

Treasury Monthly Budget Report – March 2019

Summary

In March, the total net operating balance for the Government, including donor funds, was a surplus of VT 633.9 million. The year-to-date total Government net operating balance recorded at the end of March 2019 was a surplus of VT 2,578.6 million which is equivalent to 2.3 per cent of GDP.

The net operating balance for Government operations, excluding donor funds, in March was a surplus of VT 213.7 million. To date this year the total net operating balance for the Government operations excluding donor funds has recorded a surplus of VT 1,911.4 million which is equivalent to 1.7 per cent of GDP.

Government operations excluding donor funds (VT million)

| | March forecast | March actual | Year to date |
|---|----------------|--------------|----------------|
| Revenue | 1,889.7 | 2,397.9 | 8,026.1 |
| Expenditure | 1,798.9 | 2,184.2 | 6,114.8 |
| Net operating balance (Revenue minus expenditure) | 90.8 | 213.7 | 1,911.4 |
| Net acquisition of Nonfinancial Assets | 41.9 | 33.9 | 118.5 |
| Net lending/borrowing (Net operating balance minus net acquisition of nonfinancial assets) | 48.9 | 179.8 | 1,792.9 |

Government Revenue

During March, Government revenue was VT 2,397.9 million which is 26.9 per cent higher than forecast (VT 1,889.7 million). This is mainly due to greater income from dividends, registration charge recoveries and residency permits this month, as well as honorary citizenship program fees. Total Government receipts so far in 2019 are thus VT 8,026.1 million, which is 30.9 per cent of the budget target (VT 26,001.3 million) and is 6.5 per cent more than VT 7,532.8 collected during the equivalent period last year.

VAT continues to be the main source of the Government's taxation revenue, recording VT 616.6 million in March, 10.1 per cent lower than forecast (VT 685.6 million). This makes a total of VT 2,158.9 million so far this year, which represents 24.7 per cent of the annual budget target (VT 8,738.8 million) and 5.3 per cent more than had been collected by this time last year (VT 2,050.9 million).

Taxes on international trade and transactions constituting import and export duties are the second main source of Government tax revenue, collecting VT 273.0 million in March, which is 4.0 per cent more than forecast (VT 262.6 million). The total amount collected so far this year is VT 773.0 million, which is 19.4 per cent of the budget target (VT 3,990.8 million) and 9.8 per cent less than VT 857.2 million collected during the equivalent period last year. Excise tax collection was VT 205.9 million in March, 18.1 per cent more than forecast (VT 174.3 million); the total for these three months is thus VT 612.1 million, which comprises 21.2 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 2,437.6 million by the end of March 2019. This is 54.1 per cent of the budget target of VT 4,504.6 million and is 15.6 per cent more than VT 2,109.1 million collected during the same period last year.

Government Expenses

Government expenditure was VT 2,184.2 million in March, which is 21.4 per cent more than forecast (VT 1,798.9 million). The majority of the overspending compared to forecast was related to termination payments for directors and

scholarship allowances being paid in March and February rather than January. Government expenditure so far in 2019 totals VT 6,114.8 million, representing 25.3 per cent of the budget target (VT 24,138.9 million).

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

- Acting allowance (VT 35.3 million against zero budget)
- Responsibility allowance (VT 7.4 million against an annual budget of VT 0.1 million)
- Leave expenses (VT 49.7 million against zero budget)
- International subsistence allowances (VT 2.3 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)
- Vehicle hire (VT 11.8 million against an annual budget of VT 6.8 million)
- Hospital materials (VT 2.3 million against an annual budget of VT 0.7 million)
- Other suppliers (VT 51.1 million against an annual budget of VT 3.1 million)
- Termination payments (VT 424.3 million against an annual budget of VT 307.5 million)

Government Acquisition of Non-Financial Assets

The Government spent a net amount of VT 33.9 million in acquiring fixed assets during March, 19.1 per cent less than forecast (VT 41.9 million). So far in 2019, the Government has spent a net amount of VT 118.5 million on fixed assets, which is 17.8 per cent of the annual budget target.

