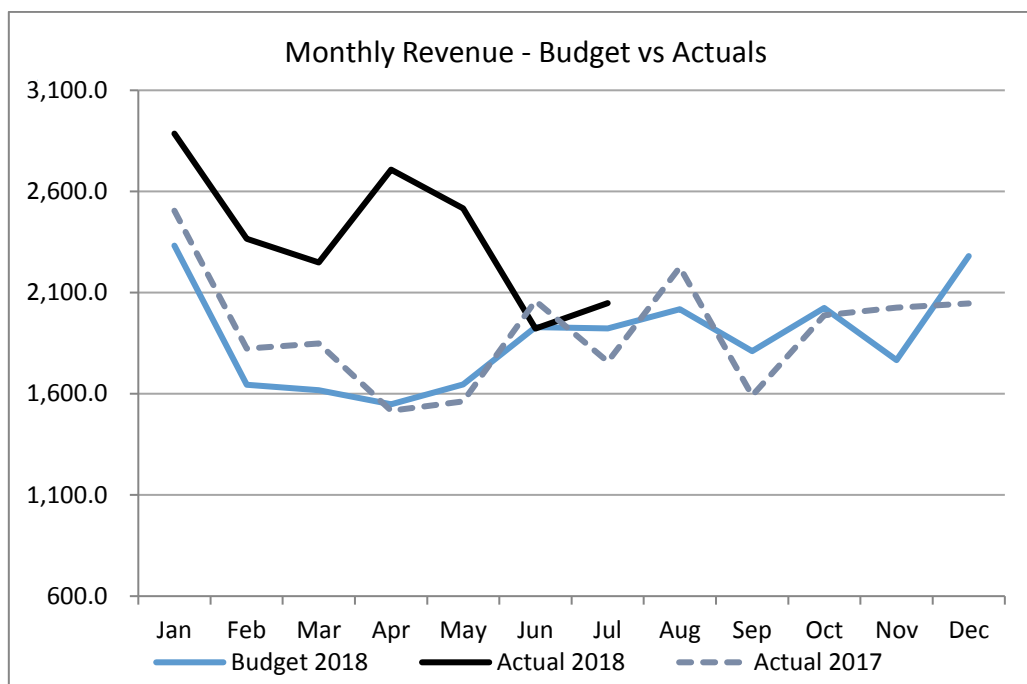
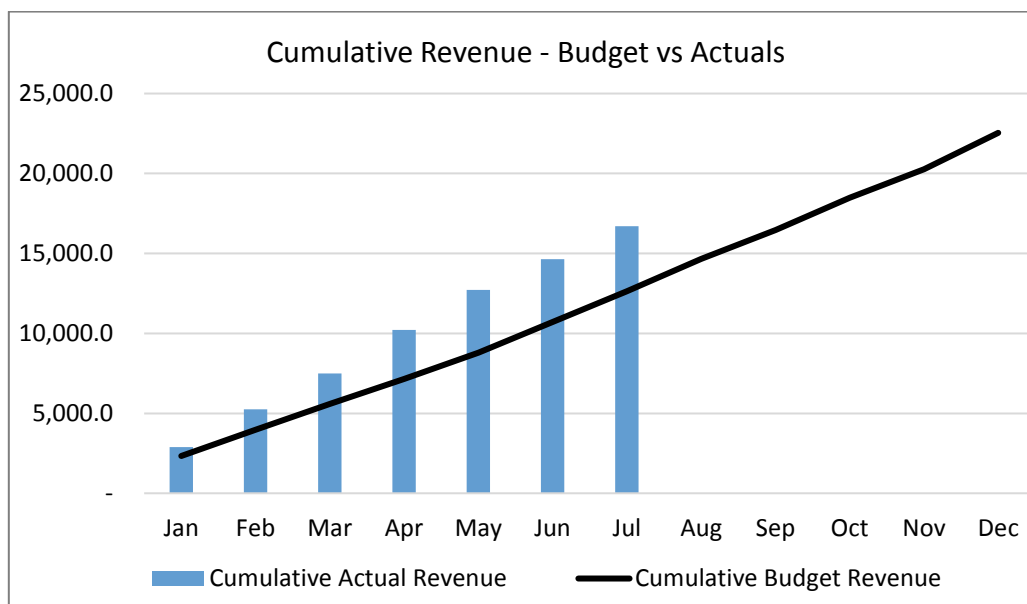


Figure 2



Annex 2: Expenditure Trend

Government Expenditure (excluding donor funds) figure for July 2018 is less than budget target figure predicted through cash flow analysis of previous fiscal years.

