

Treasury Monthly Budget Report – February 2019

Summary

In February, the total net operating balance for the Government, including donor funds, was a surplus of VT 69.1 million. The year-to-date total Government net operating balance recorded at the end of February 2019 was a surplus of VT 1,933.8 million which is equivalent to 1.8 per cent of GDP.

The net operating balance for Government operations, excluding donor funds, in February was a deficit of VT 75.2 million. To date, the total net operating balance for the Government operations excluding donor funds has recorded a surplus of VT 1,686.8 million which is equivalent to 1.5 per cent of GDP.

Government operations excluding donor funds (VT million)

	February forecast	February actual	Year to date
Revenue	1,931.2	2,221.6	5,617.0
Expenditure	1,911.9	2,296.7	3,930.2
Net operating balance (Revenue minus expenditure)	19.3	-75.2	1,686.8
Net acquisition of Nonfinancial Assets	38.3	50.2	84.3
Net lending/borrowing (Net operating balance minus net acquisition of nonfinancial assets)	-18.9	-125.4	1,602.6

Government Revenue

During February, Government revenue was VT 2,221.6 million which is 15.0 per cent higher than forecast (VT 1,931.2 million). This is mainly due to greater income from VAT, excise duties and fishing licences this month, as well as honorary citizenship program fees. Total Government receipts for the first two months of 2019 were VT 5,617.0 million, which is 21.6 per cent of the budget target (VT 26,001.3 million) and is 6.5 per cent more than VT 5,273.7 collected during the equivalent period last year.

VAT continues to be the main source of the Government's taxation revenue, recording VT 699.5 million in February, 11.7 per cent higher than forecast (VT 626.4 million). This makes a total of VT 1,542.4 million in these first two months of 2019, which represents 17.6 per cent of the annual budget target (VT 8,738.8 million) and 5.4 per cent more than what had been collected by this time last year (VT 1,462.7 million).

Taxes on international trade and transactions constituting import and export duties are the second main source of Government tax revenue, collecting VT 271.2 million in February, which is 2.6 per cent less than forecast (VT 278.5 million). The total amount collected so far this year is VT 500.0 million, which is 12.5 per cent of the budget target (VT 3,990.8 million) and 19.7 per cent less than VT 622.3 million collected during the equivalent period last year. Excise tax collection was VT 234.9 million in February, 4.2 per cent more than forecast (VT 225.5 million); the total for these two months is thus VT 406.2 million, which comprises 14.1 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 1,685.2 million by the end of February 2019. This is 37.4 per cent of the budget target of VT 4,504.6 million and is 27.4 per cent more than VT 1,323.1 million collected during the same period last year.

Government Expenses

Government expenditure was VT 2,296.7 million in February, which is 20.1 per cent more than forecast (VT 1,911.9 million). The majority of the overspending compared to forecast was related to operating grants and scholarships being paid in February rather than January. Government expenditure so far in 2019 totals VT 3,930.2 million, representing

16.3 per cent of the budget target (VT 24,138.9 million) and 4.7 per cent more than VT 3,752.5 million recorded during the same period last year

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

- Acting allowance (VT 24.1 million against zero budget)
- Responsibility allowance (VT 6.4 million against an annual budget of VT 0.1 million)
- Leave expenses (VT 28.4 million against zero budget)
- International subsistence allowances (VT 2.0 million against an annual budget of VT 0.3 million)
- Other medical treatment (VT 0.1 million, against an annual budget of VT 0.02 million)
- Vehicle hire (VT 10.4 million against an annual budget of VT 6.8 million)

Government Acquisition of Non-Financial Assets

During February, the Government spent a net amount of VT 50.2 million in acquiring fixed assets, 31.2 per cent more than forecast (VT 38.3 million). So far in 2019, the Government has spent a net amount of VT 84.3 million on fixed assets, which is 12.6 per cent of the annual budget target.

Government Acquisition of Financial Assets

In February, the Government paid off VT 24.4 million worth of external debt and no domestic debt. So far this year, the Government has paid off VT 32.1 million worth of external loans (all with ADB) and no domestic debt.

Development Budget Highlights

During February, VT 384.1 million worth of grants were received from donors, making the grand total to date this year VT 1,040.0 million. This amount represents 14.6 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 226.7 million) and Australia (VT 92.1 million). Other contributing donors are gratefully acknowledged.

