

Treasury Monthly Budget Report – April 2019

Summary

In April, the total net operating balance for the Government, including donor funds, was a surplus of VT 1,177.9 million. The year-to-date total Government net operating balance recorded at the end of April 2019 was a surplus of VT 3,755.3 million which is equivalent to 3.4 per cent of GDP.

The net operating balance for Government operations, excluding donor funds, in April was a surplus of VT 848.3 million. To date this year the total net operating balance for the Government operations excluding donor funds has recorded a surplus of VT 2,759.6 million which is equivalent to 2.5 per cent of GDP.

Government operations excluding donor funds (VT million)

	April forecast	April actual	Year to date
Revenue	1,994.4	2,546.5	10,572.7
Expenditure	1,787.9	1,698.2	7,813.0
Net operating balance (Revenue minus expenditure)	206.5	848.3	2,759.6
Net acquisition of Nonfinancial Assets	24.8	91.0	209.5
Net lending/borrowing (Net operating balance minus net acquisition of nonfinancial assets)	181.7	757.3	2,550.1

Government Revenue

During April, Government revenue was VT 2,546.5 million which is 27.7 per cent higher than forecast (VT 1,994.4 million). This is mainly due to greater income from land premiums, fishing licences and residency permits this month, as well as honorary citizenship program fees. Total Government receipts so far in 2019 are thus VT 10,572.7 million, which is 40.7 per cent of the budget target (VT 26,001.3 million) and is 3.4 per cent more than VT 10,229.7 million collected during the equivalent period last year.

VAT continues to be the main source of the Government's taxation revenue, recording VT 675.1 million in April, 1.8 per cent higher than forecast (VT 663.2 million). This makes a total of VT 2,834.0 million so far this year, which represents 32.4 per cent of the annual budget target (VT 8,738.8 million) and 3.5 per cent more than the amount that had been collected by this time last year (VT 2,737.1 million).

Taxes on international trade and transactions constituting import and export duties are the second main source of Government tax revenue, collecting VT 252.9 million in April, which is 14.5 per cent less than forecast (VT 295.9 million). The total amount collected so far this year is VT 1,025.9 million, which is 25.7 per cent of the budget target (VT 3,990.8 million) and 7.1 per cent less than VT 1,104.7 million collected during the equivalent period last year. Excise tax collection was VT 205.6 million in April, 8.6 per cent less than forecast (VT 224.9 million); the total for these four months is thus VT 817.8 million, which comprises 28.3 per cent of the budget target (VT 2,889.8 million).

Among other revenue constituting fees and charges, Vanuatu Development Support Program (VDSP) and Vanuatu Contribution Program (VCP) together collected VT 3,385.1 million by the end of April 2019. This is 75.1 per cent of the budget target of VT 4,504.6 million and is 4.8 per cent more than VT 3,229.3 million collected during the same period last year.

Government Expenses

Government expenditure was VT 1,698.2 million in April, which is 5.0 per cent less than forecast (VT 1,787.9 million). The majority of the underspending compared to forecast was due to permanent wages, road repairs and emergency

relief costing less than forecast. Government expenditure so far in 2019 totals VT 7,813.0 million, representing 32.4 per cent of the budget target (VT 24,138.9 million).

To date, Government expenditure is controlled and in line with the budget target. However, there are some major spending items which include:

- Responsibility allowance (VT 10.6 million against an annual budget of VT 0.1 million)
- On-call allowance (VT 7.4 million against zero budget)
- Leave expenses (VT 53.6 million against zero budget)
- International subsistence allowances (VT 2.8 million against an annual budget of VT 0.3 million)
- Other medical treatment (VT 0.2 million, against an annual budget of VT 0.02 million)
- Road plant hire (VT 5.6 million against zero budget)
- Vehicle hire (VT 12.2 million against an annual budget of VT 6.8 million)
- Airports cleaning (VT 10.7 million against zero budget)
- Hospital materials (VT 2.5 million against an annual budget of VT 0.7 million)
- Road material (VT 4.9 million against zero budget)
- Other suppliers (VT 56.2 million against an annual budget of VT 3.1 million)
- Termination payments (VT 433.3 million against an annual budget of VT 307.5 million)¹

Government Acquisition of Non-Financial Assets

The Government spent a net amount of VT 91.0 million on acquiring fixed assets during April, 266.9 per cent more than forecast (VT 24.8 million). This overspending is primarily due to investment in airport infrastructure and purchases of additional and replacement vehicles. So far in 2019, the Government has spent a net amount of VT 209.5 million on fixed assets, which is 31.4 per cent of the annual budget target (VT 666.5 million).

