

# Treasury Monthly Budget Report – February 2020

## Summary

*In February, the total net operating balance for the Government, including donor funds, was a surplus of VT 925.7 million. The year-to-date total net operating balance for the Government, including donor funds, recorded at the end of February was a surplus of VT 2,112.4 million which is equivalent to 2.0 per cent of GDP.*

*The net operating balance for Government operations excluding donor funds in February was a surplus of VT 893.9 million. To date this year the total net operating balance for the Government operations, excluding donor funds, has recorded a surplus of VT 1,948.3 million which is equivalent to 1.8 per cent of GDP.*

### Government operations excluding donor funds (VT million)

	February forecast	February actual	Year to date
Revenue	2,296.3	2,801.2	6,485.2
Expenditure	2,432.6	1,907.3	4,536.9
<b>Net operating balance</b> (Revenue minus expense)	<b>-136.3</b>	<b>893.9</b>	<b>1,948.3</b>
Net acquisition of Nonfinancial Assets	413.2	38.8	105.3
<b>Net lending/borrowing</b> (Net operating balance minus net acquisition of nonfinancial assets)	<b>-549.5</b>	<b>855.1</b>	<b>1,843.0</b>

## Government Revenue

*During February, Government revenue was VT 2,801.2 million which is 22.0 per cent higher than forecast (VT 2,296.3 million). This is mainly due to greater income from land registration, land premiums and turnover tax this month, as well as honorary citizenship program fees. Total Government receipts so far in 2020 are thus VT 6,485.2 million, which is 20.9 per cent of the budget target (VT 31,006.3 million) and is 15.0 per cent more than the VT 5,637.9 million that was collected during the equivalent period last year.*

*VAT continues to be the main source of the Government's taxation revenue, recording VT 569.5 million in February, which is 29.7 per cent less than forecast (VT 810.5 million). This makes a total of VT 1,431.7 million so far this year, which represents 14.8 per cent of the annual budget target (VT 9,705.0 million) and 7.2 per cent less than the amount that had been collected by this time last year (VT 1,542.3 million).*

*Taxes on international trade and transactions, constituting import and export duties, are the second main source of Government tax revenue, collecting VT 240.3 million in February, which is 10.3 per cent less than forecast (VT 267.8 million). The total amount collected so far this year is VT 535.3 million, which is 14.0 per cent of the budget target (VT 3,834.7 million) and 7.1 per cent more than the VT 500.0 million that was collected during the equivalent period last year. Excise tax collection was VT 195.4 million in February, 14.3 per cent less than forecast (VT 228.1 million); the total for these two months is thus VT 468.8 million, which comprises 16.2 per cent of the budget target (VT 2,897.0 million) and is 15.4 per cent more than the VT 406.2 million that was collected by the end of February last year.*

*Among other revenue, constituting fees and charges, Vanuatu Development Support Program (VDSP) and Vanuatu Contribution Program (VCP) together collected VT 1,138.6 million in February, which is 223.8 per cent more than the forecast of VT 351.7 million. This makes a total of VT 2,375.1 million so far this year, which is 31.1 per cent of the budget target of VT 7,637.4 million and is 40.6 per cent more than the VT 1,688.7 million that was collected during the same period last year.*

## **Government Expenses**

Government expenses were VT 1,907.3 million in February, which is 21.6 per cent less than forecast (VT 2,432.6 million). The majority of the underspending compared to forecast this month was due to permanent wages, operating grants, scholarship allowances and fee supplement grants. Government expenses so far in 2020 come to VT 4,536.9 million, representing 16.3 per cent of the budget target (VT 27,843.1 million) and 15.3 per cent more than the VT 3,936.3 million that was recorded during same period last year.

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

- Special allowances (VT 22.2 million against an annual budget of VT 8.5 million)
- Government contributions (VT 24.0 million against an annual budget of VT 6.0 million)
- NCB Roads Repairs and Maintenance (VT 28.5 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 38.8 million on acquiring fixed assets during February, 90.6 per cent less than forecast (VT 413.2 million). So far in 2020, the Government has spent a net amount of VT 105.3 million on acquisitions of fixed assets, which is 3.2 per cent of the annual budget target (VT 3,274.4 million).