To date this year, donor funding expenditure has totalled VT 793.0 million which is equivalent to 11.1 per cent of the budget target (VT 7,122.7 million).

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 February 2019 is 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 VAT, excise duties and fishing licences this month.

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

Figure 1

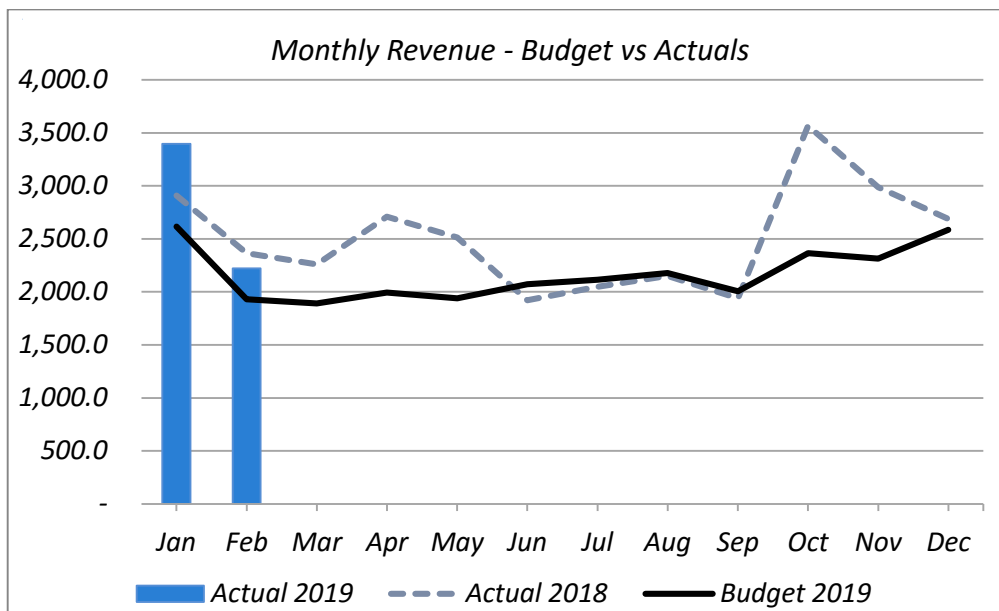
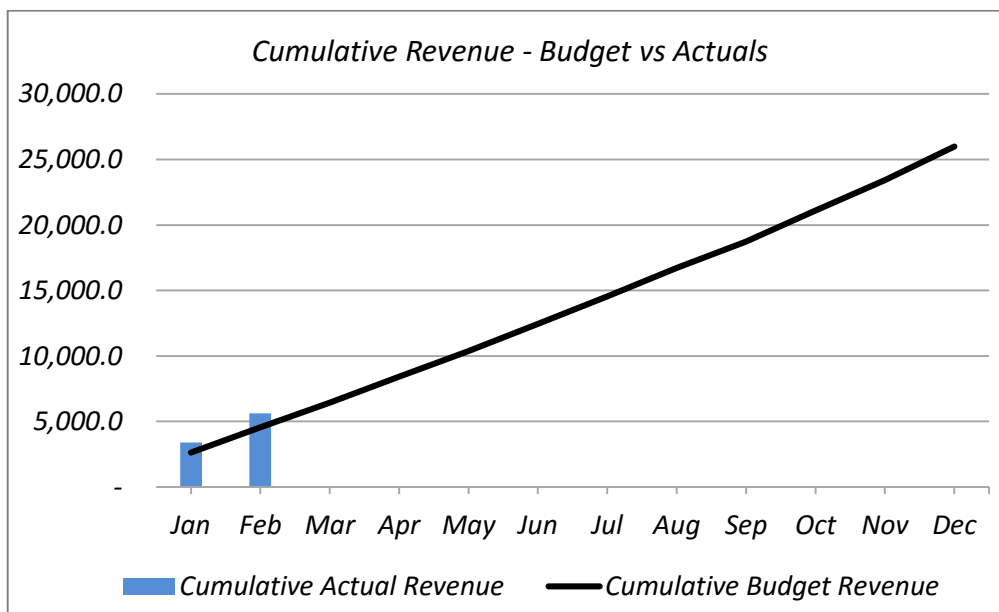


Figure 2



Annex 2: Expenditure Trend

Government Expenditure (excluding donor funds) for February 2019 is greater than predicted through cash flow analysis of previous fiscal years, as shown by Figure 3. The majority of the overspending compared to forecast was related to scholarships being paid in February rather than January.