Government Acquisition of Financial Assets

In April, the Government paid off no external debt and no domestic debt. So far this year, the Government has paid off VT 213.5 million worth of external debt and no domestic debt.

Development Budget Highlights

During April, VT 629.0 million worth of grants were received from donors, making the grand total to date this year VT 2,304.4 million. This amount represents 32.4 per cent of the budget target (VT 7,122.7 million). Major donors so far this year include ADB (VT 580.7 million), the World Bank (VT 475.4 million) and Australia (VT 416.6 million). Other contributing donors are gratefully acknowledged.

To date this year, donor funding expenditure has totalled VT 1,308.7 million which is equivalent to 18.4 per cent of the budget target (VT 7,122.7 million).

¹ This account has been overspent compared to budget due to the termination payments for directors.

Key Terminology

- **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 equal to the net operating balance minus net acquisition of nonfinancial assets and is often referred to as the fiscal surplus/deficit. It indicates whether the Government is taking out resources from or giving resources 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 April 2019 was slightly higher than the budget target figure predicted through cash flow analysis of previous fiscal years (Figure 1). This is mainly due to greater income from land premiums, fishing licences and residency permits this month, as well as honorary citizenship program fees.

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

Figure 1

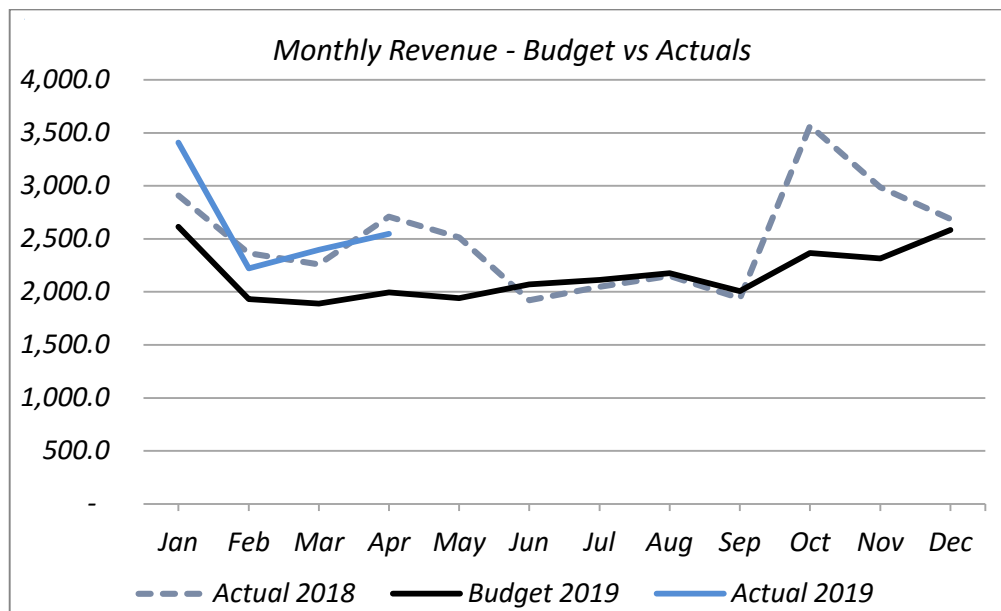
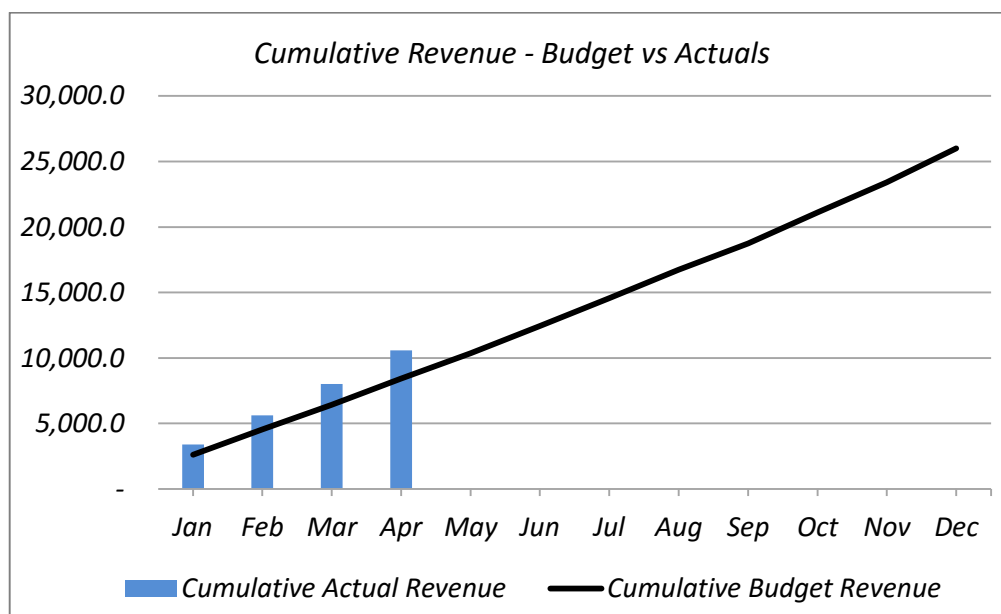