Government Acquisition of Financial Assets

In March, the Government paid off VT 181.5 million worth of 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 March, VT 632.1 million worth of grants were received from donors, making the grand total to date this year VT 1,675.4 million. This amount represents 23.5 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 245.2 million) and Australia (VT 194.9 million). Other contributing donors are gratefully acknowledged.

To date this year, donor funding expenditure has totalled VT 1,008.1 million which is equivalent to 14.2 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 March 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 dividends, registration charge recoveries 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

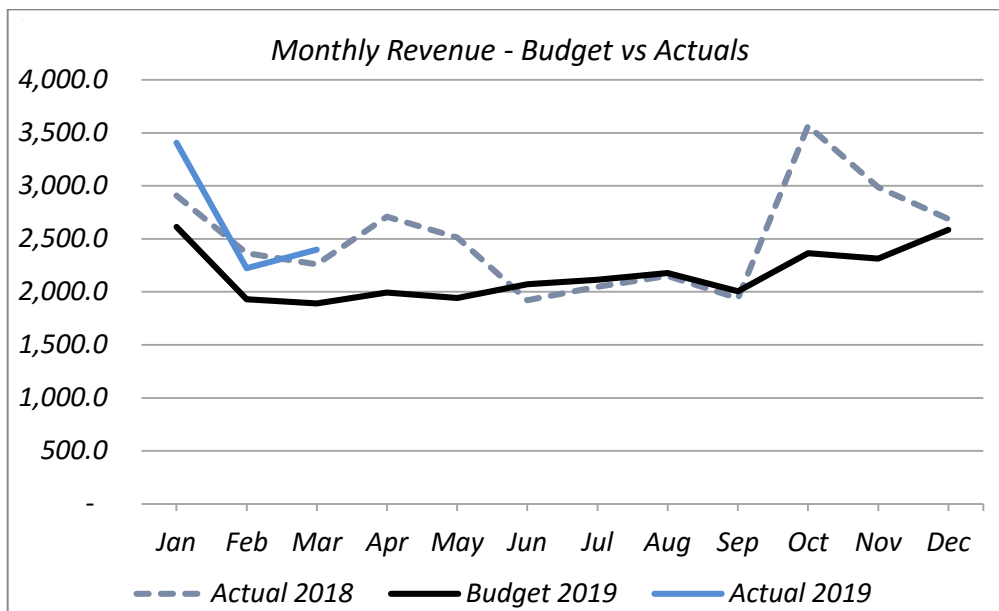
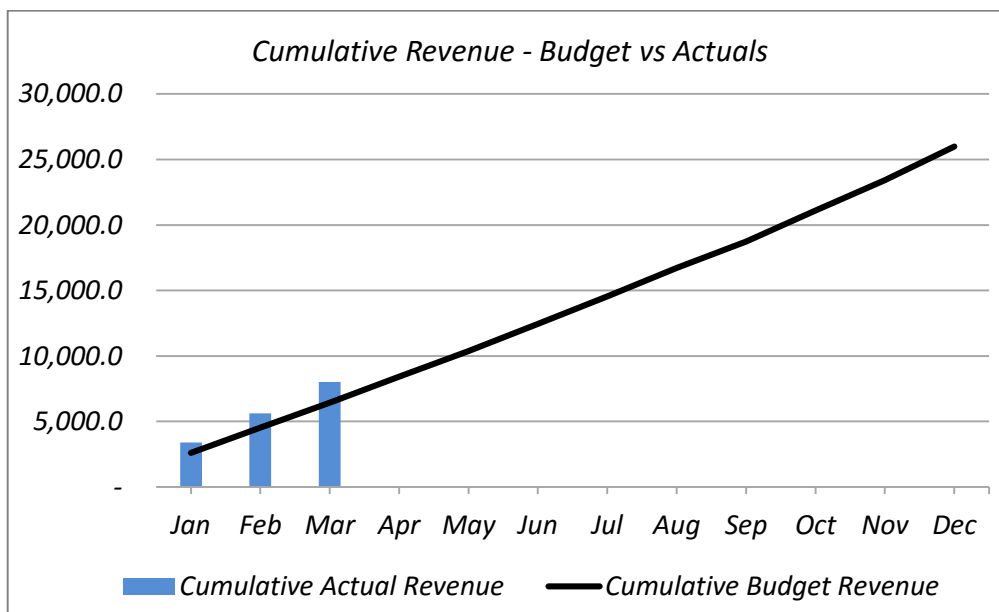


