

# Treasury Monthly Budget Report – September 2018

## Summary

***In September, the total net operating balance for the Government was a surplus of VT 107.2 million. Total Government net operating balance recorded by the end of September 2018 was a surplus of VT 7,097.7 million which is equivalent to 6.6 per cent of GDP.***

***The net operating balance for Government operations, excluding donor funds, in September was a surplus of VT 171.8 million. To date the total net operating balance recorded a surplus of VT 4,697.5 million which is equivalent to 4.3 per cent of GDP.***

## Government Revenue

*During September, Government revenue was VT 1,943.4 million which is 22.1 per cent higher than the amount collected in September 2017 (VT 1,591.5 million). This is mainly due to higher collection of VAT and revenue from citizenship programs compared to last year's VAT and other revenue collection in September. Total Government receipts for this year up until the end of September were VT 20,773.0 million, which is 90.9 per cent of the budget target (VT 22,851.6 million) and 23.0 per cent more revenue collection than by September last year (VT 16,890.0 million).*

*As a result of the Government's decision to increase Value-Added Tax (VAT) from 12.5 per cent to 15 per cent from January 1 2018, annual VAT revenue is expected to increase 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 623.3 million in September which makes a total of VT 6,090.2 million in these nine months of 2018. This represents 69.6 per cent of the budget target (VT 8,744.2 million) and is 16.6 per cent more than the collection made during the equivalent period in 2017 (VT 5,223.3 million).*

*Taxes on international trade and transactions constituting import and export duties are the second main source of Government tax revenue, collecting VT 283.2 million in September and totalling VT 2,605.7 million up to the end of September 2018. The amount collected so far represents 69.9 per cent of the budget target (VT 3,729.5 million) and 7.2 per cent more than collection during the same period in 2017 (VT 2,431.0 million). Excise tax collection for these nine months is VT 1,989.0 million, which is 76.0 per cent of the budget target (VT 2,617.1 million) and is 16.3 per cent more than what was collected during the equivalent period in 2017 (VT 1,710.3 million).*

*Among other revenue constituting fees and charges, Vanuatu Development Support Program (VDSP) and Vanuatu Contribution Program (VCP), together collected VT 5,932.9 million by the end of September 2018. This is 179.9 per cent more than the budget target of VT 2,120.0 million and is 79.9 per cent more than what was collected (VT 3,298.2 million) by VERP, VDSP and VCP<sup>1</sup> during the equivalent months a year ago.*

## Government Expenses

*Government expenditure was VT 1,771.6 million in September. This is an increase of 9.3 per cent compared to the Government spending in September 2017 (VT 1,620.4 million). Total Government expenditure so far in 2018 is VT 16,075.5 million, representing 61.2 per cent of the budget target (VT 26,264.5 million) and an increase of 18.1 per cent compared to total Government spending in the equivalent period of 2017 (VT 13,613.6 million). A large proportion of the increase in Government expenditure was on GRT (Government Remuneration Tribunal) and supplementary, including scholarships.*

*In June 2018, the Parliament approved a supplementary budget worth VT 5,407.2 million. In addition, standing appropriation worth VT 332.0 million was approved by Council of Ministers for emergency relief. These amounts were*

<sup>1</sup> Vanuatu Economic Rehabilitation Program (VERP), aimed at raising revenue post Cyclone Pam through a fast-track citizenship program, was introduced in 2015. VERP was phased out by March 2017 to be replaced by similar programmes - Vanuatu Development Support Program (VDSP) and Vanuatu Contribution Program (VCP).

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). In August 2018, the Council of Ministers approved an additional VT 200 million for Ambae Volcano Response. This brings the total standing and supplementary budget to VT 5,939.2 million.