Figure 2



Annex 2: Expenditure Trend

Government Expenditure (excluding donor funds) for April 2019 was less than predicted through cash flow analysis of previous fiscal years, as shown by Figure 3. The majority of the underspending compared to forecast was due permanent wages, road repairs and emergency relief costing less than forecast.

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

Figure 3

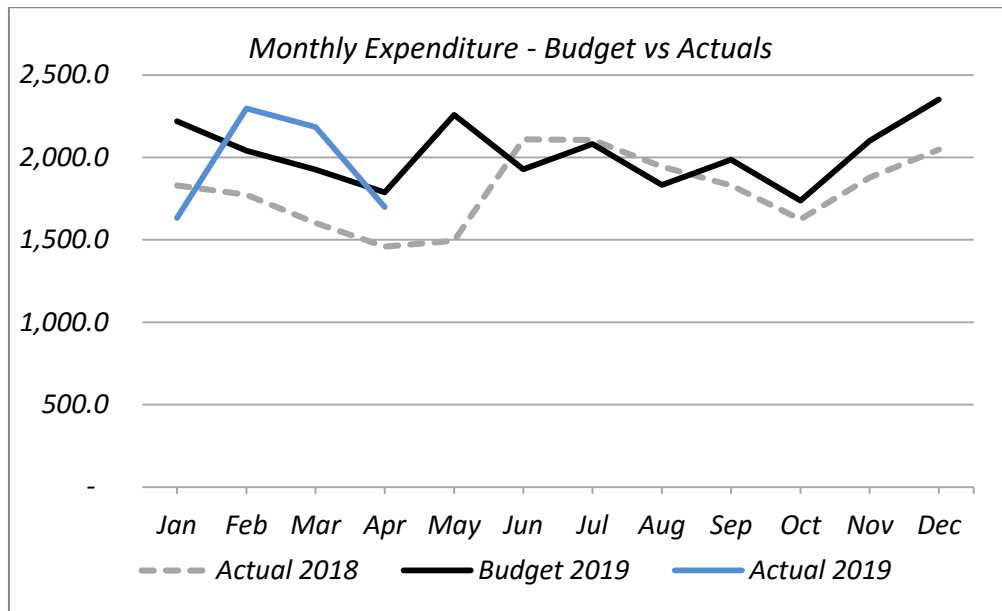
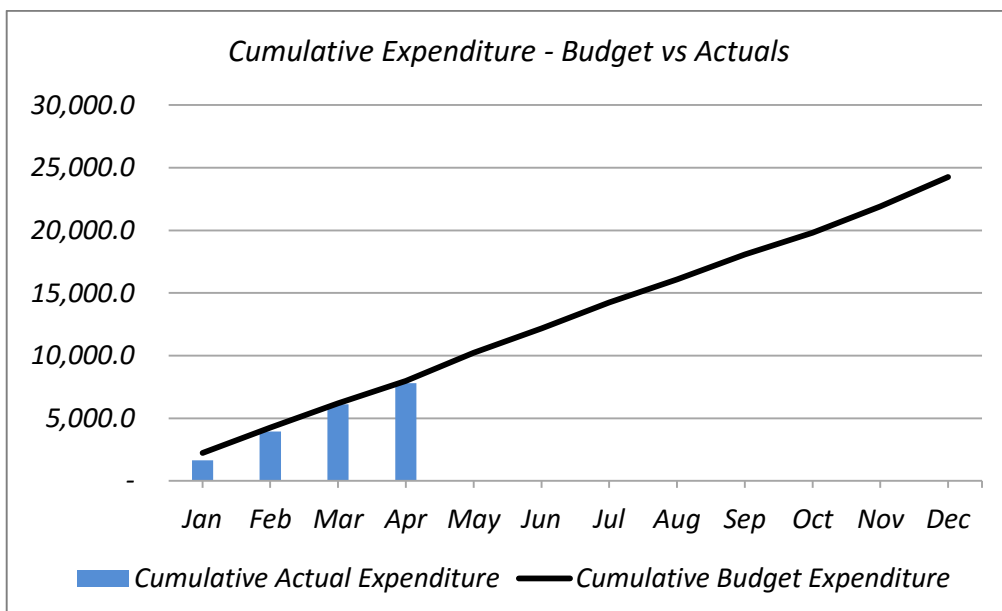