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

Figure 3

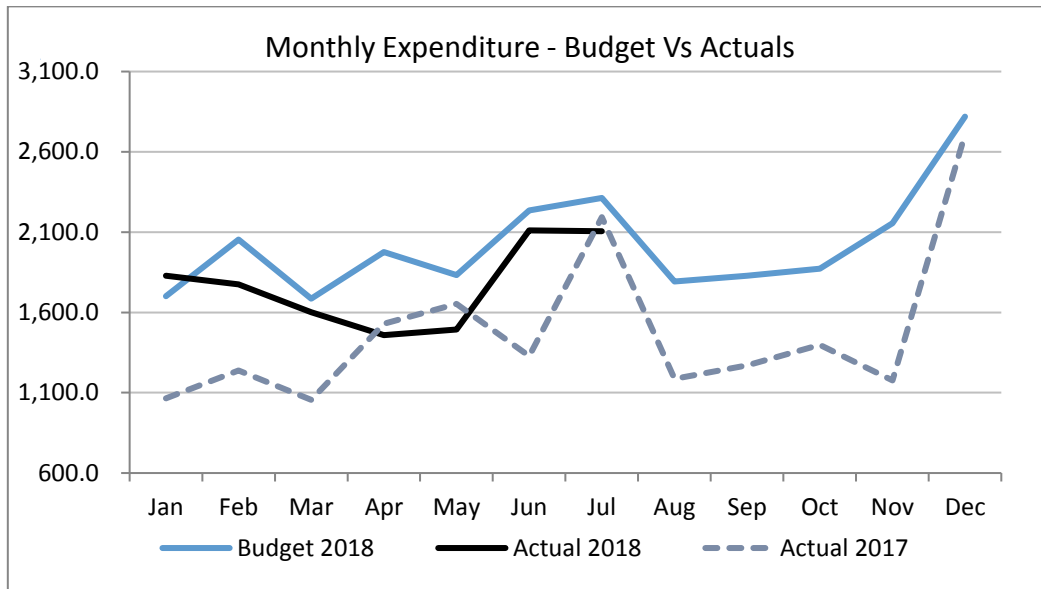
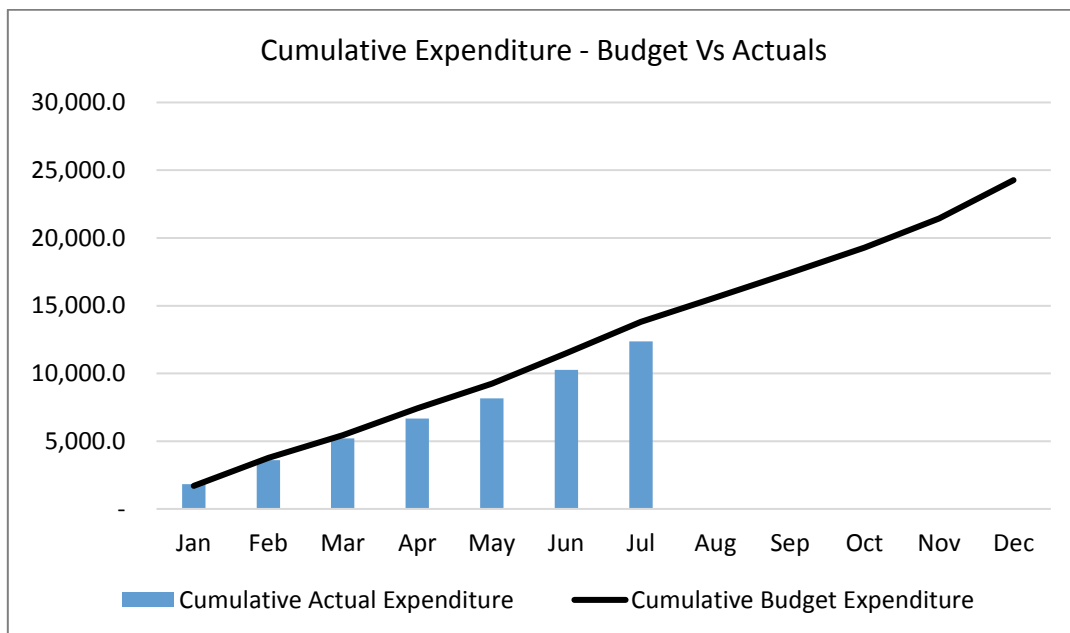