The total Government expense is controlled and in line with the budget target. However, there are some major spending items which include:

- Repayment of Reserve Bank Bond Issues (VT 1,615.7 million against zero budget)
- Repayment of Loans from China (VT 1,003.8 million against a budget of VT 420.0 million)
- Termination payments (VT 538.9 million against a budget target of VT 310.7 million)
- VAT payments (343.8 million against a budget of VT 136.6 million)
- Repayment of Other domestic Loans (VT 199.8 million against zero budget)
- Acting Allowances (VT 104.8 million against a budget of VT 3.1 million)
- Leave Expenses (VT 99.8 million against zero budget)
- Other suppliers (VT 90.1 million against a budget of 5.1 million)
- Roads and Bridges (VT 77.7 million against a budget of VT 15.2 million)
- CBC Roads Repairs and Maintenance (VT 61.2 million against zero budget)
- Road Plant Hire (VT 54.6 million against zero budget)

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

During the month of September, the Government spent a net amount of VT 30.7 million in acquiring fixed assets. So far in 2018, the Government has spent a net amount of VT 347.6 million on fixed assets.

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

In September, the Government paid off VT 111.5 million worth of external loans and no domestic loans. So far this year, the Government has paid off VT 1,338.2 million worth of external loans and VT 1,815.4 million worth of domestic loans.

### **Development Budget Highlights**

During September, VT 203.8 million worth of grants were received from donors giving the grand total to date this year of VT 5,022.4 million. This amount represents 34.4 per cent of the budget target (VT 14,582.3 million). Major donors up to September include the World Bank (VT 2,709.9 million), Australia (VT 774.6 million), and ADB (VT 565.4 million). Other contributing donors are gratefully acknowledged.

To date this year, donor funding expenditure has totalled VT 2,622.2 million which is equivalent to 18.0 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 September 2018 is slightly higher than the budget target figure predicted through cash flow analysis of previous fiscal years (Figure 1). This is because of relatively higher collection of Vanuatu Development Support Program (VDSP) and Vanuatu Contribution Program (VCP) revenue in September 2018 compared to Vanuatu Economic Rehabilitation Program (VERP), VDSP and VCP revenue collection in September 2017.

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

Figure 1

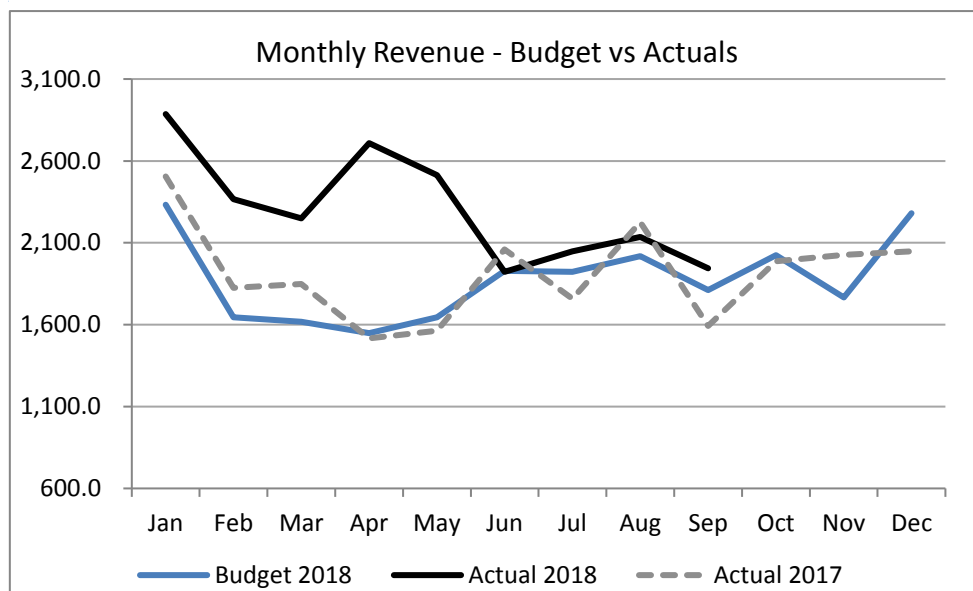
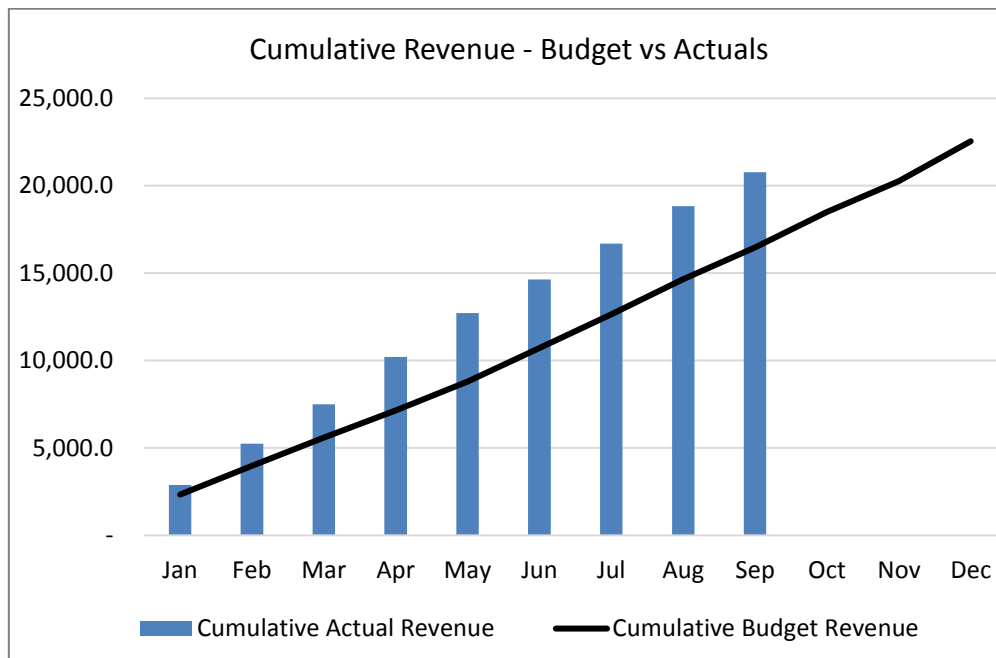


