

# Treasury Monthly Budget Report – March 2018<sup>1</sup>

## Summary

*In March, the total net operating balance for the Government was a surplus of VT 449.2 million. Total Government net operating balance recorded by the end of March 2018 is a surplus of VT 1,853.4 million which is equivalent to 1.7 per cent of GDP.*

*The net operating balance for Government operations, excluding donor funds, in March was a surplus of VT 410.3 million. The total net operating balance for the first three months of 2018 recorded a surplus of VT 2,046.9 million which is equivalent to 1.9 per cent of GDP.*

## Government Revenue

*Government revenue collection in March stands at VT 2,013.1 million which total up to VT 7,251.5 million for the first three months. The three months revenue collection accounted for 31.7 per cent of the 2018 revenue budget target (VT 22,851.6 million) and 17.4 per cent increase from the same period in 2017 (VT 6,176.7 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 collection in March was VT 588.3 million which is a 12.6 per cent increase from march, 2017 (VT 522.7 million). To date, the VAT receipts stands at VT 2,051.3 million, accounting for 23.5 per cent of the budget target (VT 8,744.2 million) and is 17.6 per cent more than VT 1,744.1 million collected during the equivalent period a year ago.*

*In addition, receipts from the import duties and export duties was VT 234.9 million in March having an aggregated amount of VT 857.2 million for the first three months. This signifies an increase of 9.6 per cent from the total import and export duties during the similar period in 2017 (VT 782.2 million). The excise tax collection in March was VT 136.5 million which total up to VT 632.8 million during the first three months. This represents 24.1 per cent of the budget target (VT 2,617.1 million) and is 2.0 per cent above VT 620.1 million collected during the first three months last year.*

*Among other revenue constituting fees and charges, Vanuatu Development Support Program (VDSP) and Vanuatu Contribution Programme (VCP), together collected VT 1,864.4 million by the end of March 2018. This represents 87.9 per cent of the Budget target (TV 2,120.million) and is 55.5 per cent above VT 1,199.1 million collected by VERP, VDSP and VCP<sup>2</sup>.*

## Government Expenses

*The month of March saw Government expenses standing at a total amount of VT 1,602.7 million. This is an increase of 15.4 per cent compared to the Government spending in the same period of the previous year (VT 1,388.8 million). To date, Government expenses recorded VT 5,204.5 million representing 24.4 per cent of the budget target (VT 21,325.3 million) and an increase of 25.4 per cent compared to total Government spending up to March in 2017 (VT 4,149.4 million).*

*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 194.3 million against a budget of VT297.2 million)
- International Travel (VT 64.1 million against a budget target of VT 155.2 million)

<sup>1</sup> Tables in Annex 3 and 4 of March monthly report has been updated to reflect the correct amount of net foreign incurrence of liabilities – A332

<sup>2</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).

- Acting Allowances (VT 19.5 million against a budget of VT 3.1 million)
- Termination (VT 449.8 million against a budget target of 310.7)
- Court Costs ( VT 44.4 million against a budget target of VT 51.7 million)
- Infrastructure – Roads and Bridges (VT 49.4 million against a budget target of VT 15.2 million)
- Vehicle-Additional vehicle ( VT 10.1 million against a budget target of VT 13.6 million)
- Vehicle –Replacement (VT 17.8 million against a budget of VT 19.0 million)

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

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*During the month of March, the Government has spent VT 47.2 million on fixed assets. To date, the Government has spent a net amount VT 146.7 million on fixed assets.*

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

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*In March, the Government paid off VT 315.4 million worth of external loans. To date, Government paid off VT 317.2 million of external loans and VT 1,114.3 million of domestic loans.*

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

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*In March, receipts from Donor stands at VT 280.4 million giving a total of VT 702.4 million from the first three months. This total amount represents 4.8 per cent of the budget target (VT 14,582.3 million). Major donors for the first three months were World Bank (VT 196.0 million), UNDP (VT 150.9 million), Australia (VT 58.9 million) and ADB (VT 11.8 million). Other contributing donors are greatly acknowledged. To date, the expense from the Donor funds was VT 895.9 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: Revenue Trend