Figure 4



Annex 3: Statement Of Total Government Operations

STATEMENT OF TOTAL GOVERNMENT OPERATIONS

GFS Code	GFS Description	Budget 2019	Total (VT mn)	%	January	February	March	April
TRANSACTIONS AFFECTING NET WORTH:								
A1	Revenue	33,124.0	12,877.0	39%	4,062.5	2,609.1	3,030.0	3,175.5
A11	Taxes	19,188.6	6,365.4	33%	2,097.2	1,468.5	1,343.9	1,455.8
A111	Taxes on income, profits, and capital gains	-	-	0%	-	-	-	-
A112	Taxes on payroll & workforce	-	-	0%	-	-	-	-
A113	Taxes on property	714.4	190.1	27%	28.6	50.0	47.0	64.5
A114	Taxes on goods & services	14,483.5	5,149.4	36%	1,839.9	1,147.3	1,023.8	1,138.3
	of which							
	Value-Added Tax	8,738.8	2,834.0	32%	842.9	699.4	616.6	675.1
	Excise	2,889.8	817.8	28%	171.2	234.9	205.9	205.6
A115	Taxes on international trade & transactions	3,990.8	1,025.9	26%	228.8	271.2	273.0	252.9
A116	Other taxes	-	-	0%	-	-	-	-
A12	Social contributions	-	-	0%	-	-	-	-
A13	Grants	7,122.7	2,304.4	32%	655.9	387.5	632.1	629.0
A14	Other revenue	6,812.7	4,207.3	62%	1,309.4	753.1	1,054.0	1,090.8
A2	Expense	31,261.6	9,121.7	29%	2,187.6	2,540.4	2,396.1	1,997.6
A21	Compensation of employees	14,406.8	3,886.4	27%	881.4	982.1	1,030.3	992.6
A22	Use of goods and services	9,259.1	2,802.5	30%	906.3	495.9	707.3	693.0
A23	Consumption of fixed capital	-	-	0%	-	-	-	-
A24	Interest	749.7	288.7	39%	24.2	(0.0)	189.2	75.3
A25	Subsidies	187.8	-	0%	6.6	18.4	2.0	24.7
A26	Grants	4,223.5	947.2	22%	103.9	545.0	122.7	175.6
A27	Social benefits	808.8	437.6	54%	199.4	18.0	207.8	12.4
A28	Other expense	1,625.7	707.5	44%	65.8	481.0	136.8	23.9
GOB	Gross operating balance (1-2+23+NOBz)	1,862.4	3,755.3	202%	1,874.9	68.7	633.9	1,177.9
NOB	Net operating balance (1-2+NOBz)	1,862.4	3,755.3	202%	1,874.9	68.7	633.9	1,177.9
	% of GDP		3.4%		1.7%	0.1%	0.6%	1.1%
TRANSACTIONS IN NONFINANCIAL ASSETS:								
A31	Net Acquisition of Nonfinancial Assets	8,512.0	586.1	0.1	51.2	278.1	119.3	137.4
A311	Fixed assets	8,512.0	586.1	7%	51.2	278.1	119.3	137.4
A312	Change in inventories	-	-	0%	-	-	-	-
A313	Valuables	-	-	0%	-	-	-	-
A314	Nonproduced assets	-	-	0%	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(6,649.6)	3,169.2		1,823.7	(209.5)	514.5	1,040.5
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):								
A32	Net acquisition of financial assets	-	2,955.7	0%	1,816.1	(233.9)	333.1	1,040.5
A321	Domestic	-	2,955.7	0%	1,816.1	(233.9)	333.1	1,040.5
A322	Foreign	-	-	0%	-	-	-	-
A323	Monetary gold and SDRs	-	-	0%	-	-	-	-
A33	Net incurrence of liabilities	6,649.6	(213.5)	-3%	(7.6)	(24.4)	(181.5)	-
A331	Domestic	-	-	0%	-	-	-	-
A332	Foreign	6,649.6	(213.5)	-3%	(7.6)	(24.4)	(181.5)	-

