

Treasury Monthly Budget Report – April 2020

Summary

In April, the total net operating balance for the Government, including donor funds, was a surplus of VT 528.5 million. The year-to-date total net operating balance for the Government, including donor funds, recorded at the end of April was a surplus of VT 3,816.1 million which is equivalent to 3.5 per cent of GDP.

The net operating balance for Government operations excluding donor funds in April was a very small deficit of VT 4.1 million, which is much smaller than the forecast deficit of VT 73.5 million. At the end of April, the total net operating balance for the Government operations, excluding donor funds, was a surplus of VT 2,241.1 million, which is equivalent to 2.1 per cent of GDP.

Government operations excluding donor funds (VT million)

	April Forecast	April Actual	Year to date
<i>Revenue</i>	2,548.0	2,593.7	11,835.6
<i>Expenditure</i>	2,621.5	2,597.8	9,594.5
<i>Net operating balance</i> <i>(Revenue minus expense)</i>	-73.5	-4.1	2,241.1
<i>Net acquisition of</i> <i>Nonfinancial Assets</i>	72.6	72.1	226.6
<i>Net lending/borrowing</i> <i>(Net operating balance minus net acquisition of nonfinancial assets)</i>	-146.1	-76.2	2,014.6

Government Revenue

During April, Government revenue was VT 2,593.7 million which is 1.8 per cent higher than forecast (VT 2,548.0 million). This is mainly due to greater income from excise on motor spirit (petrol/diesel), excise on tobacco products, registration of offshore companies, company stamp duties, motor spirit import duties and revenue from publications this month, as well as revenue from the Honorary Citizenship Programs. Total Government receipts so far in 2020 come to VT 11,835.6 million, which comprises 36.2 per cent of the revised budget target (VT 32,651.7 million)¹ and is 14.4 per cent more than the VT 10,344.2 million collected during the equivalent period last year. The large increase since last year is due to higher revenue from land registration, the honorary citizenship programs and budget support received this year (the Government did not receive budget support in 2019).

VAT remains the main source of the Government's taxation revenue, recording VT 555.7 million in April, which is 24.7 per cent less than forecast (VT 737.7 million). This is primarily due to the damage that COVID-19 has done to the economy, leading to lower consumption, through both direct means (with the lack of tourists who normally contribute to VAT) and indirect means (with the on-flow effects of lower wages, higher unemployment and lower demand). However, revenue from VAT is expected to have been much lower without the implementation of the economic stimulus, increased consumption in the aftermath of TC Harold, commercial bank loans and VNPF loans. This makes a total collection of VT 2,708.6 million so far this year, which is 29.5 per cent of the revised annual budget target (VT 9,171.8 million)² and 4.4 per cent less than the amount collected in the first four months of 2019 (VT 2,834.2 million).

¹ Due to COVID-19, TC Harold and Tanna Ash Fall, DoFT has revised the annual 2020 budget to include budget support expected from development partners and revisions to expected revenue from individual taxes (such as VAT), fees (such as those from the Honorary Citizenship Programs) and charges.

² The budget for net VAT collections has been revised from VT 9,705.0 million to VT 9,171.8 million, which is the VAT expected to be received by the Government (VT 9,657.8 million) minus the VAT to be paid by the Government (VT 486.0 million). In the same

Taxes on international trade and transactions, constituting import and export duties, are the second largest source of Government tax revenue, collecting VT 205.7 million in April, which is 16.9 per cent less than forecast (VT 247.6 million). The total amount collected so far this year is VT 1,006.6 million, which is 29.5 per cent of the budget target (VT 3,409.8 million)³ and 30.6 per cent more than the VT 770.6 million that was collected during the equivalent period last year. Excise tax collection was VT 211.3 million in April, 9.0 per cent more than forecast (VT 193.9 million); the total for these four months is VT 897.6 million, which comprises 35.8 per cent of the budget target (VT 2,505.5 million) and is 9.8 per cent more than the VT 817.8 million that was collected by the end of April last year.