Revenue collected in March 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

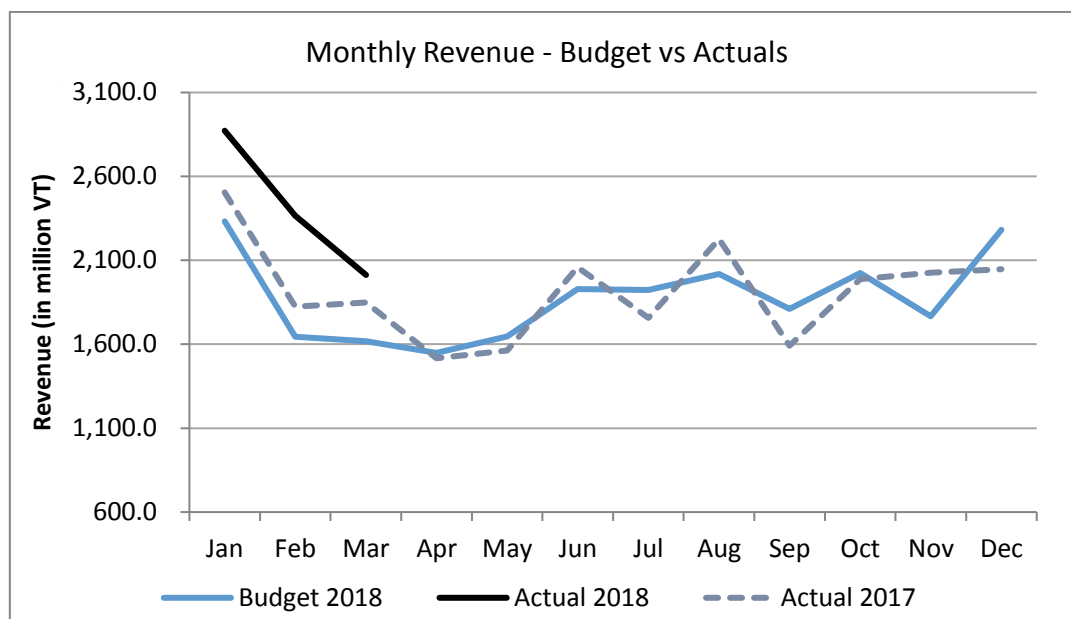
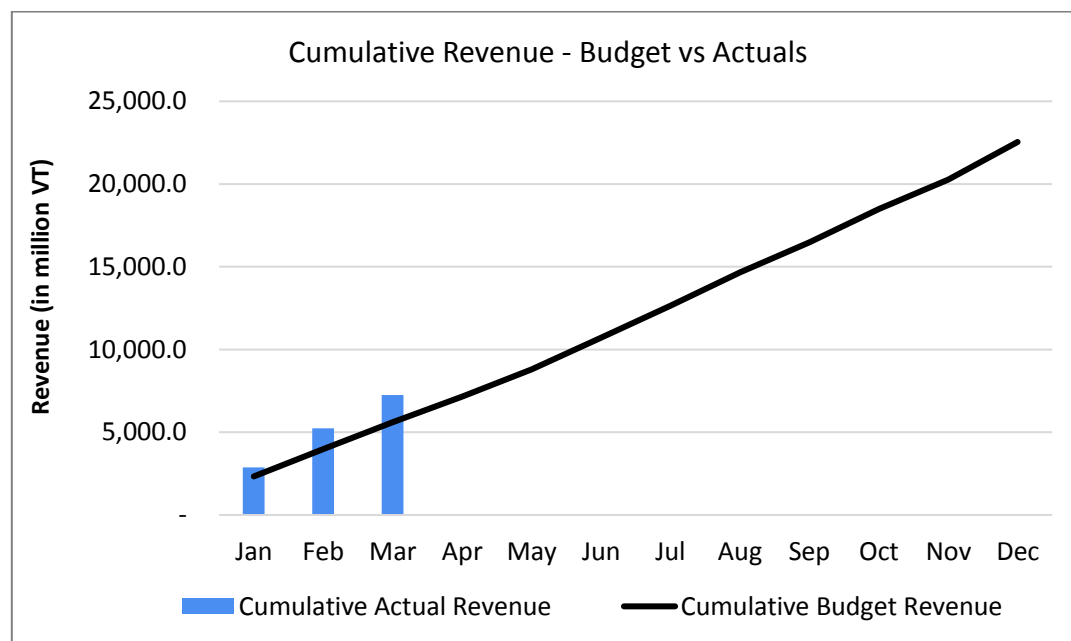