## **Government Transactions in Financial Assets and Liabilities**

In February, the Government paid off no external debt and no domestic bonds. So far this year, the Government has paid off no external debt and no domestic debt. This is in line with the budget.

## **Development Budget Highlights<sup>1</sup>**

During February, VT 226.4 million worth of grants were received from donors, bringing the grand total to date this year to VT 542.7 million. This amount represents 6.3 per cent of the budget target (VT 8,580.1 million). Major contributing donors so far this year include Australia (VT 287.5 million), the World Bank (VT 216.9 million), ADB (VT 23.0 million), UNICEF (VT 9.0 million) and New Zealand (VT 3.1 million). Other contributing donors are gratefully acknowledged.

To date this year, donor funding expenses have totalled VT 378.6 million which is equivalent to 4.4 per cent of the budget target (VT 8,580.1 million).

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<sup>1</sup> DoFT is working on improving the collection of information regarding loan disbursements throughout the year, for inclusion in the monthly budget report.

- **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. The Government of Vanuatu runs a fortnightly pay system.

## Annex 1: Government Revenue Trend

Government revenue collected in February was higher than the budget forecast figure predicted through cash flow analysis of previous fiscal years (Figure 1). This is mainly due to greater income from land registration, land premiums and turnover tax 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

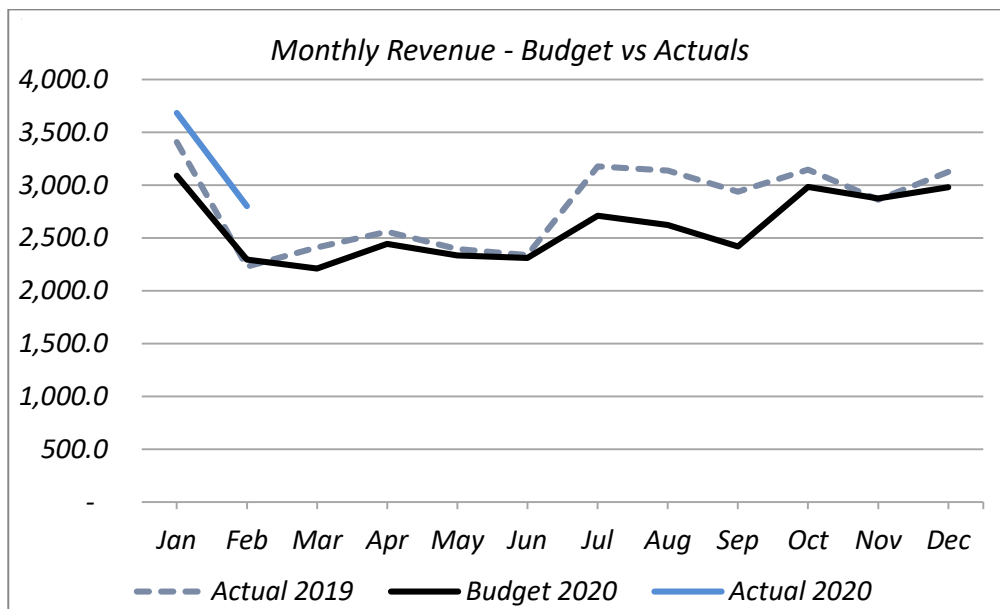
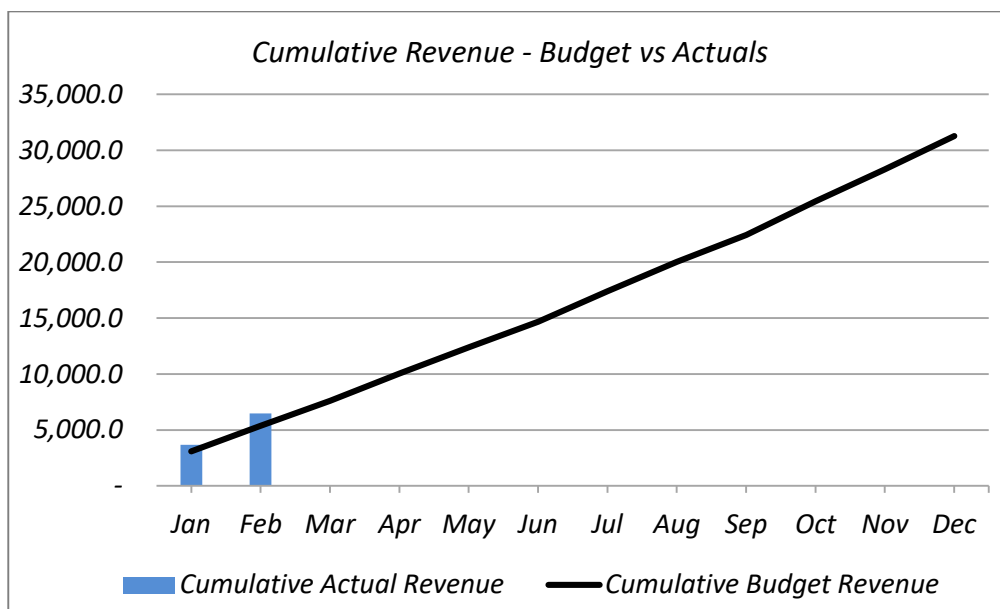