In this time of dual crises for Vanuatu, development partners have disbursed VT 225.8 million in budget support as a direct transfer to the Vanuatu Government's treasury account in April. This includes a transfer of VT 211.2 million from the New Zealand Government, VT 14.1 million from the Chinese Government, VT 0.3 million from the Melanesian Spearhead Group and VT 0.1 million from communities. Further budget support is expected from the 11th European Development Fund (EDF), the World Bank, the Australian Government, the Chinese Government, We Care for Humanity and community collections in the coming months, as reflected in the revised Government financing budget for revenue from grants, which is now VT 3,193.7 million. If development partners agree additional budget support in future months, then the budget and actuals figures will be updated. The Government continues to gratefully acknowledge the assistance of its development partners.

Among other revenue, constituting fees and charges, Vanuatu Development Support Program (VDSP) and Vanuatu Contribution Program (VCP) together collected VT 1,173.2 million in April, which is 47.9 per cent more than the forecast of VT 793.3 million. This makes a total of VT 4,772.5 million so far this year, which is 52.3 per cent of the revised budget target of VT 9,120.3 million and is 40.6 per cent more than the VT 3,393.3 million that was collected during the same period last year.

Government Expenses

Government expenses were VT 2,597.8 million in April, which is 0.9 per cent less than forecast (VT 2,621.5 million). The majority of the underspending compared to forecast this month was due to lower spending than expected on local accommodation, internet and satellite communications, general materials, research and development, food suppliers, medicine suppliers, food rations/relief supplies, operating grants, grants to provinces, emergency relief and Employment Stabilisation Payments, due to delays in commencement. Government expenses so far in 2020 total VT 9,594.5 million, representing 28.6 per cent of the revised budget target (VT 33,505.2 1 million)⁴ and 22.5 per cent more than the VT 7,833.2 million that was recorded during same period last year. The large increase compared to 2019 is due to the implementation of the rollover of unspent funds, standing appropriation for the COVID-19 and TC Harold State of Emergencies and the economic stimulus package.

To date, Government expenses are controlled and in line with the budget target. However, some accounts are already over budget; the major ones include:

- Acting allowances (VT 55.3 million against an annual budget of VT 24.6 million)
- Special allowances (VT 54.0 million against an annual budget of VT 8.5 million)
- Leave expenses (VT 12.3 million against zero annual budget)
- Councillors' constituency allowances (VT 125.0 million against an annual budget of VT 85.9 million)
- Goodwill allowances (VT 77.8 million against an annual budget of VT 27.5 million)

way, the actual net VAT collection so far this year of VT 2,708.6 million is the VAT received by the government (VT 2,961.0 million) minus the VAT paid by the government (VT 252.3 million).

³ The category of Taxes on international trade and transactions has been revised to include revenue from Asycuda import duties, which was categorised under 'Other revenue' before. The 2019 figures also include revenue from Asycuda, for better comparison.

⁴ The revised budget target includes some unspent funds from 2018 and 2019 that were rolled over to 2020, standing appropriation for the two States of Emergency and the economic stimulus (primarily the Employment Stabilisation Payments).

- NCB roads repairs and maintenance (VT 42.0 million against an annual budget of VT 4.7 million)
- Donations abroad (VT 10.0 million against an annual budget of VT 0.7 million)

Government Acquisition of Non-Financial Assets

The Government spent a net amount of VT 72.1 million on acquiring fixed assets during April, 0.7 per cent less than forecast (VT 72.6 million). So far in 2020, the Government has spent a net amount of VT 226.6 million on acquisitions of fixed assets, which is 5.8 per cent of the revised annual budget (VT 3,894.4 million)⁵ and is 8.0 per cent more than what was spent during the same period of 2019 (VT 209.7 million). The main reason for this underspending is Covid-19 and related border closures preventing major infrastructure work going ahead.