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

Figure 3

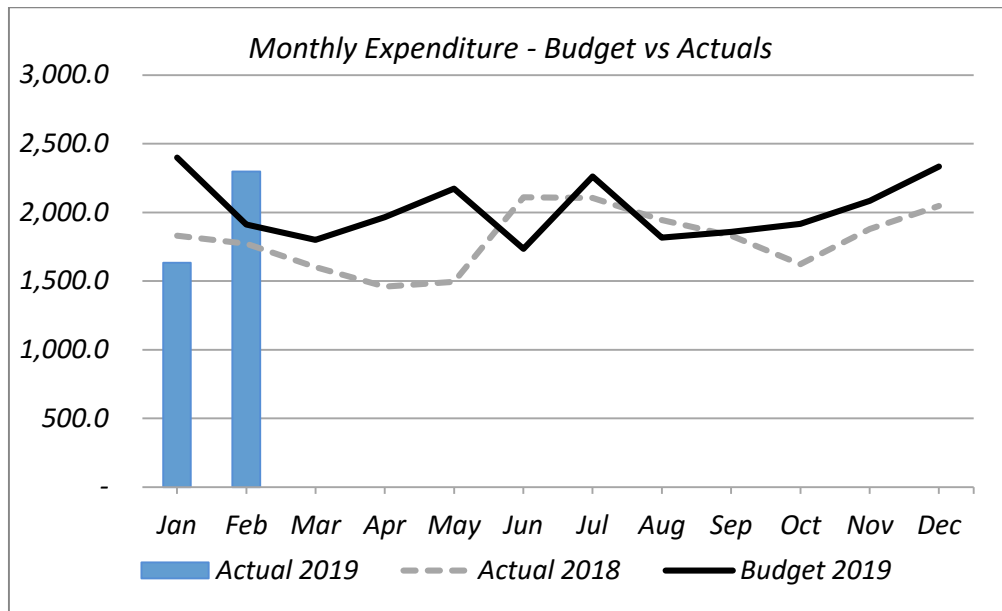
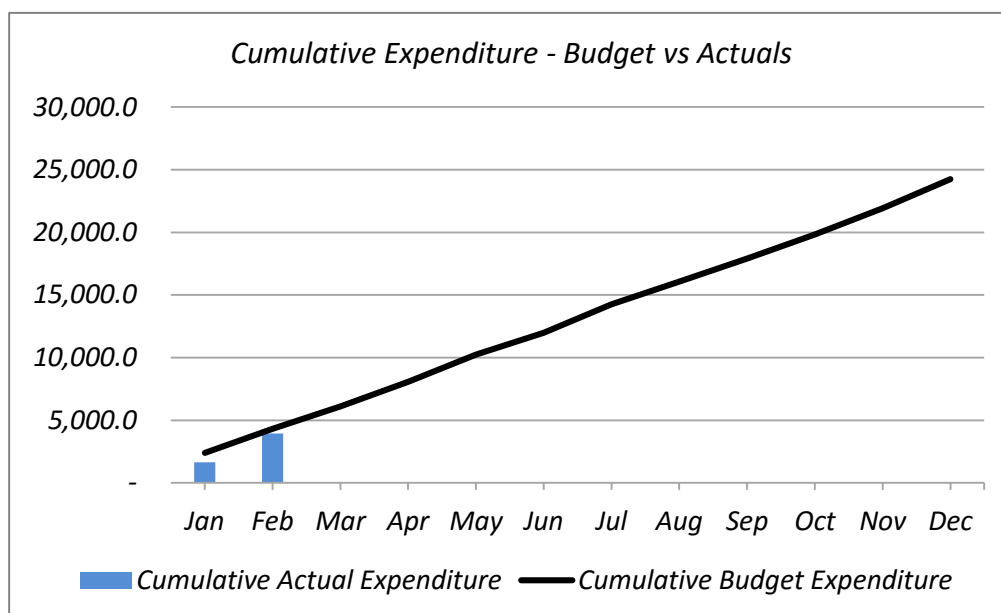