Figure 4



Annex 3: Statement Of Total Government Operations

STATEMENT OF TOTAL GOVERNMENT OPERATIONS											
GFS Code	GFS Description	Budget 2018	Total (VT mn)	%	January	February	March	April	May	June	July
TRANSACTIONS AFFECTING NET WORTH:											
A1	Revenue	37,433.9	21,031.5	56%	4,245.3	2,563.3	2,622.3	3,176.3	4,035.8	2,022.2	2,366.4
A11	Taxes	17,965.7	10,511.0	59%	1,906.4	1,679.8	1,223.8	1,403.0	1,517.1	1,289.8	1,491.1
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-	-
A113	Taxes on property	474.8	360.3	76%	41.2	37.5	64.3	45.7	67.9	75.3	28.4
A114	Taxes on goods & services	13,761.3	8,162.1	59%	1,544.4	1,340.9	924.6	1,109.8	1,127.8	955.5	1,159.1
	of which										
	Value-Added Tax	8,744.2	4,722.7	54%	795.0	668.1	588.3	686.2	723.3	574.4	687.5
	Excise	2,617.1	1,532.2	59%	203.0	293.2	136.5	228.5	228.7	177.4	264.8
A115	Taxes on international trade & transactions	3,729.5	1,988.7	53%	320.9	301.4	234.9	247.6	321.3	259.1	303.6
A116	Other taxes	-	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-	-
A13	Grants	14,582.3	4,336.3	0.3	1,359.3	197.1	374.0	467.8	1,520.1	99.7	318.3
A14	Other revenue	4,885.9	6,184.1	127%	979.5	686.3	1,024.5	1,305.5	998.7	632.7	556.9
A2	Expense	40,646.9	14,447.9	36%	2,230.1	2,051.7	1,889.6	1,764.2	1,807.9	2,401.5	2,302.8
A21	Compensation of employees	14,282.9	6,817.5	48%	739.9	853.5	850.9	916.2	846.2	1,573.5	1,037.5
A22	Use of goods and services	18,000.4	3,942.7	22%	477.9	442.0	608.9	564.0	675.0	630.9	544.1
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-	-
A24	Interest	1,148.6	605.9	53%	23.2	66.6	190.5	54.7	46.3	94.5	130.1
A25	Subsidies	-	-	0%	-	-	-	-	-	-	-
A26	Grants	4,970.4	1,687.9	34%	567.3	277.5	68.6	120.0	89.5	44.3	520.6
A27	Social benefits	549.4	885.0	161%	415.4	314.3	36.2	54.4	21.3	7.8	35.6
A28	Other expense	1,695.2	508.9	30%	6.5	97.9	134.5	54.9	129.7	50.5	35.0
GOB	Gross operating balance (1-2+23+NOBz)	(3,213.0)	6,583.6	-205%	2,015.2	511.6	732.6	1,412.1	2,227.9	(379.3)	63.6
NOB	Net operating balance (1-2+NOBz) ^{o/}	(3,213.0)	6,583.6	-205%	2,015.2	511.6	732.6	1,412.1	2,227.9	(379.3)	63.6
	% of GDP		6.1%		1.9%	0.5%	0.7%	1.3%	2.1%	-0.4%	0.1%
TRANSACTIONS IN NONFINANCIAL ASSETS:											
A31	Net Acquisition of Nonfinancial Assets	3,462.7	3,277.5	95%	1,231.0	87.8	129.1	200.3	1,337.3	82.5	209.5
A311	Fixed assets	3,462.7	3,277.5	95%	1,231.0	87.8	129.1	200.3	1,337.3	82.5	209.5
A312	Change in inventories	-	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(6,675.7)	3,306.1		784.2	423.7	603.5	1,211.8	890.6	(461.8)	(146.0)
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):											
A32	Net acquisition of financial assets	(5,739.2)	741.4	0%	784.2	(692.4)	288.2	1,190.7	860.6	(1,122.7)	(567.2)
A321	Domestic	(5,739.2)	741.4	0%	784.2	(692.4)	288.2	1,190.7	860.6	(1,122.7)	(567.2)
A322	Foreign	-	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	936.5	(2,564.7)	-274%	-	(1,116.2)	(315.4)	(21.1)	(30.0)	(660.9)	(421.2)
A331	Domestic	-	(1,414.9)	-	-	(1,114.3)	-	-	-	-	(300.6)
A332	Foreign	936.5	(1,149.8)	(1.2)	-	(1.8)	(315.4)	(21.1)	(30.0)	(660.9)	(120.6)