Figure 2



## Annex 2: Expenditure Trend

Government Expenditure (excluding donor funds) for September 2018 is slightly lower than the budget target predicted through cash flow analysis of previous fiscal years, as shown by Figure 3.

The cumulative expenditure trend (Figure 4) shows that overall expenses are in line with the budget target.

Figure 3

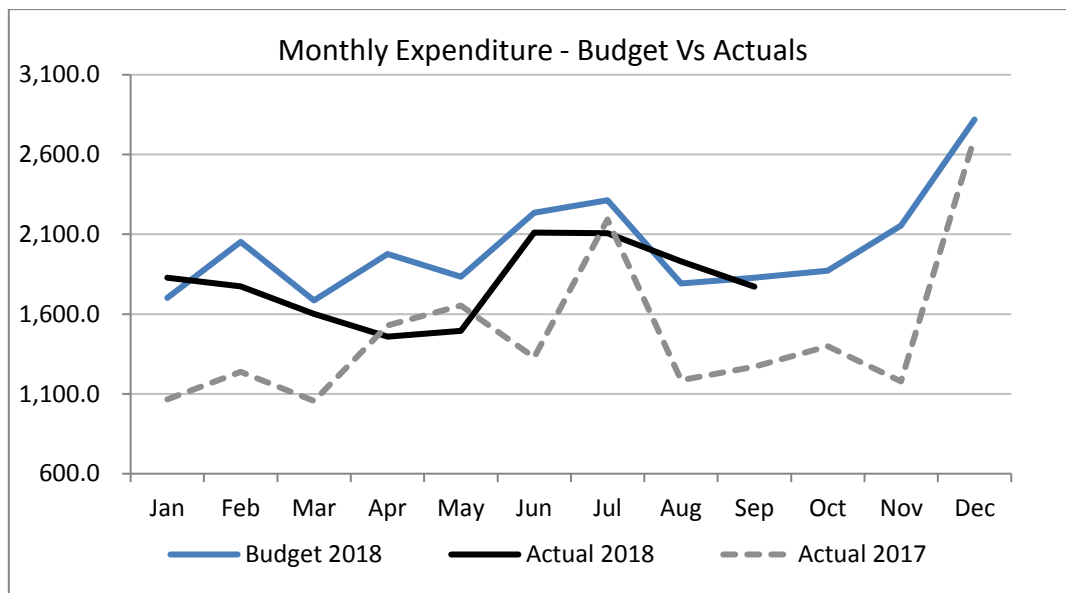
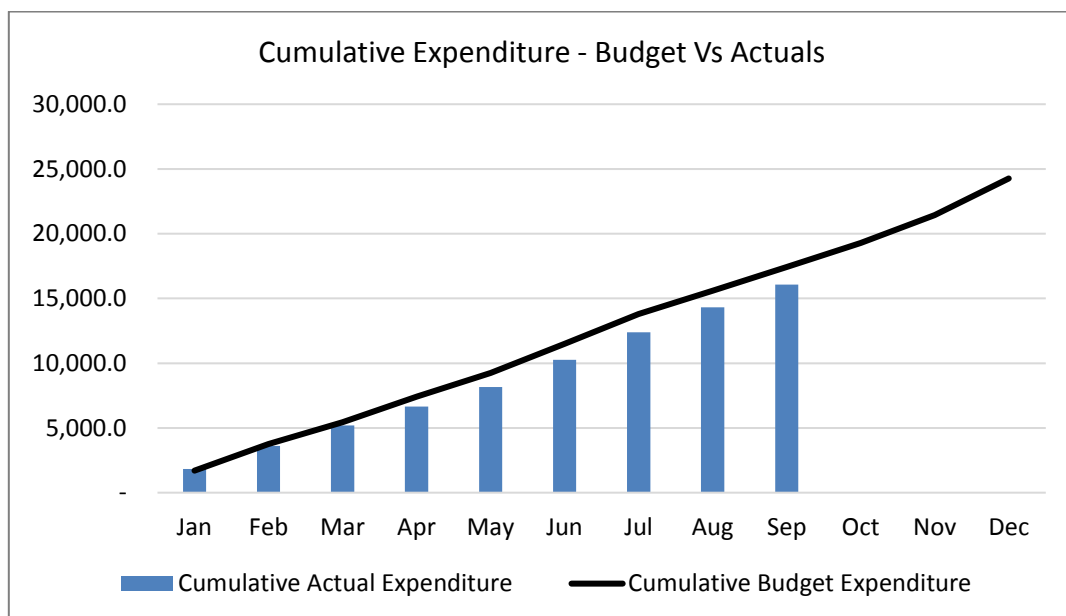