Figure 4



Annex 3: Statement Of Total Government Operations

STATEMENT OF TOTAL GOVERNMENT OPERATIONS

GFS Code	GFS Description	Budget 2019	Total (VT mn)	%	January	February
TRANSACTIONS AFFECTING NET WORTH:						
A1	Revenue	33,124.0	6,657.0	20%	4,051.4	2,605.7
A11	Taxes	19,188.6	3,559.0	19%	2,090.4	1,468.6
A111	Taxes on income, profits, and capital gains	-	-	0%	-	-
A112	Taxes on payroll & workforce	-	-	0%	-	-
A113	Taxes on property	714.4	78.5	11%	28.6	50.0
A114	Taxes on goods & services	14,483.5	2,980.5	21%	1,833.1	1,147.4
	of which					
	Value-Added Tax	8,738.8	1,542.4	18%	842.9	699.5
	Excise	2,889.8	406.2	14%	171.2	234.9
A115	Taxes on international trade & transactions	3,990.8	500.0	13%	228.8	271.2
A116	Other taxes	-	-	0%	-	-
A12	Social contributions	-	-	0%	-	-
A13	Grants	7,122.7	1,040.0	15%	655.9	384.1
A14	Other revenue	6,812.7	2,058.0	30%	1,305.0	753.0
A2	Expense	31,261.6	4,723.3	15%	2,186.7	2,536.6
A21	Compensation of employees	14,406.8	1,862.1	13%	880.0	982.1
A22	Use of goods and services	9,259.1	1,398.9	15%	906.8	492.1
A23	Consumption of fixed capital	-	-	0%	-	-
A24	Interest	749.7	24.2	3%	24.2	(0.0)
A25	Subsidies	187.8	-	0%	6.6	18.4
A26	Grants	4,223.5	648.9	15%	103.9	545.0
A27	Social benefits	808.8	217.4	27%	199.4	18.0
A28	Other expense	1,625.7	546.8	34%	65.8	481.0
GOB	Gross operating balance (1-2+23+NOBz)	1,862.4	1,933.8	104%	1,864.6	69.1
NOB	Net operating balance (1-2+NOBz)	1,862.4	1,933.8	104%	1,864.6	69.1
	% of GDP		1.8%		1.7%	0.1%
TRANSACTIONS IN NONFINANCIAL ASSETS:						
A31	Net Acquisition of Nonfinancial Assets	8,512.0	329.0	0.0	50.8	278.2
A311	Fixed assets	8,512.0	329.0	4%	50.8	278.2
A312	Change in inventories	-	-	0%	-	-
A313	Valuables	-	-	0%	-	-
A314	Nonproduced assets	-	-	0%	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(6,649.6)	1,604.8		1,813.8	(209.0)
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):						
A32	Net acquisition of financial assets	-	1,572.7	0%	1,806.2	(233.4)
A321	Domestic	-	1,572.7	0%	1,806.2	(233.4)
A322	Foreign	-	-	0%	-	-
A323	Monetary gold and SDRs	-	-	0%	-	-
A33	Net incurrence of liabilities	6,649.6	(32.1)	0%	(7.6)	(24.4)
A331	Domestic	-	-	0%	-	-
A332	Foreign	6,649.6	(32.1)	(0.0)	(7.6)	(24.4)

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 2019	Total (VT mn)	%	January	February
TRANSACTIONS AFFECTING NET WORTH:						
A1	Revenue	7,122.7	1,040.0	14.6%	655.9	384.1
A11	Taxes	-	-	0.0%	-	-
A111	Taxes on income, profits, and capital gains	-	-	0.0%	-	-
A112	Taxes on payroll & workforce	-	-	0.0%	-	-
A113	Taxes on property	-	-	0.0%	-	-
A114	Taxes on goods & services	-	-	0.0%	-	-
	of which					
	Value-Added Tax	-	-	0.0%	-	-
	Excise	-	-	0.0%	-	-
A115	Taxes on international trade & transactions	-	-	0.0%	-	-
A116	Other taxes	-	-	0.0%	-	-
A12	Social contributions	-	-	0.0%	-	-
A13	Grants	7,122.7	1,040.0	14.6%	655.9	384.1
A14	Other revenue	-	-	0.0%	-	-
A2	Expense	7,122.7	793.0	11.1%	553.2	239.8
A21	Compensation of employees	482.7	25.3	5.2%	10.6	14.7
A22	Use of goods and services	4,438.3	713.0	16.1%	542.7	170.3
A23	Consumption of fixed capital	-	-	0.0%	-	-
A24	Interest	13.3	-	0.0%	-	-
A25	Subsidies	-	-	0.0%	-	-
A26	Grants	1,652.2	54.7	3.3%	0.0	54.6
A27	Social benefits	490.7	(0.0)	0.0%	(0.0)	-
A28	Other expense	45.5	0.1	0.2%	-	0.1
GOB	Gross operating balance (1-2+23+NOBz)	-	246.9		102.7	144.3
NOB	Net operating balance (1-2+NOBz) ^{o/}	-	246.9		102.7	144.3
	% of GDP		0.2%		0.1%	0.1%
TRANSACTIONS IN NONFINANCIAL ASSETS:						
A31	Net Acquisition of Nonfinancial Assets	7,845.5	244.7	3.1%	16.8	227.9
A311	Fixed assets	7,845.5	244.7	3.1%	16.8	227.9
A312	Change in inventories	-	-	0.0%	-	-
A313	Valuables	-	-	0.0%	-	-
A314	Nonproduced assets	-	-	0.0%	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(7,845.5)	2.2	0.0%	85.9	(83.7)
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):						
A32	Net acquisition of financial assets	-	2.2		85.9	(83.7)
A321	Domestic	-	2.2		85.9	(83.7)
A322	Foreign	-	-		-	-
A323	Monetary gold and SDRs	-	-		-	-
A33	Net incurrence of liabilities	7,845.5	-	0.0%	-	-
A331	Domestic	-	-	0.0%	-	-
A332	Foreign	7,845.5	-	0.0%	-	-