Figure 2

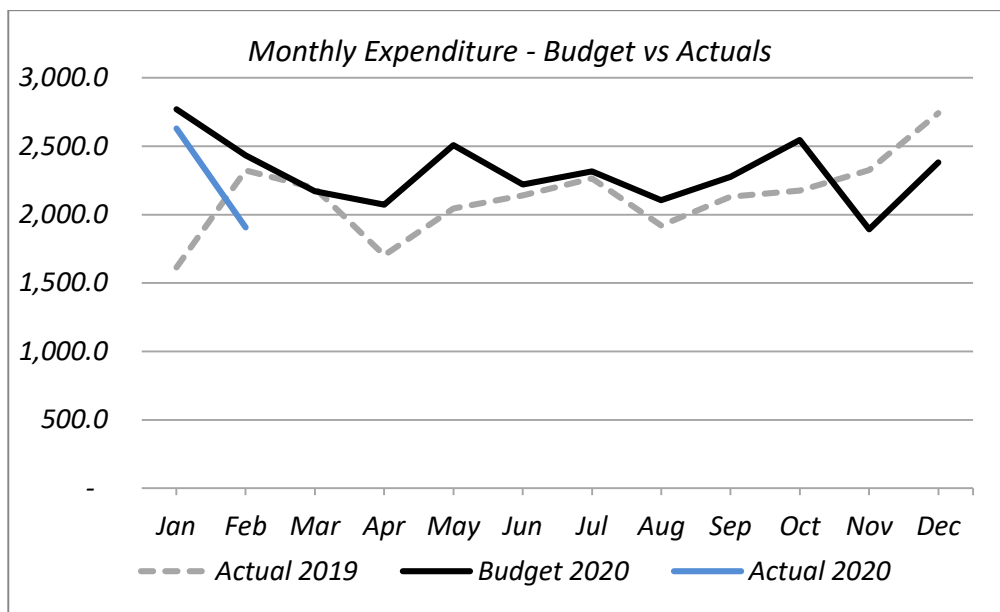


## Annex 2: Expenditure Trend

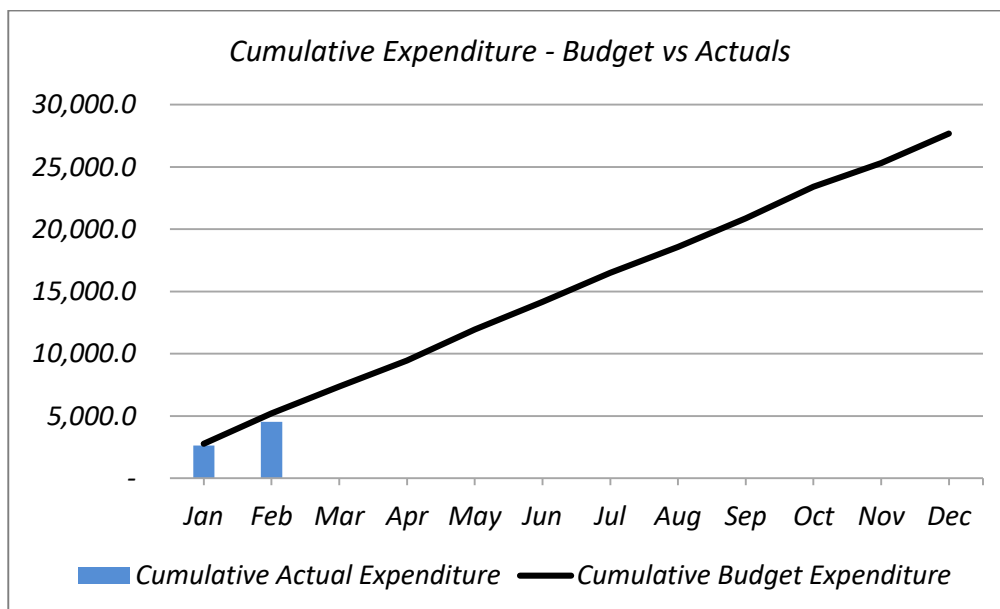
Government Expenditure (excluding donor funds) for February was lower than the budget forecast figure predicted through cash flow analysis of previous fiscal years, as shown by Figure 3. The majority of the underspending compared to forecast this month was due to permanent wages, operating grants, scholarship allowances and fee supplement grants.

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
<b>TRANSACTIONS AFFECTING NET WORTH:</b>						
<b>A1</b>	<b>Revenue</b>	<b>39,586.4</b>	<b>7,027.9</b>	<b>18%</b>	<b>4,000.3</b>	<b>3,027.6</b>
A11	Taxes	19,973.2	3,636.9	18%	2,177.1	1,459.8
A111	Taxes on income, profits, and capital gains	-	-	0%	-	-
A112	Taxes on payroll & workforce	-	-	0%	-	-
A113	Taxes on property	501.0	214.4	43%	98.9	115.5
A114	Taxes on goods & services	15,637.4	2,887.1	18%	1,783.2	1,104.0
	of which					
	Value-Added Tax	9,705.0	1,431.7	15%	862.2	569.5
	Excise	2,897.0	468.8	16%	273.4	195.4
A115	Taxes on international trade & transactions	3,834.7	535.3	14%	295.0	240.3
A116	Other taxes	-	-	0%	-	-
A12	Social contributions	-	-	0%	-	-
A13	Grants	9,069.1	542.7	6%	316.3	226.4
A14	Other revenue	10,544.1	2,848.3	27%	1,506.9	1,341.4
<b>A2</b>	<b>Expense</b>	<b>36,423.2</b>	<b>4,915.5</b>	<b>13%</b>	<b>2,813.5</b>	<b>2,102.0</b>
A21	Compensation of employees	16,193.7	2,465.4	15%	1,396.9	1,068.5
A22	Use of goods and services	11,700.4	1,219.6	10%	594.9	624.7