Government Transactions in Financial Assets and Liabilities

In April, the Government amortised VT 14.5 million worth of external loans and no domestic bonds. So far this year, the Government has amortised VT 1,933.9 million worth of external loans and no domestic debt. This is in line with the budget.

Development Budget Highlights⁶

During April, VT 686.5 million worth of project grants were received from donors, bringing the total to date this year to VT 2,547.2 million. This amount represents 27.5 per cent of the revised budget target (VT 9,272.5 million)⁷. Major contributing donors so far this year include the Asian Development Bank (VT 968.1 million), the World Bank (VT 573.2 million), Australia (VT 536.0 million) and New Zealand (VT 216.2 million). Other contributing donors are gratefully acknowledged.

To date this year, donor-funded expenses have totalled VT 972.2 million which is equivalent to 10.5 per cent of the revised budget target (VT 9,294.8 million).

⁵ See footnote 4.

⁶ DoFT is working on improving the collection of information regarding loan disbursements throughout the year, for inclusion in the monthly budget report.

⁷ The development financing revenue budget target has been revised to remove the Cat-DDO (which, as budget support, should be under Government financing) and the expenditure budget has been revised to include some unspent funds from 2018 and 2019 that were rolled over to 2020. This makes the budgeted expenditure greater than the revenue. Both revenue and expenditure budgets have been increased by the amounts of project grants promised by donors due to the States of Emergency; this supplementary budget will be appropriated by Parliament in November.

- **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 from development partners, **grants** are funds for donor-assisted projects provided by donors, held in the Government's central development fund account
- **General budget support** is a transfer from donors directly to the Vanuatu Government's national treasury account to finance the Government budget. Funds transferred as budget support are managed in accordance with the Government's normal budgeting and financial management process and there is relatively little specification as to expenditure purposes or priorities by 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. The Government of Vanuatu runs a fortnightly pay system.

Annex 1: Government Revenue Trend

Government revenue collected in April was slightly higher than the budget forecast figure predicted through cash flow analysis of previous fiscal years and policy changes (Figure 1). This is mainly due to greater income from excise on motor spirit (petrol/diesel), excise on tobacco products, registration of offshore companies, company stamp duties, motor spirit import duties and revenue from publications than forecast this month, as well as revenue from the Honorary Citizenship Programs.