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 2018	Total (VT mn)	%	January	February	March	April	May	June	July
TRANSACTIONS AFFECTING NET WORTH:											
A1	Revenue	14,582.3	4,336.3	30%	1,359.3	197.1	374.0	467.8	1,520.1	99.7	318.3
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	14,582.3	4,336.3	30%	1,359.3	197.1	374.0	467.8	1,520.1	99.7	318.3
A14	Other revenue	-	-	0%	-	-	-	-	-	-	-
A2	Expense	14,582.3	2,074.9	14%	402.3	278.0	287.6	305.5	313.7	290.5	197.3
A21	Compensation of employees	1,219.9	161.7	13%	14.4	19.5	24.5	19.8	21.0	35.2	27.3
A22	Use of goods and services	10,246.0	1,460.5	14%	126.3	149.7	245.3	234.6	283.9	252.4	168.3
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-	-
A24	Interest	-	-	0%	-	-	-	-	-	-	-
A25	Subsidies	-	-	0%	-	-	-	-	-	-	-
A26	Grants	2,649.0	78.1	3%	47.4	21.2	3.5	3.2	-	2.8	-
A27	Social benefits	203.2	374.4	184%	214.1	87.5	14.3	48.0	8.8	0.1	1.6
A28	Other expense	264.2	0.1	0%	-	-	-	0.0	-	-	0.1
GOB	Gross operating balance (1-2+23+NOBz)	-	2,261.4		957.0	(80.8)	86.4	162.3	1,206.4	(190.8)	121.0
NOB	Net operating balance (1-2+NOBz) ^{e/}	-	2,261.4		957.0	(80.8)	86.4	162.3	1,206.4	(190.8)	121.0
		-	2.1%		0.9%	-0.1%	0.1%	0.1%	1.1%	-0.2%	0.1%
TRANSACTIONS IN NONFINANCIAL ASSETS:											
A31	Net Acquisition of Nonfinancial Assets	3,056.8	2,995.0	98%	1,185.3	33.8	82.0	184.1	1,273.5	66.4	169.8
A311	Fixed assets	3,056.8	2,995.0	98%	1,185.3	33.8	82.0	184.1	1,273.5	66.4	169.8
A312	Change in inventories	-	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(3,056.8)	(733.6)	24%	(228.2)	(114.7)	4.3	(21.9)	(67.0)	(257.3)	(48.8)
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):											
A32	Net acquisition of financial assets	-	(733.6)		(228.2)	(114.7)	4.3	(21.9)	(67.0)	(257.3)	(48.8)
A321	Domestic	-	(733.6)		(228.2)	(114.7)	4.3	(21.9)	(67.0)	(257.3)	(48.8)
A322	Foreign	-	-		-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-		-	-	-	-	-	-	-
A33	Net incurrence of liabilities	3,056.8	-	0%	-	-	-	-	-	-	-
A331	Domestic	-	-	0%	-	-	-	-	-	-	-
A332	Foreign	3,056.8	-	0%	-	-	-	-	-	-	-