Figure 2



## Annex 2: Expenditure Trend

Expenditure figure for March 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

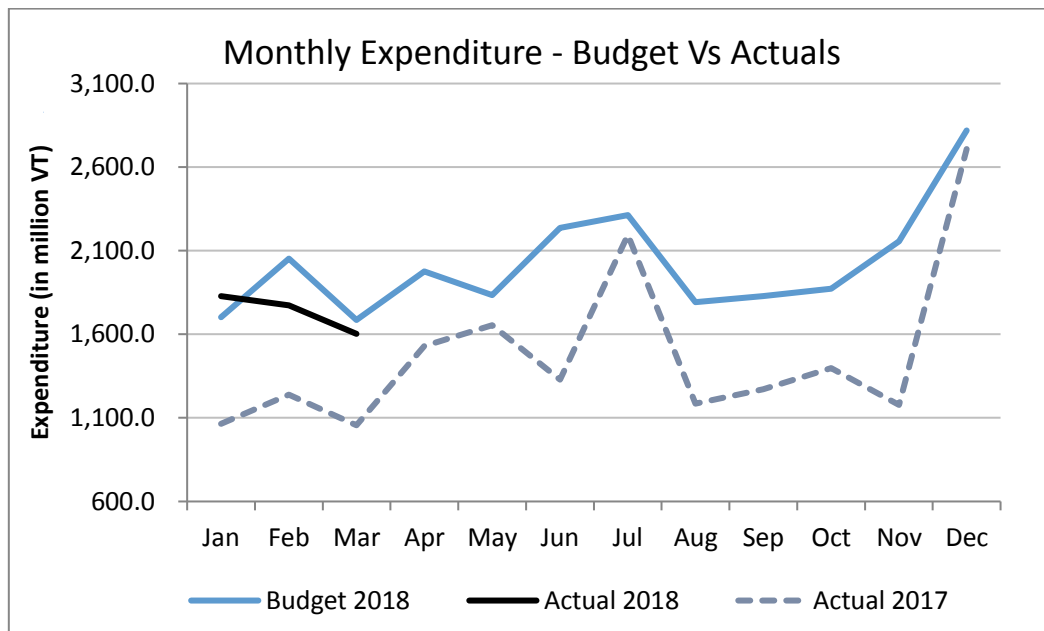
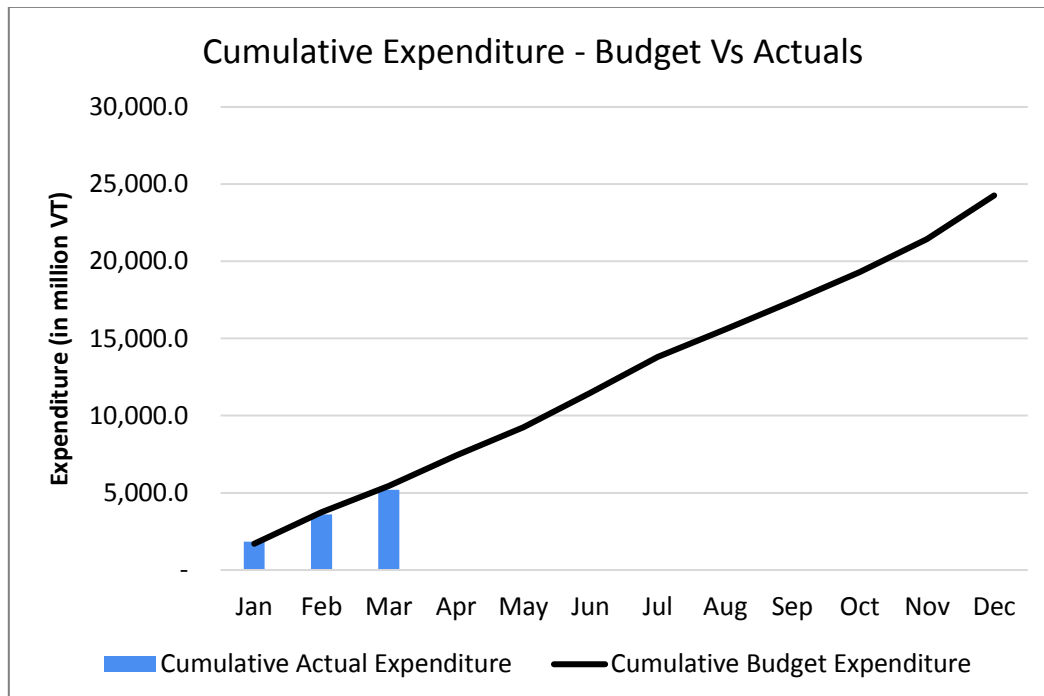