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

Figure 1

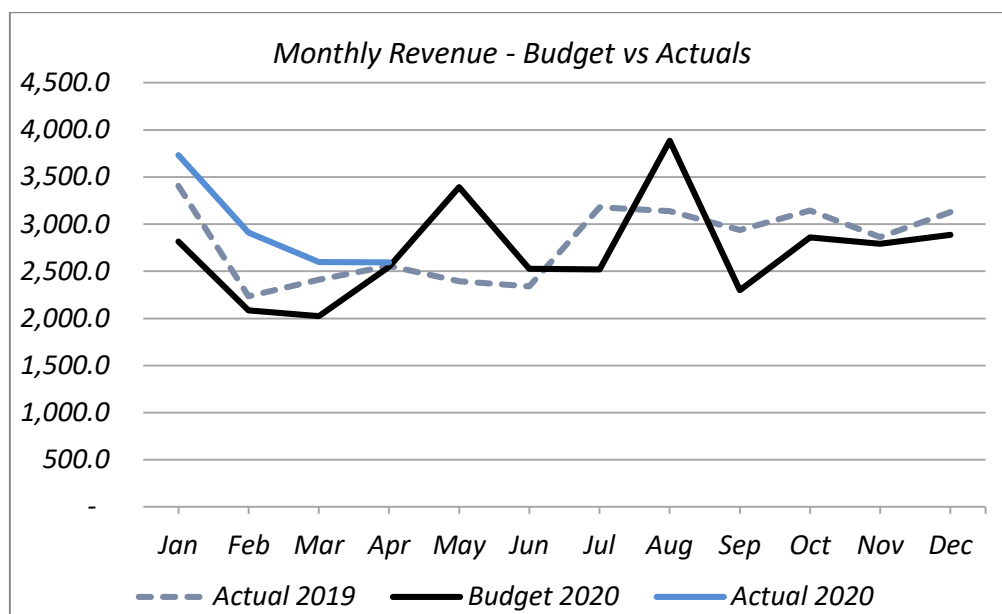
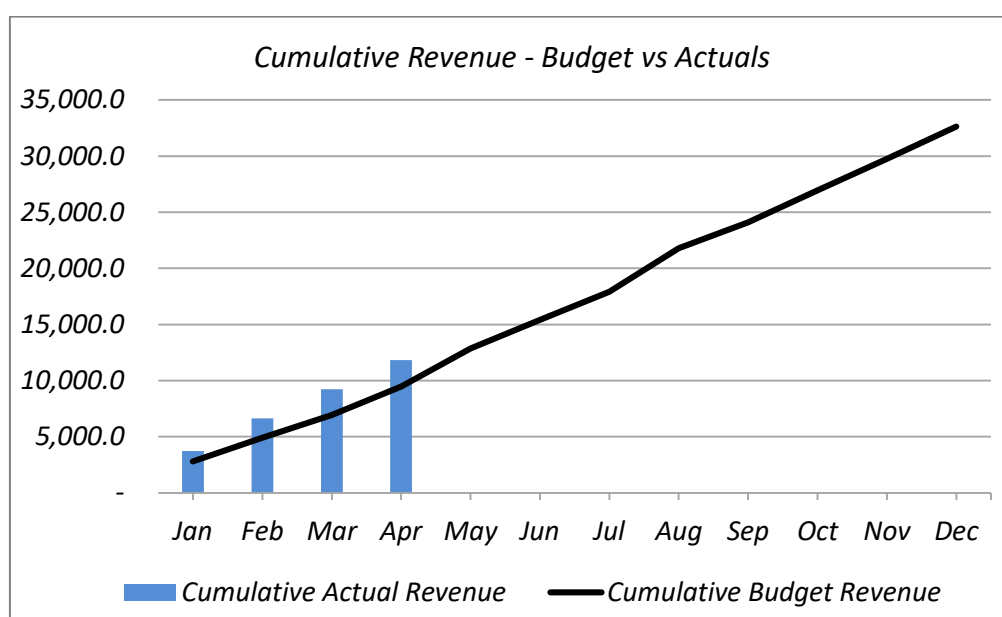


Figure 2



Annex 2: Expenditure Trend

Government Expenditure (excluding donor funds) for April was marginally lower than the budget forecast figure predicted through cash flow analysis of previous fiscal years and policy changes, as shown by Figure 3. The majority of the underspending compared to forecast this month was due to lower spending than expected on local accommodation, internet and satellite communications, general materials, research and development, food suppliers, medicine suppliers, food rations/relief supplies, operating grants, grants to provinces, emergency relief and Employment Stabilisation Payments, due to delays in commencement.