Figure 4





## STATEMENT OF TOTAL GOVERNMENT OPERATIONS

GFS Code	GFS Description	Budget 2018	Total (VT mn)	%	January	February	March	April	May	June	July	August	September
<b>TRANSACTIONS AFFECTING NET WORTH:</b>													
<b>A1</b>	<b>Revenue</b>	<b>37,433.9</b>	<b>25,795.4</b>	<b>69%</b>	<b>4,248.4</b>	<b>2,585.1</b>	<b>2,623.3</b>	<b>3,176.3</b>	<b>4,070.2</b>	<b>2,066.3</b>	<b>2,379.7</b>	<b>2,499.0</b>	<b>2,147.1</b>
A11	Taxes	17,965.7	13,341.8	74%	1,906.4	1,679.8	1,223.8	1,403.0	1,517.1	1,289.8	1,491.1	1,549.8	1,281.1
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	474.8	432.5	91%	41.2	37.5	64.3	45.7	67.9	75.3	28.4	47.7	24.6
A113	Taxes on property	-	-	-	-	-	-	-	-	-	-	-	-
A114	Taxes on goods & services	13,761.3	10,303.7	75%	1,544.4	1,340.9	924.6	1,109.8	1,127.8	955.5	1,159.0	1,168.4	973.3
A115	Taxes on international trade & transactions	8,744.2	6,090.2	70%	795.0	668.1	588.3	686.2	723.3	574.4	687.4	744.3	623.3
A116	Other taxes	2,617.1	1,989.0	76%	203.0	233.2	136.5	228.5	228.7	177.4	264.8	258.7	198.1
A12	Social contributions	-	-	-	-	-	-	-	-	-	-	-	-
A13	Grants	14,582.3	5,022.4	0.3	1,362.5	218.9	375.0	467.8	1,556.5	143.8	331.3	362.7	203.8
A14	Other revenue	4,885.9	7,431.2	152%	979.5	686.3	1,024.5	1,305.5	996.6	632.7	557.3	586.5	662.2
<b>A2</b>	<b>Expense</b>	<b>40,846.9</b>	<b>18,697.8</b>	<b>46%</b>	<b>2,230.1</b>	<b>2,073.5</b>	<b>1,889.7</b>	<b>1,764.3</b>	<b>1,808.6</b>	<b>2,401.5</b>	<b>2,304.9</b>	<b>2,185.2</b>	<b>2,039.9</b>
A21	Compensation of employees	14,282.9	8,828.6	62%	739.9	853.5	850.9	916.2	846.2	1,573.5	1,037.5	1,017.0	994.0
A22	Use of goods and services	18,000.4	5,166.5	29%	477.9	463.7	608.9	564.0	675.0	630.9	546.2	638.9	560.9
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-	-	-	-
A24	Interest	1,148.6	876.6	76%	23.2	66.6	190.5	54.7	47.0	94.5	130.1	95.3	174.8
A25	Subsidies	-	-	0%	-	-	-	-	-	-	-	-	-
A26	Grants	4,970.4	2,155.7	43%	567.3	277.5	68.6	120.0	89.5	44.3	520.6	324.1	143.8
A27	Social benefits	549.4	919.0	167%	415.4	314.3	36.2	54.4	21.3	7.8	35.6	19.8	14.2
A28	Other expense	1,895.2	751.3	40%	6.5	97.9	134.5	54.9	129.7	50.5	35.0	90.1	152.2