Figure 2



Annex 2: Expenditure Trend

Government Expenditure (excluding donor funds) for March 2019 was 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 termination payments being higher than forecast and scholarship allowances being paid in February and March rather than January.

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

Figure 3

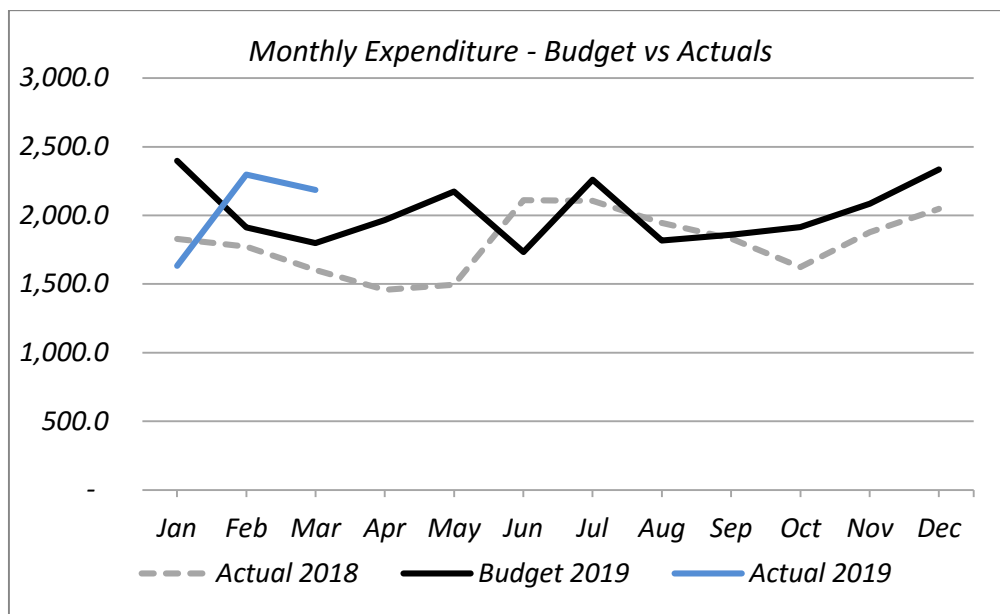
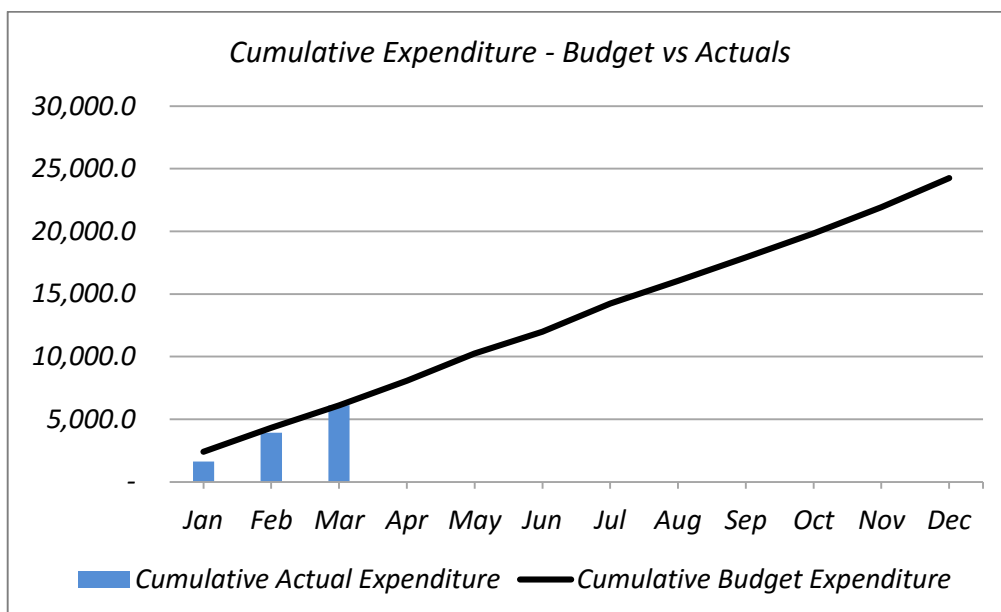