A23	Consumption of fixed capital	-	-	0%	-	-
A24	Interest	854.6	23.2	3%	23.2	0.0
A25	Subsidies	197.8	-	0%	14.4	30.5
A26	Grants	4,442.9	895.8	20%	729.1	166.7
A27	Social benefits	1,343.5	167.1	12%	15.0	152.1
A28	Other expense	1,690.4	99.6	6%	40.1	59.5
<b>GOB</b>	<b>Gross operating balance (1-2+23+NOBz)</b>	<b>3,163.2</b>	<b>2,112.4</b>	<b>67%</b>	<b>1,186.7</b>	<b>925.7</b>
<b>NOB</b>	<b>Net operating balance (1-2+NOBz)</b>	<b>3,163.2</b>	<b>2,112.4</b>	<b>67%</b>	<b>1,186.7</b>	<b>925.7</b>
	% of GDP		1.9%		1.1%	0.8%
<b>TRANSACTIONS IN NONFINANCIAL ASSETS:</b>						
<b>A31</b>	<b>Net Acquisition of Nonfinancial Assets</b>	<b>8,236.6</b>	<b>333.6</b>	<b>4%</b>	<b>200.8</b>	<b>132.8</b>
A311	Fixed assets	8,236.6	333.6	4%	200.8	132.8
A312	Change in inventories	-	-	0%	-	-
A313	Valuables	-	-	0%	-	-
A314	Nonproduced assets	-	-	0%	-	-
<b>NLB</b>	<b>Net lending / borrowing (1-2+NOBz-31)</b>	<b>(5,073.3)</b>	<b>1,778.8</b>		<b>985.9</b>	<b>792.9</b>
<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):</b>						
<b>A32</b>	<b>Net acquisition of financial assets</b>	<b>(4,716.8)</b>	<b>1,778.8</b>	<b>0%</b>	<b>985.9</b>	<b>792.9</b>
A321	Domestic	(4,716.8)	1,778.8	0%	985.9	792.9
3211	Monetary gold and SDRs	-	-	-	-	-
3212	Currency and deposits	(4,716.8)	1,778.8	-	985.9	792.9
3213	Debt securities	-	-	-	-	-
3214	Loans	-	-	-	-	-
A322	Foreign	-	-	0%	-	-
<b>A33</b>	<b>Net incurrence of liabilities</b>	<b>356.5</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>-</b>
A331	Domestic	(1,427.4)	-	0%	-	-
A332	Foreign	1,783.9	-	0%	-	-