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 2019	Total (VT mn)	%	January	February	March	April
TRANSACTIONS AFFECTING NET WORTH:								
A1	Revenue	7,122.7	2,304.4	32%	655.9	387.5	632.1	629.0
A11	Taxes	-	-	0%	-	-	-	-
A111	Taxes on income, profits, and capital gains	-	-	0%	-	-	-	-
A112	Taxes on payroll & workforce	-	-	0%	-	-	-	-
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	-	-	0%	-	-	-	-
A12	Social contributions	-	-	0%	-	-	-	-
A13	Grants	7,122.7	2,304.4	32%	655.9	387.5	632.1	629.0
A14	Other revenue	-	-	0%	-	-	-	-
A2	Expense	7,122.7	1,308.7	18%	554.4	243.1	211.9	299.3
A21	Compensation of employees	482.7	66.8	14%	12.0	14.7	22.6	17.5
A22	Use of goods and services	4,438.3	1,184.4	27%	542.4	173.7	188.0	280.3
A23	Consumption of fixed capital	-	-	0%	-	-	-	-
A24	Interest	13.3	-	0%	-	-	-	-
A25	Subsidies	-	-	0%	-	-	-	-
A26	Grants	1,652.2	55.1	3%	0.0	54.6	0.4	-
A27	Social benefits	490.7	2.4	0%	(0.0)	-	0.8	1.5
A28	Other expense	45.5	0.1	0%	-	0.1	-	-
GOB	Gross operating balance (1-2+23+NOBz)	-	995.7		101.5	144.3	420.2	329.6
NOB	Net operating balance (1-2+NOBz) ^{a/}	-	995.7		101.5	144.3	420.2	329.6
	% of GDP		0.9%		0.1%	0.1%	0.4%	0.3%
TRANSACTIONS IN NONFINANCIAL ASSETS:								
A31	Net Acquisition of Nonfinancial Assets	7,845.5	376.6	5%	16.8	227.9	85.5	46.4
A311	Fixed assets	7,845.5	376.6	5%	16.8	227.9	85.5	46.4
A312	Change in inventories	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(7,845.5)	619.1	-8%	84.8	(83.6)	334.7	283.2
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):								
A32	Net acquisition of financial assets	-	619.1		84.8	(83.6)	334.7	283.2
A321	Domestic	-	619.1		84.8	(83.6)	334.7	283.2
A322	Foreign	-	-		-	-	-	-
A323	Monetary gold and SDRs	-	-		-	-	-	-
A33	Net incurrence of liabilities	7,845.5	-	0%	-	-	-	-
A331	Domestic	-	-	0%	-	-	-	-
A332	Foreign	7,845.5	-	0%	-	-	-	-