Figure 4



Annex 3: Statement Of Total Government Operations

STATEMENT OF TOTAL GOVERNMENT OPERATIONS

| GFS Code | GFS Description | Budget 2019 | Total (VT mn) | % | January | February | March |
|--|---|------------------|----------------|-------------|----------------|----------------|----------------|
| TRANSACTIONS AFFECTING NET WORTH: | | | | | | | |
| A1 | Revenue | 33,124.0 | 9,701.5 | 29% | 4,062.5 | 2,609.1 | 3,030.0 |
| A11 | Taxes | 19,188.6 | 4,909.6 | 26% | 2,097.2 | 1,468.5 | 1,343.9 |
| A111 | Taxes on income, profits, and capital gains | - | - | 0% | - | - | - |
| A112 | Taxes on payroll & workforce | - | - | 0% | - | - | - |
| A113 | Taxes on property | 714.4 | 125.6 | 18% | 28.6 | 50.0 | 47.0 |
| A114 | Taxes on goods & services | 14,483.5 | 4,011.1 | 28% | 1,839.9 | 1,147.3 | 1,023.8 |
| | of which | | | | | | |
| | Value-Added Tax | 8,738.8 | 2,158.9 | 25% | 842.9 | 699.4 | 616.6 |
| | Excise | 2,889.8 | 612.1 | 21% | 171.2 | 234.9 | 205.9 |
| A115 | Taxes on international trade & transactions | 3,990.8 | 773.0 | 19% | 228.8 | 271.2 | 273.0 |
| A116 | Other taxes | - | - | 0% | - | - | - |
| A12 | Social contributions | - | - | 0% | - | - | - |
| A13 | Grants | 7,122.7 | 1,675.4 | 24% | 655.9 | 387.5 | 632.1 |
| A14 | Other revenue | 6,812.7 | 3,116.5 | 46% | 1,309.4 | 753.1 | 1,054.0 |
| A2 | Expense | 31,261.6 | 7,122.9 | 23% | 2,187.6 | 2,539.2 | 2,396.1 |
| A21 | Compensation of employees | 14,406.8 | 2,893.8 | 20% | 881.4 | 982.1 | 1,030.3 |
| A22 | Use of goods and services | 9,259.1 | 2,108.3 | 23% | 906.3 | 494.7 | 707.3 |
| A23 | Consumption of fixed capital | - | - | 0% | - | - | - |
| A24 | Interest | 749.7 | 213.4 | 28% | 24.2 | (0.0) | 189.2 |
| A25 | Subsidies | 187.8 | - | 0% | 6.6 | 18.4 | 2.0 |
| A26 | Grants | 4,223.5 | 771.6 | 18% | 103.9 | 545.0 | 122.7 |
| A27 | Social benefits | 808.8 | 425.2 | 53% | 199.4 | 18.0 | 207.8 |
| A28 | Other expense | 1,625.7 | 683.6 | 42% | 65.8 | 481.0 | 136.8 |
| GOB | Gross operating balance (1-2+23+NOBz) | 1,862.4 | 2,578.6 | 138% | 1,874.9 | 69.9 | 633.9 |
| NOB | Net operating balance (1-2+NOBz) | 1,862.4 | 2,578.6 | 138% | 1,874.9 | 69.9 | 633.9 |
| | % of GDP | | 2.3% | | 1.7% | 0.1% | 0.6% |
| TRANSACTIONS IN NONFINANCIAL ASSETS: | | | | | | | |
| A31 | Net Acquisition of Nonfinancial Assets | 8,512.0 | 448.7 | 0.1 | 51.2 | 278.1 | 119.4 |
| A311 | Fixed assets | 8,512.0 | 448.7 | 5% | 51.2 | 278.1 | 119.4 |
| A312 | Change in inventories | - | - | 0% | - | - | - |