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

Figure 3

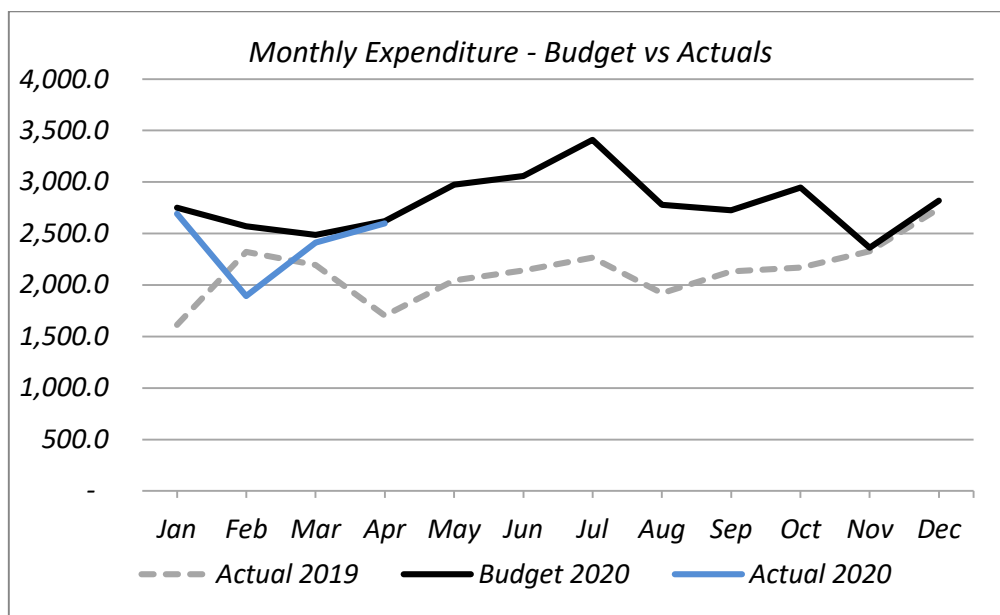
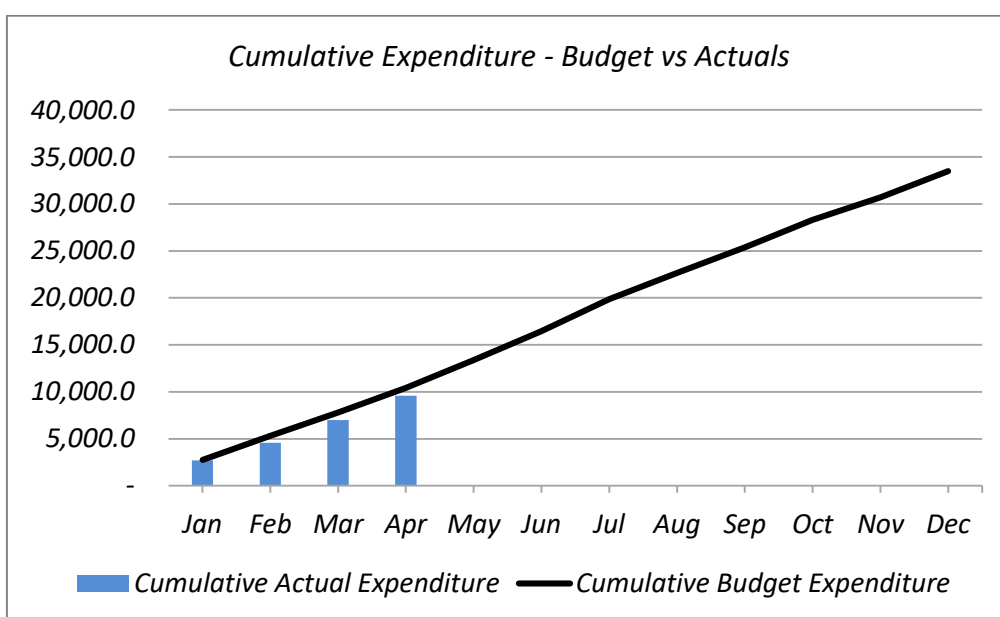