<b>GOB</b>	<b>Gross operating balance (1-2+23+NOBz)</b>	<b>(3,413.0)</b>	<b>7,097.7</b>	<b>-208%</b>	<b>2,018.3</b>	<b>511.6</b>	<b>733.6</b>	<b>1,412.0</b>	<b>2,261.5</b>	<b>(335.2)</b>	<b>74.8</b>	<b>313.8</b>	<b>107.2</b>
<b>NOB</b>	<b>Net operating balance (1-2+NOBz) <sup>a/</sup></b>	<b>(3,413.0)</b>	<b>7,097.7</b>	<b>-208%</b>	<b>2,018.3</b>	<b>511.6</b>	<b>733.6</b>	<b>1,412.0</b>	<b>2,261.5</b>	<b>(335.2)</b>	<b>74.8</b>	<b>313.8</b>	<b>107.2</b>
	% of GDP		6.6%	1.9%		0.5%	0.7%	1.3%	2.1%	-0.3%	0.1%	0.3%	0.1%
<b>TRANSACTIONS IN NONFINANCIAL ASSETS:</b>													
<b>A31</b>	<b>Net Acquisition of Nonfinancial Assets</b>	<b>3,462.7</b>	<b>3,823.4</b>	<b>110%</b>	<b>1,237.0</b>	<b>87.8</b>	<b>133.0</b>	<b>200.3</b>	<b>1,337.3</b>	<b>84.9</b>	<b>209.7</b>	<b>336.9</b>	<b>196.5</b>
A311	Fixed assets	3,462.7	3,823.4	110%	1,237.0	87.8	133.0	200.3	1,337.3	84.9	209.7	336.9	196.5
A312	Change in inventories	-	-	-	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>NLB</b>	<b>Net lending / borrowing (1-2+NOBz-31)</b>	<b>(6,875.7)</b>	<b>3,274.3</b>	-	<b>781.3</b>	<b>423.7</b>	<b>600.6</b>	<b>1,211.8</b>	<b>924.2</b>	<b>(420.1)</b>	<b>(134.9)</b>	<b>(23.1)</b>	<b>(89.3)</b>
<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):</b>													
<b>A32</b>	<b>Net acquisition of financial assets</b>	<b>(5,939.2)</b>	<b>120.6</b>	<b>0%</b>	<b>781.3</b>	<b>(692.4)</b>	<b>285.3</b>	<b>1,190.7</b>	<b>894.2</b>	<b>###</b>	<b>(556.1)</b>	<b>(500.5)</b>	<b>(200.8)</b>
A321	Domestic	(5,939.2)	120.6	0%	781.3	(692.4)	285.3	1,190.7	894.2	(1,080.9)	(556.1)	(500.5)	(200.8)
A322	Foreign	-	-	-	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-	-	-
<b>A33</b>	<b>Net incurrence of liabilities</b>	<b>936.5</b>	<b>(3,153.7)</b>	<b>-337%</b>	<b>-</b>	<b>(1,116.2)</b>	<b>(315.4)</b>	<b>(21.1)</b>	<b>(30.0)</b>	<b>(660.9)</b>	<b>(421.2)</b>	<b>(477.4)</b>	<b>(111.5)</b>
A331	Domestic	-	(1,815.4)	-	-	(1,114.3)	-	-	-	(300.6)	(400.5)	-	-
A332	Foreign	936.5	(1,338.2)	(1.4)	-	(1.8)	(315.4)	(21.1)	(30.0)	(660.9)	(120.6)	(76.9)	(111.5)