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
TRANSACTIONS AFFECTING NET WORTH:						
A1	Revenue	26,001.3	5,617.0	21.6%	3,395.5	2,221.6
A11	Taxes	19,188.6	3,559.0	18.5%	2,090.4	1,468.6
A111	Taxes on income, profits, and capital gains	-	-	0.0%	-	-
A112	Taxes on payroll & workforce	-	-	0.0%	-	-
A113	Taxes on property	714.4	78.5	11.0%	28.6	50.0
A114	Taxes on goods & services	14,483.5	2,980.5	20.6%	1,833.1	1,147.4
of which	Value Added Tax	8,738.8	1,542.4	17.6%	842.9	699.5
	Excise Duty	2,889.8	406.2	14.1%	171.2	234.9
A115	Taxes on international trade & transactions	3,990.8	500.0	12.5%	228.8	271.2
A116	Other taxes	-	-	0.0%	-	-
A12	Social contributions	-	-	0.0%	-	-
A13	Grants	-	-	0.0%	-	-
A14	Other revenue	6,812.7	2,058.0	30.2%	1,305.0	753.0
A2	Expense	24,138.9	3,930.2	16.3%	1,633.5	2,296.7
A21	Compensation of employees	13,924.1	1,836.8	13.2%	869.4	967.4
A22	Use of goods and services	4,820.8	685.9	14.2%	364.2	321.7
A23	Consumption of fixed capital	-	-	0.0%	-	-
A24	Interest	736.4	24.2	3.3%	24.2	(0.0)
A25	Subsidies	187.8	25.0	0.0%	6.6	18.4
A26	Grants	2,571.4	594.2	23.1%	103.9	490.3
A27	Social benefits	318.1	217.4	68.4%	199.4	18.0
A28	Other expense	1,580.2	546.7	34.6%	65.8	480.9
GOB	Gross operating balance (1-2+23+NOBz)	1,862.4	1,686.8		1,762.0	(75.2)
NOB	Net operating balance (1-2+NOBz)	1,862.4	1,686.8		1,762.0	(75.2)
	% of GDP	1.7%	1.5%		1.6%	-0.1%
TRANSACTIONS IN NONFINANCIAL ASSETS:						
A31	Net Acquisition of Nonfinancial Assets	666.5	84.3	12.6%	34.0	50.2
A311	Fixed assets	666.5	84.3	12.6%	34.0	50.2
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	1,602.6		1,727.9	(125.4)
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):						
A32	Net acquisition of financial assets	(0.0)	1,570.5	0.0%	1,720.3	(149.8)
A321	Domestic	(0.0)	1,570.5	0.0%	1,720.3	(149.8)
A322	Foreign	-	-	0.0%	-	-
A323	Monetary gold and SDRs	-	-	0.0%	-	-
A33	Net incurrence of liabilities	(1,195.9)	(32.1)	2.7%	(7.6)	(24.4)
A331	Domestic	-	-		-	-
A332	Foreign	(1,195.9)	(32.1)	2.7%	(7.6)	(24.4)