Figure 4



Annex 3: Statement Of Total Government Operations

STATEMENT OF TOTAL GOVERNMENT OPERATIONS								
GFS Code	GFS Description	Budget 2020	Total (VT mn)	%	January	February	March	April
TRANSACTIONS AFFECTING NET WORTH:								
A1	Revenue	41,924.2	14,382.8	34%	4,126.7	3,207.8	3,768.1	3,280.1
A11	Taxes	17,620.6	6,112.3	35%	2,224.6	1,525.8	1,237.0	1,125.0
A111	Taxes on income, profits, and capital gains	-	-	0%	-	-	-	-
A112	Taxes on payroll & workforce	-	-	0%	-	-	-	-
A113	Taxes on property	425.1	272.0	64%	98.9	115.5	26.4	31.2
A114	Taxes on goods & services	13,785.7	4,833.8	35%	1,829.1	1,168.2	948.4	888.1
	of which							
	Value-Added Tax	9,657.8	2,961.0	31%	962.8	675.5	696.4	626.2
	Value Added Tax Government Payments	(486.0)	(252.3)		(54.7)	(41.8)	(85.3)	(70.5)
	Excise	2,505.5	897.6	36%	273.4	195.4	217.5	211.3
A115	Taxes on international trade & transactions	3,409.8	1,006.6	30%	296.6	242.0	262.2	205.7
A116	Other taxes	-	-	0%	-	-	-	-
A12	Social contributions	-	-	0%	-	-	-	-
A13	Grants	12,466.2	2,773.0	22%	394.4	297.4	1,169.0	912.2
A14	Other revenue	11,837.4	5,497.5	46%	1,507.8	1,384.6	1,362.2	1,242.9
A2	Expense	42,800.0	10,566.7	25%	2,927.7	2,090.1	2,797.3	2,751.6
A21	Compensation of employees	16,111.4	5,167.9	32%	1,396.9	1,068.8	1,085.7	1,616.5
A22	Use of goods and services	15,717.8	2,617.7	17%	725.0	612.4	615.2	665.0
A23	Consumption of fixed capital	-	-	0%	-	-	-	-
A24	Interest	852.6	292.0	34%	23.2	0.0	182.2	86.6
A25	Subsidies	2,593.7	138.9	5%	15.1	30.5	29.2	64.2
A26	Grants	4,211.6	1,521.5	36%	714.0	166.7	492.6	148.3
A27	Social benefits	1,228.6	377.1	31%	15.0	152.1	183.3	26.7
A28	Other expense	2,084.4	451.6	22%	38.6	59.5	209.2	144.3
GOB	Gross operating balance (1-2+23+NOBz)	(875.8)	3,816.1	-436%	1,199.0	1,117.8	970.8	528.5
NOB	Net operating balance (1-2+NOBz)	(875.8)	3,816.1	-436%	1,199.0	1,117.8	970.8	528.5
	% of GDP		3.5%		1.1%	1.0%	0.9%	0.5%
TRANSACTIONS IN NONFINANCIAL ASSETS:								
A31	Net Acquisition of Nonfinancial Assets	11,918.8	1,864.9	0.2	215.0	137.9	1,166.8	345.2
A311	Fixed assets	11,918.8	1,864.9	16%	215.0	137.9	1,166.8	345.2
A312	Change in inventories	-	-	0%	-	-	-	-
A313	Valuables	-	-	0%	-	-	-	-
A314	Nonproduced assets	-	-	0%	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(12,794.6)	1,951.2		984.0	979.8	(196.0)	183.3
TRANSACTIONS IN FINANCIAL ASSETS & LIABILITIES								
A32	Net acquisition of financial assets	(12,438.0)	17.3	0%	984.0	979.8	(2,115.4)	168.9
A321	Domestic	(12,438.0)	17.3	0%	984.0	979.8	(2,115.4)	168.9
3211	Monetary gold and SDRs	-	-		-	-	-	-
3212	Currency and deposits	(12,438.0)	17.3		984.0	979.8	(2,115.4)	168.9
3213	Debt securities	-	-		-	-	-	-
3214	Loans	-	-		-	-	-	-
A322	Foreign	-	-	0%	-	-	-	-
A33	Net incurrence of liabilities	356.5	(1,933.9)	-542%	-	-	(1,919.4)	(14.5)
A331	Domestic	(1,427.4)	-	0%	-	-	-	-
A332	Foreign	1,783.9	(1,933.9)	-108%	-	-	(1,919.4)	(14.5)