Figure 4



### Annex 3: Statement Of Total Government Operations

STATEMENT OF TOTAL GOVERNMENT OPERATIONS							
GFS Code	GFS Description	Budget 2018	Total (VT mn)	%	January	February	March
	<b>TRANSACTIONS AFFECTING NET WORTH:</b>						
<b>A1</b>	<b>Revenue</b>	<b>37,433.9</b>	<b>7,953.9</b>	<b>21%</b>	<b>3,119.9</b>	<b>2,540.5</b>	<b>2,293.4</b>
A11	Taxes	17,965.7	4,797.0	27%	1,893.3	1,679.8	1,223.8
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-
A113	Taxes on property	474.8	142.9	30%	41.2	37.5	64.3
A114	Taxes on goods & services	13,761.3	3,796.9	28%	1,531.3	1,340.9	924.7
	of which						
	Value-Added Tax	8,744.2	2,051.3	23%	795.0	668.0	588.3
	Excise	2,617.1	632.8	24%	203.0	293.2	136.5
A115	Taxes on international trade & transactions	3,729.5	857.2	23%	320.9	301.4	234.9
A116	Other taxes	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-
A13	Grants	14,582.3	702.4	0.0	247.5	174.5	280.4
A14	Other revenue	4,885.9	2,454.5	50%	979.1	686.2	789.3
<b>A2</b>	<b>Expense</b>	<b>35,907.6</b>	<b>6,100.5</b>	<b>17%</b>	<b>2,225.8</b>	<b>2,030.4</b>	<b>1,844.3</b>
A21	Compensation of employees	13,497.3	2,444.3	18%	739.9	853.5	850.9
A22	Use of goods and services	14,708.7	1,457.8	10%	473.6	420.6	563.6
A23	Consumption of fixed capital	-	-	-	-	-	-
A24	Interest	1,148.6	280.3	24%	23.2	66.6	190.5
A25	Subsidies	-	-	0%	-	-	-
A26	Grants	4,970.4	913.4	18%	567.3	277.5	68.6
A27	Social benefits	549.4	765.9	139%	415.4	314.3	36.2
A28	Other expense	1,033.2	238.8	23%	6.5	97.9	134.5
<b>GOB</b>	<b>Gross operating balance (1-2+23+NOBz)</b>	<b>1,526.2</b>	<b>1,853.4</b>	<b>121%</b>	<b>894.1</b>	<b>510.1</b>	<b>449.2</b>
<b>NOB</b>	<b>Net operating balance (1-2+NOBz) <sup>c/</sup></b>	<b>1,526.2</b>	<b>1,853.4</b>	<b>121%</b>	<b>894.1</b>	<b>510.1</b>	<b>449.2</b>
	% of GDP		1.7%		0.8%	0.5%	0.4%
	<b>TRANSACTIONS IN NONFINANCIAL ASSETS:</b>						
<b>A31</b>	<b>Net Acquisition of Nonfinancial Assets</b>	<b>3,462.7</b>	<b>303.5</b>	<b>9%</b>	<b>116.6</b>	<b>87.8</b>	<b>99.1</b>
A311	Fixed assets	3,462.7	303.5	9%	116.6	87.8	99.1
A312	Change in inventories	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-
<b>NLB</b>	<b>Net lending / borrowing (1-2+NOBz-31)</b>	<b>(1,936.5)</b>	<b>1,549.9</b>		<b>777.5</b>	<b>422.4</b>	<b>350.0</b>
	<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):</b>						
<b>A32</b>	<b>Net acquisition of financial assets</b>	<b>0.0</b>	<b>118.4</b>	<b>0%</b>	<b>777.5</b>	<b>(693.8)</b>	<b>34.7</b>
A321	Domestic	0.0	118.4	0%	777.5	(693.8)	34.7
A322	Foreign	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-
<b>A33</b>	<b>Net incurrence of liabilities</b>	<b>1,936.5</b>	<b>(1,431.5)</b>	<b>-74%</b>	<b>-</b>	<b>(1,116.2)</b>	<b>(315.4)</b>
A331	Domestic	-	(1,114.3)	-	-	(1,114.3)	-
A332	Foreign	1,936.5	(317.2)	(0.2)	-	(1.8)	(315.4)