Annex 5: Statement Of Government Operations Excluding Donors

STATEMENT OF GOVERNMENT OPERATIONS EXCLUDING DONORS											
GFS Code	GFS Description	Budget 2018	Total (VT mn)	%	January	February	March	April	May	June	July
TRANSACTIONS AFFECTING NET WORTH:											
A1	Revenue	22,851.6	16,695.2	73%	2,885.9	2,366.1	2,248.3	2,708.5	2,515.7	1,922.5	2,048.1
A11	Taxes	17,965.7	10,511.0	59%	1,906.4	1,679.8	1,223.8	1,403.0	1,517.1	1,289.8	1,491.1
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-	-
A113	Taxes on property	474.8	360.3	76%	41.2	37.5	64.3	45.7	67.9	75.3	28.4
A114	Taxes on goods & services	13,761.3	8,162.1	59%	1,544.4	1,340.9	924.6	1,109.8	1,127.8	955.5	1,159.1
	of which										
	Value-Added Tax	8,744.2	4,722.7	54%	795.0	668.1	588.3	686.2	723.3	574.4	687.5
	Excise	2,617.1	1,532.2	59%	203.0	293.2	136.5	228.5	228.7	177.4	264.8
A115	Taxes on international trade & transactions	3,729.5	1,988.7	53%	320.9	301.4	234.9	247.6	321.3	259.1	303.6
A116	Other taxes	-	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-	-
A13	Grants	-	-	-	-	-	-	-	-	-	-
A14	Other revenue	4,885.9	6,184.1	127%	979.5	686.3	1,024.5	1,305.5	998.7	632.7	556.9
A2	Expense	26,064.5	12,373.0	47%	1,827.8	1,773.7	1,602.1	1,458.7	1,494.2	2,111.0	2,105.5
A21	Compensation of employees	13,063.0	6,655.8	51%	725.4	834.0	826.4	896.4	825.2	1,538.3	1,010.1
A22	Use of goods and services	7,754.4	2,482.2	32%	351.6	292.3	363.6	329.3	391.1	378.5	375.8
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-	-
A24	Interest	1,148.6	605.9	53%	23.2	66.6	190.5	54.7	46.3	94.5	130.1
A25	Subsidies	-	-	0%	-	-	-	-	-	-	-
A26	Grants	2,321.4	1,609.7	69%	519.9	256.2	65.1	116.9	89.5	41.5	520.6
A27	Social benefits	346.2	510.6	147%	201.3	226.8	21.9	6.4	12.4	7.7	34.0
A28	Other expense	1,431.0	508.9	36%	6.5	97.9	134.5	54.9	129.7	50.5	34.9
GOB	Gross operating balance (1-2+23+NOBz)	(3,213.0)	4,322.2		1,058.1	592.4	646.2	1,249.8	1,021.5	(188.5)	(57.4)
NOB	Net operating balance (1-2+NOBz) ^{e/}	(3,213.0)	4,322.2		1,058.1	592.4	646.2	1,249.8	1,021.5	(188.5)	(57.4)
	% of GDP		4.0%		1.0%	0.5%	0.6%	1.2%	0.9%	-0.2%	-0.1%
TRANSACTIONS IN NONFINANCIAL ASSETS:											
A31	Net Acquisition of Nonfinancial Assets	405.9	282.5	70%	45.7	54.0	47.1	16.2	63.9	16.1	39.7
A311	Fixed assets	405.94	282.5	70%	45.7	54.0	47.1	16.2	63.9	16.1	39.7
A312	Change in inventories	-	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(3,618.9)	4,039.7		1,012.4	538.4	599.2	1,233.7	957.6	(204.5)	(97.1)
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):											
A32	Net acquisition of financial assets	(5,739.2)	1,474.9	0%	1,012.4	(577.8)	283.8	1,212.6	927.6	(865.4)	(518.4)
A321	Domestic	(5,739.2)	1,474.9	0%	1,012.4	(577.8)	283.8	1,212.6	927.6	(865.4)	(518.4)
A322	Foreign	-	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(2,120.3)	(2,564.7)	121%	-	(1,116.2)	(315.4)	(21.1)	(30.0)	(660.9)	(421.2)
A331	Domestic	-	(1,414.9)	-	-	(1,114.3)	-	-	-	-	(300.6)
A332	Foreign	(2,120.3)	(1,149.8)	0.5	-	(1.8)	(315.4)	(21.1)	(30.0)	(660.9)	(120.6)