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 2020	Total (VT mn)	%	January	February	March	April
TRANSACTIONS AFFECTING NET WORTH:								
A1	Revenue	9,272.5	2,547.2	27%	394.4	297.4	1,169.0	686.5
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%	-	-	-	-
	Value Added Tax Government Payments	-	-	-	-	-	-	-
	Excise	-	-	0%	-	-	-	-
A115	Taxes on international trade & transactions	-	-	0%	-	-	-	-
A116	Other taxes	-	-	0%	-	-	-	-
A12	Social contributions	-	-	0%	-	-	-	-
A13	Grants	9,272.5	2,547.2	27%	394.4	297.4	1,169.0	686.5
A14	Other revenue	-	-	0%	-	-	-	-
A2	Expense	9,294.8	972.2	10%	235.2	196.3	386.9	153.9
A21	Compensation of employees	536.5	64.5	12%	13.1	16.9	14.4	20.2
A22	Use of goods and services	6,397.8	860.1	13%	224.2	172.7	346.6	116.6
A23	Consumption of fixed capital	-	-	0%	-	-	-	-
A24	Interest	15.6	-	0%	-	-	-	-
A25	Subsidies	-	1.4	0%	0.7	-	0.7	-
A26	Grants	1,610.1	40.0	2%	(2.2)	-	25.2	17.1
A27	Social benefits	733.4	7.6	1%	0.9	6.7	-	-
A28	Other expense	1.3	(1.5)	-118%	(1.5)	-	-	-
GOB	Gross operating balance (1-2+23+NOBz)	(22.4)	1,575.0		159.2	101.1	782.0	532.6
NOB	Net operating balance (1-2+NOBz)	(22.4)	1,575.0		159.2	101.1	782.0	532.6
	% of GDP		1.4%		0.1%	0.1%	0.7%	0.5%
TRANSACTIONS IN NONFINANCIAL ASSETS:								
A31	Net Acquisition of Nonfinancial Assets	8,024.3	1,638.3	20%	148.5	99.1	1,117.5	273.1
A311	Fixed assets	8,024.3	1,638.3	20%	148.5	99.1	1,117.5	273.1
A312	Change in inventories	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(8,046.7)	(63.4)	1%	10.7	2.0	(335.5)	259.5
TRANSACTIONS IN FINANCIAL ASSETS & LIABILITIES								
A32	Net acquisition of financial assets	(3,084.5)	(63.4)		10.7	2.0	(335.5)	259.5
A321	Domestic	(3,084.5)	(63.4)		10.7	2.0	(335.5)	259.5
3211	Monetary gold and SDRs	-	-		-	-	-	-
3212	Currency and deposits	(3,084.5)	(63.4)		10.7	2.0	(335.5)	259.5
3213	Debt securities	-	-		-	-	-	-
3214	Loans	-	-		-	-	-	-
A322	Foreign	-	-		-	-	-	-
A33	Net incurrence of liabilities	4,962.2	-	0%	-	-	-	-
A331	Domestic	-	-	0%	-	-	-	-
A332	Foreign	4,962.2	-	0%	-	-	-	-