# 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
	<b>TRANSACTIONS AFFECTING NET WORTH:</b>						
<b>A1</b>	<b>Revenue</b>	<b>14,582.3</b>	<b>702.4</b>	<b>5%</b>	<b>247.5</b>	<b>174.5</b>	<b>280.4</b>
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	702.4	5%	247.5	174.5	280.4
A14	Other revenue	-	-	0%	-	-	-
<b>A2</b>	<b>Expense</b>	<b>14,582.3</b>	<b>895.9</b>	<b>6%</b>	<b>397.8</b>	<b>256.6</b>	<b>241.6</b>
A21	Compensation of employees	1,219.9	58.5	5%	14.4	19.5	24.5
A22	Use of goods and services	10,246.0	449.4	4%	121.8	128.4	199.2
A23	Consumption of fixed capital	-	-	-	-	-	-
A24	Interest	-	-	0%	-	-	-
A25	Subsidies	-	-	0%	-	-	-
A26	Grants	2,649.0	72.1	3%	47.4	21.2	3.5
A27	Social benefits	203.2	315.9	156%	214.1	87.5	14.3
A28	Other expense	264.2	-	0%	-	-	-
<b>GOB</b>	<b>Gross operating balance (1-2+23+NOBz)</b>	<b>-</b>	<b>(193.5)</b>		<b>(150.2)</b>	<b>(82.1)</b>	<b>38.8</b>
<b>NOB</b>	<b>Net operating balance (1-2+NOBz) <sup>e/</sup></b>	<b>-</b>	<b>(193.5)</b>		<b>(150.2)</b>	<b>(82.1)</b>	<b>38.8</b>
		-	-0.2%		-0.1%	-0.1%	0.0%
	<b>TRANSACTIONS IN NONFINANCIAL ASSETS:</b>						
<b>A31</b>	<b>Net Acquisition of Nonfinancial Assets</b>	<b>3,056.8</b>	<b>156.8</b>	<b>5%</b>	<b>71.1</b>	<b>33.8</b>	<b>51.9</b>
A311	Fixed assets	3,056.8	156.8	5%	71.1	33.8	51.9
A312	Change in inventories	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-
<b>NLB</b>	<b>Net lending / borrowing (1-2+NOBz-31)</b>	<b>(3,056.8)</b>	<b>(350.3)</b>	<b>11%</b>	<b>(221.3)</b>	<b>(115.9)</b>	<b>(13.1)</b>
	<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):</b>						
<b>A32</b>	<b>Net acquisition of financial assets</b>	<b>-</b>	<b>(350.3)</b>		<b>(221.3)</b>	<b>(115.9)</b>	<b>(13.1)</b>
A321	Domestic	-	(350.3)		(221.3)	(115.9)	(13.1)
A322	Foreign	-	-		-	-	-
A323	Monetary gold and SDRs	-	-		-	-	-
<b>A33</b>	<b>Net incurrence of liabilities</b>	<b>3,056.8</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>
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
	<b>TRANSACTIONS AFFECTING NET WORTH:</b>						
<b>A1</b>	<b>Revenue</b>	<b>22,851.6</b>	<b>7,251.5</b>	<b>32%</b>	<b>2,872.4</b>	<b>2,366.0</b>	<b>2,013.1</b>
A11	Taxes	17,965.7	4,797.0	27%	1,893.3	1,679.8	1,223.8
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-