# 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	August	September
<b>TRANSACTIONS AFFECTING NET WORTH:</b>													
<b>A1</b>	<b>Revenue</b>	<b>22,851.6</b>	<b>20,773.0</b>	<b>91%</b>	<b>2,885.9</b>	<b>2,366.1</b>	<b>2,248.3</b>	<b>2,708.5</b>	<b>2,513.7</b>	<b>1,922.5</b>	<b>2,048.4</b>	<b>2,136.2</b>	<b>1,943.4</b>
A11	Taxes	17,965.7	13,341.8	74%	1,906.4	1,679.8	1,223.8	1,403.0	1,517.1	1,289.8	1,491.1	1,549.8	1,281.1
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-	-	-	-
A113	Taxes on property	474.8	432.5	91%	41.2	37.5	64.3	45.7	67.9	75.3	28.4	47.7	24.6
A114	Taxes on goods & services	13,761.3	10,303.7	75%	1,544.4	1,340.9	924.6	1,109.8	1,127.8	955.5	1,159.0	1,168.4	973.3
A115	Taxes on international trade & transactions	8,744.2	6,090.2	70%	795.0	668.1	588.3	686.2	723.3	574.4	687.4	744.3	623.3
A116	Other taxes	2,617.1	1,969.0	76%	203.0	232.2	136.5	228.5	228.7	177.4	294.8	358.7	198.1
A12	Social contributions	3,729.5	2,605.7	70%	320.9	301.4	234.9	247.6	321.3	259.1	303.6	333.7	283.2
A13	Grants	-	-	-	-	-	-	-	-	-	-	-	-
A14	Other revenue	4,885.9	7,431.2	152%	979.5	686.3	1,024.5	1,305.5	996.6	632.7	557.3	586.5	662.2
<b>A2</b>	<b>Expense</b>	<b>26,264.5</b>	<b>16,075.5</b>	<b>61%</b>	<b>1,827.8</b>	<b>1,773.7</b>	<b>1,602.1</b>	<b>1,458.7</b>	<b>1,495.0</b>	<b>2,111.0</b>	<b>2,106.1</b>	<b>1,929.7</b>	<b>1,771.6</b>
A21	Compensation of employees	13,063.0	8,612.1	66%	725.4	834.0	826.4	896.4	825.2	1,538.3	1,010.2	983.8	972.4
A22	Use of goods and services	7,754.4	3,282.2	42%	351.6	292.3	363.6	329.4	391.1	378.5	376.3	422.5	376.9
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-	-	-	-
A24	Interest	1,148.6	876.6	76%	23.2	66.6	190.5	54.7	47.0	94.5	130.1	95.3	174.8
A25	Subsidies	-	-	0%	-	-	-	-	-	-	-	-	-
A26	Grants	2,321.4	2,014.0	87%	519.9	256.2	65.1	116.9	89.5	41.5	520.6	321.7	82.5
A27	Social benefits	346.2	539.4	156%	201.3	226.8	21.9	6.4	12.4	7.7	34.0	16.1	12.7
A28	Other expense	1,631.0	751.2	46%	6.5	97.9	134.5	54.9	129.7	50.5	34.9	90.1	152.2