Annex 5: Statement Of Government Operations Excluding Donors

STATEMENT OF GOVERNMENT OPERATIONS EXCLUDING DONORS								
GFS Code	GFS Description	Budget 2020	Total (VT mn)	%	January	February	March	April
TRANSACTIONS AFFECTING NET WORTH:								
A1	Revenue	32,651.7	11,835.6	36.2%	3,732.3	2,910.4	2,599.2	2,593.7
A11	Taxes	17,620.6	6,112.3	34.7%	2,224.6	1,525.8	1,237.0	1,125.0
A111	Taxes on income, profits, and capital gains	-	-	0.0%	-	-	-	-
A112	Taxes on payroll & workforce	-	-	0.0%	-	-	-	-
A113	Taxes on property	425.1	272.0	64.0%	98.9	115.5	26.4	31.2
A114	Taxes on goods & services	13,785.7	4,833.8	35.1%	1,829.1	1,168.2	948.4	888.1
	of which							
	Value Added Tax	9,657.8	2,961.0	29.5%	962.8	675.5	696.4	626.2
	Value Added Tax Government Payments	(486.0)	(252.3)		(54.7)	(41.8)	(85.3)	(70.5)
	Excise	2,505.5	897.6	35.8%	273.4	195.4	217.5	211.3
A115	Taxes on international trade & transactions	3,409.8	1,006.6	29.5%	296.6	242.0	262.2	205.7
A116	Other taxes	-	-	0.0%	-	-	-	-
A12	Social contributions	-	-	0.0%	-	-	-	-
A13	Grants	3,193.7	225.8	0.0%	-	-	-	225.8
A14	Other revenue	11,837.4	5,497.5	46.4%	1,507.8	1,384.6	1,362.2	1,242.9
A2	Expense	33,505.2	9,594.5	28.6%	2,692.5	1,893.8	2,410.4	2,597.8
A21	Compensation of employees	15,574.8	5,103.3	32.8%	1,383.8	1,052.0	1,071.3	1,596.3
A22	Use of goods and services	9,320.0	1,757.6	18.9%	500.8	439.7	268.6	548.4
A23	Consumption of fixed capital	-	-	0.0%	-	-	-	-
A24	Interest	837.0	292.0	34.9%	23.2	0.0	182.2	86.6
A25	Subsidies	2,593.7	137.5	0.0%	14.4	30.5	28.4	64.2
A26	Grants	2,601.5	1,481.5	56.9%	716.2	166.7	467.4	131.2
A27	Social benefits	495.1	369.5	74.6%	14.1	145.4	183.3	26.7
A28	Other expense	2,083.1	453.1	21.7%	40.1	59.5	209.2	144.3
GOB	Gross operating balance (1-2+23+NOBz)	(853.4)	2,241.1		1,039.8	1,016.7	188.8	(4.1)
NOB	Net operating balance (1-2+NOBz)	(853.4)	2,241.1		1,039.8	1,016.7	188.8	(4.1)
	% of GDP	-0.8%	2.0%		0.9%	0.9%	0.2%	0.0%
TRANSACTIONS IN NONFINANCIAL ASSETS:								
A31	Net Acquisition of Nonfinancial Assets	3,894.4	226.6	5.8%	66.4	38.8	49.3	72.1
A311	Fixed assets	3,894.4	226.6	5.8%	66.4	38.8	49.3	72.1
A312	Change in inventories	-	-	0.0%	-	-	-	-
A313	Valuables	-	-	0.0%	-	-	-	-
A314	Nonproduced assets	-	-	0.0%	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(4,747.9)	2,014.6		973.4	977.9	139.5	(76.2)
TRANSACTIONS IN FINANCIAL ASSETS & LIABILITIES								
A32	Net acquisition of financial assets	(9,353.5)	80.7		973.4	977.9	(1,779.9)	(90.6)
A321	Domestic	(9,353.5)	80.7		973.4	977.9	(1,779.9)	(90.6)
3211	Monetary gold and SDRs	-	-		-	-	-	-
3212	Currency and deposits	(9,353.5)	80.7		973.4	977.9	(1,779.9)	(90.6)
3213	Debt securities	-	-		-	-	-	-
3214	Loans	-	-		-	-	-	-
A322	Foreign	-	-		-	-	-	-
A33	Net incurrence of liabilities	(4,605.7)	(1,933.9)	42.0%	-	-	(1,919.4)	(14.5)
A331	Domestic	(1,427.4)	-		-	-	-	-
A332	Foreign	(3,178.3)	(1,933.9)	60.8%	-	-	(1,919.4)	(14.5)