| A313 | Valuables | - | - | 0% | - | - | - |
| A314 | Nonproduced assets | - | - | 0% | - | - | - |
| NLB | Net lending / borrowing (1-2+NOBz-31) | (6,649.6) | 2,129.9 | | 1,823.7 | (208.3) | 514.5 |
| TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING): | | | | | | | |
| A32 | Net acquisition of financial assets | - | 1,916.4 | 0% | 1,816.1 | (232.7) | 333.1 |
| A321 | Domestic | - | 1,916.4 | 0% | 1,816.1 | (232.7) | 333.1 |
| 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) | (0.0) | (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 |
|--|---|------------------|----------------|--------------|--------------|---------------|--------------|
| TRANSACTIONS AFFECTING NET WORTH: | | | | | | | |
| A1 | Revenue | 7,122.7 | 1,675.4 | 24% | 655.9 | 387.5 | 632.1 |
| 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 | 1,675.4 | 23.5% | 655.9 | 387.5 | 632.1 |
| A14 | Other revenue | - | - | 0% | - | - | - |
| A2 | Expense | 7,122.7 | 1,008.1 | 14.2% | 554.4 | 241.9 | 211.9 |
| A21 | Compensation of employees | 482.7 | 49.3 | 10% | 12.0 | 14.7 | 22.6 |
| A22 | Use of goods and services | 4,438.3 | 902.9 | 20% | 542.4 | 172.4 | 188.0 |
| 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 | 0.8 | 0% | (0.0) | - | 0.8 |
| A28 | Other expense | 45.5 | 0.1 | 0% | - | 0.1 | - |
| GOB | Gross operating balance (1-2+23+NOBz) | - | 667.3 | | 101.5 | 145.6 | 420.2 |
| NOB | Net operating balance (1-2+NOBz) ^{a/} | - | 667.3 | | 101.5 | 145.6 | 420.2 |
| | % of GDP | | 0.6% | | 0.1% | 0.1% | 0.4% |
| TRANSACTIONS IN NONFINANCIAL ASSETS: | | | | | | | |
| A31 | Net Acquisition of Nonfinancial Assets | 7,845.5 | 330.2 | 4% | 16.8 | 227.9 | 85.5 |
| A311 | Fixed assets | 7,845.5 | 330.2 | 4% | 16.8 | 227.9 | 85.5 |
| A312 | Change in inventories | - | - | - | - | - | - |
| A313 | Valuables | - | - | - | - | - | - |
| A314 | Nonproduced assets | - | - | - | - | - | - |
| NLB | Net lending / borrowing (1-2+NOBz-31) | (7,845.5) | 337.1 | -4% | 84.8 | (82.4) | 334.7 |
| TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING): | | | | | | | |
| A32 | Net acquisition of financial assets | - | 337.1 | | 84.8 | (82.4) | 334.7 |
| A321 | Domestic | - | 337.1 | | 84.8 | (82.4) | 334.7 |
| 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 |
|------------|--|------------------|----------------|--------------|----------------|----------------|----------------|
| A1 | TRANSACTIONS AFFECTING NET WORTH: | | | | | | |