<b>GOB</b>	<b>Gross operating balance (1-2+23+NOBz)</b>	<b>(3,413.0)</b>	<b>4,697.5</b>		<b>1,058.1</b>	<b>592.4</b>	<b>646.2</b>	<b>1,249.8</b>	<b>1,018.7</b>	<b>(188.5)</b>	<b>(57.7)</b>	<b>206.6</b>	<b>171.8</b>
<b>NOB</b>	<b>Net operating balance (1-2+NOBz) %</b>	<b>(3,413.0)</b>	<b>4,697.5</b>	<b>4.3%</b>	<b>1,058.1</b>	<b>592.4</b>	<b>646.2</b>	<b>1,249.8</b>	<b>1,018.7</b>	<b>(188.5)</b>	<b>(57.7)</b>	<b>206.6</b>	<b>171.8</b>
					1.0%	0.5%	0.6%	1.2%	0.9%	-0.2%	-0.1%	0.2%	0.2%
<b>TRANSACTIONS IN NONFINANCIAL ASSETS:</b>													
<b>A31</b>	<b>Net Acquisition of Nonfinancial Assets</b>	<b>405.9</b>	<b>347.6</b>	<b>86%</b>	<b>45.7</b>	<b>54.0</b>	<b>47.1</b>	<b>16.1</b>	<b>63.9</b>	<b>16.1</b>	<b>39.9</b>	<b>34.2</b>	<b>30.7</b>
A311	Fixed assets	405.94	347.6	86%	45.7	54.0	47.1	16.1	63.9	16.1	39.9	34.2	30.7
A312	Change in inventories	-	-	-	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-	-	-	-
<b>NLB</b>	<b>Net lending / borrowing (1-2+NOBz-31)</b>	<b>(3,818.9)</b>	<b>4,349.9</b>		<b>1,012.4</b>	<b>538.4</b>	<b>599.2</b>	<b>1,233.7</b>	<b>954.9</b>	<b>(204.5)</b>	<b>(97.6)</b>	<b>172.4</b>	<b>141.1</b>
<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):</b>													
<b>A32</b>	<b>Net acquisition of financial assets</b>	<b>(5,939.2)</b>	<b>1,196.3</b>	<b>0%</b>	<b>1,012.4</b>	<b>(577.8)</b>	<b>283.8</b>	<b>1,212.6</b>	<b>924.8</b>	<b>(865.4)</b>	<b>(518.8)</b>	<b>(305.0)</b>	<b>29.6</b>
A321	Domestic	(5,939.2)	1,196.3	0%	1,012.4	(577.8)	283.8	1,212.6	924.8	(865.4)	(518.8)	(305.0)	29.6
A322	Foreign	-	-	-	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-	-	-
<b>A33</b>	<b>Net incurrence of liabilities</b>	<b>(2,120.3)</b>	<b>(3,153.7)</b>	<b>149%</b>	<b>-</b>	<b>(1,116.2)</b>	<b>(315.4)</b>	<b>(21.1)</b>	<b>(30.0)</b>	<b>(660.9)</b>	<b>(421.2)</b>	<b>(477.4)</b>	<b>(111.5)</b>
A331	Domestic	-	(1,815.4)	-	-	(1,114.3)	-	-	-	-	(300.6)	(400.5)	-
A332	Foreign	(2,120.3)	(1,338.2)	0.6	-	(1.8)	(315.4)	(21.1)	(30.0)	(660.9)	(120.6)	(76.9)	(111.5)