A113	Taxes on property	474.8	142.9	30%	41.2	37.5	64.3
A114	Taxes on goods & services	13,761.3	3,796.9	28%	1,531.3	1,340.9	924.7
	of which						
	Value-Added Tax	8,744.2	2,051.3	23%	795.0	668.0	588.3
	Excise	2,617.1	632.8	24%	203.0	293.2	136.5
A115	Taxes on international trade & transactions	3,729.5	857.2	23%	320.9	301.4	234.9
A116	Other taxes	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-
A13	Grants	-	-	-	-	-	-
A14	Other revenue	4,885.9	2,454.5	50%	979.1	686.2	789.3
<b>A2</b>	<b>Expense</b>	<b>21,325.3</b>	<b>5,204.5</b>	<b>24%</b>	<b>1,828.1</b>	<b>1,773.7</b>	<b>1,602.7</b>
A21	Compensation of employees	12,277.4	2,385.8	19%	725.4	834.0	826.4
A22	Use of goods and services	4,462.7	1,008.4	23%	351.8	292.3	364.3
A23	Consumption of fixed capital	-	-	-	-	-	-
A24	Interest	1,148.6	280.3	24%	23.2	66.6	190.5
A25	Subsidies	-	-	0%	-	-	-
A26	Grants	2,321.4	841.3	36%	519.9	256.2	65.1
A27	Social benefits	346.2	450.0	130%	201.3	226.8	21.9
A28	Other expense	769.0	238.8	31%	6.5	97.9	134.5
<b>GOB</b>	<b>Gross operating balance (1-2+23+NOBz)</b>	<b>1,526.2</b>	<b>2,046.9</b>		<b>1,044.3</b>	<b>592.3</b>	<b>410.3</b>
<b>NOB</b>	<b>Net operating balance (1-2+NOBz) <sup>c/</sup></b>	<b>1,526.2</b>	<b>2,046.9</b>		<b>1,044.3</b>	<b>592.3</b>	<b>410.3</b>
	% of GDP		1.9%		0.9%	0.5%	0.4%
	<b>TRANSACTIONS IN NONFINANCIAL ASSETS:</b>						
<b>A31</b>	<b>Net Acquisition of Nonfinancial Assets</b>	<b>405.9</b>	<b>146.7</b>	<b>36%</b>	<b>45.5</b>	<b>54.0</b>	<b>47.2</b>
A311	Fixed assets	405.94	146.7	36%	45.5	54.0	47.2
A312	Change in inventories	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-
<b>NLB</b>	<b>Net lending / borrowing (1-2+NOBz-31)</b>	<b>1,120.3</b>	<b>1,900.2</b>		<b>998.8</b>	<b>538.3</b>	<b>363.1</b>
	<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):</b>						
<b>A32</b>	<b>Net acquisition of financial assets</b>	<b>0.0</b>	<b>468.7</b>	<b>0%</b>	<b>998.8</b>	<b>(577.9)</b>	<b>47.8</b>
A321	Domestic	0.0	468.7	0%	998.8	(577.9)	47.8
A322	Foreign	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-
<b>A33</b>	<b>Net incurrence of liabilities</b>	<b>(1,120.3)</b>	<b>(1,431.5)</b>	<b>128%</b>	<b>-</b>	<b>(1,116.2)</b>	<b>(315.4)</b>
A331	Domestic	-	(1,114.3)	-	-	(1,114.3)	-
A332	Foreign	(1,120.3)	(317.2)	0.3	-	(1.8)	(315.4)