| A1 | Revenue | 26,001.3 | 8,026.1 | 30.9% | 3,406.6 | 2,221.6 | 2,397.9 |
| A11 | Taxes | 19,188.6 | 4,909.6 | 25.6% | 2,097.2 | 1,468.5 | 1,343.9 |
| A111 | Taxes on income, profits, and capital gains | - | - | 0.0% | - | - | - |
| A112 | Taxes on payroll & workforce | - | - | 0.0% | - | - | - |
| A113 | Taxes on property | 714.4 | 125.6 | 17.6% | 28.6 | 50.0 | 47.0 |
| A114 | Taxes on goods & services | 14,483.5 | 4,011.1 | 27.7% | 1,839.9 | 1,147.3 | 1,023.8 |
| | of which | | | | | | |
| | Value Added Tax | 8,738.8 | 2,158.9 | 24.7% | 842.9 | 699.4 | 616.6 |
| | Excise | 2,889.8 | 612.1 | 21.2% | 171.2 | 234.9 | 205.9 |
| A115 | Taxes on international trade & transactions | 3,990.8 | 773.0 | 19.4% | 228.8 | 271.2 | 273.0 |
| A116 | Other taxes | - | - | 0.0% | - | - | - |
| A12 | Social contributions | - | - | 0.0% | - | - | - |
| A13 | Grants | - | - | 0.0% | - | - | - |
| A14 | Other revenue | 6,812.7 | 3,116.5 | 45.7% | 1,309.4 | 753.1 | 1,054.0 |
| A2 | Expense | 24,138.9 | 6,114.8 | 25.3% | 1,633.3 | 2,297.3 | 2,184.2 |
| A21 | Compensation of employees | 13,924.1 | 2,844.5 | 20.4% | 869.4 | 967.4 | 1,007.7 |
| A22 | Use of goods and services | 4,820.8 | 1,205.4 | 25.0% | 363.9 | 322.3 | 519.2 |
| A23 | Consumption of fixed capital | - | - | 0.0% | - | - | - |
| A24 | Interest | 736.4 | 213.4 | 29.0% | 24.2 | (0.0) | 189.2 |
| A25 | Subsidies | 187.8 | 27.0 | 0.0% | 6.6 | 18.4 | 2.0 |
| A26 | Grants | 2,571.4 | 716.5 | 27.9% | 103.9 | 490.3 | 122.3 |
| A27 | Social benefits | 318.1 | 424.4 | 133.4% | 199.4 | 18.0 | 207.0 |
| A28 | Other expense | 1,580.2 | 683.5 | 43.3% | 65.8 | 480.9 | 136.8 |
| GOB | Gross operating balance (1-2+23+NOBz) | 1,862.4 | 1,911.4 | | 1,773.3 | (75.7) | 213.7 |
| NOB | Net operating balance (1-2+NOBz) | 1,862.4 | 1,911.4 | | 1,773.3 | (75.7) | 213.7 |
| | % of GDP | 1.7% | 1.7% | | 1.6% | -0.1% | 0.2% |
| A31 | TRANSACTIONS IN NONFINANCIAL ASSETS: | | | | | | |
| A31 | Net Acquisition of Nonfinancial Assets | 666.5 | 118.5 | 17.8% | 34.4 | 50.2 | 33.9 |
| A311 | Fixed assets | 666.5 | 118.5 | 17.8% | 34.4 | 50.2 | 33.9 |
| 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 | 1,792.9 | | 1,738.9 | (125.9) | 179.8 |
| A32 | TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING): | | | | | | |
| A32 | Net acquisition of financial assets | (0.0) | 1,579.4 | 0.0% | 1,731.3 | (150.3) | (1.6) |
| A321 | Domestic | (0.0) | 1,579.4 | 0.0% | 1,731.3 | (150.3) | (1.6) |
| 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) |