Annex 5: Statement Of Government Operations Excluding Donors

STATEMENT OF GOVERNMENT OPERATIONS EXCLUDING DONORS

GFS Code	GFS Description	Budget 2019	Total (VT mn)	%	January	February	March	April
TRANSACTIONS AFFECTING NET WORTH:								
A1	Revenue	26,001.3	10,572.7	40.7%	3,406.6	2,221.6	2,397.9	2,546.5
A11	Taxes	19,188.6	6,365.4	33.2%	2,097.2	1,468.5	1,343.9	1,455.8
A111	Taxes on income, profits, and capital gains	-	-	0.0%	-	-	-	-
A112	Taxes on payroll & workforce	-	-	0.0%	-	-	-	-
A113	Taxes on property	714.4	190.1	26.6%	28.6	50.0	47.0	64.5
A114	Taxes on goods & services	14,483.5	5,149.4	35.6%	1,839.9	1,147.3	1,023.8	1,138.3
	of which							
	Value Added Tax	8,738.8	2,834.0	32.4%	842.9	699.4	616.6	675.1
	Excise	2,889.8	817.8	28.3%	171.2	234.9	205.9	205.6
A115	Taxes on international trade & transactions	3,990.8	1,025.9	25.7%	228.8	271.2	273.0	252.9
A116	Other taxes	-	-	0.0%	-	-	-	-
A12	Social contributions	-	-	0.0%	-	-	-	-
A13	Grants	-	-	0.0%	-	-	-	-
A14	Other revenue	6,812.7	4,207.3	61.8%	1,309.4	753.1	1,054.0	1,090.8
A2	Expense	24,138.9	7,813.0	32.4%	1,633.3	2,297.3	2,184.2	1,698.2
A21	Compensation of employees	13,924.1	3,819.6	27.4%	869.4	967.4	1,007.7	975.1
A22	Use of goods and services	4,820.8	1,618.2	33.6%	363.9	322.3	519.3	412.7
A23	Consumption of fixed capital	-	-	0.0%	-	-	-	-
A24	Interest	736.4	288.7	39.2%	24.2	(0.0)	189.2	75.3
A25	Subsidies	187.8	51.7	0.0%	6.6	18.4	2.0	24.7
A26	Grants	2,571.4	892.1	34.7%	103.9	490.3	122.3	175.6
A27	Social benefits	318.1	435.3	136.8%	199.4	18.0	207.0	10.9
A28	Other expense	1,580.2	707.4	44.8%	65.8	480.9	136.8	23.9
GOB	Gross operating balance (1-2+23+NOBz)	1,862.4	2,759.6		1,773.3	(75.7)	213.7	848.3
NOB	Net operating balance (1-2+NOBz)	1,862.4	2,759.6		1,773.3	(75.7)	213.7	848.3
	% of GDP	1.7%	2.5%		1.6%	-0.1%	0.2%	0.8%
TRANSACTIONS IN NONFINANCIAL ASSETS:								
A31	Net Acquisition of Nonfinancial Assets	666.5	209.5	31.4%	34.4	50.2	33.9	91.0
A311	Fixed assets	666.5	209.5	31.4%	34.4	50.2	33.9	91.0
A312	Change in inventories	-	-	0.0%	-	-	-	-
A313	Valuables	-	-	0.0%	-	-	-	-
A314	Nonproduced assets	-	-	0.0%	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	1,195.9	2,550.1		1,738.9	(125.9)	179.8	757.3
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):								
A32	Net acquisition of financial assets	(0.0)	2,336.6	0.0%	1,731.3	(150.3)	(1.6)	757.3
A321	Domestic	(0.0)	2,336.6	0.0%	1,731.3	(150.3)	(1.6)	757.3
A322	Foreign	-	-	0.0%	-	-	-	-
A323	Monetary gold and SDRs	-	-	0.0%	-	-	-	-
A33	Net incurrence of liabilities	(1,195.9)	(213.5)	17.9%	(7.6)	(24.4)	(181.5)	-
A331	Domestic	-	-	-	-	-	-	-
A332	Foreign	(1,195.9)	(213.5)	17.9%	(7.6)	(24.4)	(181.5)	-