## 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
<b>TRANSACTIONS AFFECTING NET WORTH:</b>						
<b>A1</b>	<b>Revenue</b>	<b>8,580.1</b>	<b>542.7</b>	<b>6%</b>	<b>316.3</b>	<b>226.4</b>
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	8,580.1	542.7	6%	316.3	226.4
A14	Other revenue	-	-	0%	-	-
<b>A2</b>	<b>Expense</b>	<b>8,580.1</b>	<b>378.6</b>	<b>4%</b>	<b>184.0</b>	<b>194.7</b>
A21	Compensation of employees	619.4	29.6	5%	13.1	16.6
A22	Use of goods and services	5,246.0	343.6	7%	172.2	171.4
A23	Consumption of fixed capital	-	-	0%	-	-
A24	Interest	17.6	-	0%	-	-
A25	Subsidies	-	-	0%	-	-
A26	Grants	1,841.4	(2.2)	0%	(2.2)	-
A27	Social benefits	848.4	7.6	1%	0.9	6.7
A28	Other expense	7.3	-	0%	-	-
<b>GOB</b>	<b>Gross operating balance (1-2+23+NOBz)</b>	<b>-</b>	<b>164.1</b>		<b>132.3</b>	<b>31.8</b>
<b>NOB</b>	<b>Net operating balance (1-2+NOBz) <sup>a/</sup></b>	<b>-</b>	<b>164.1</b>		<b>132.3</b>	<b>31.8</b>
	% of GDP		0.1%		0.1%	0.0%
<b>TRANSACTIONS IN NONFINANCIAL ASSETS:</b>						
<b>A31</b>	<b>Net Acquisition of Nonfinancial Assets</b>	<b>4,962.2</b>	<b>228.3</b>	<b>5%</b>	<b>134.3</b>	<b>94.0</b>
A311	Fixed assets	4,962.2	228.3	5%	134.3	94.0
A312	Change in inventories	-	-	-	-	-
A313	Valuables	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-
<b>NLB</b>	<b>Net lending / borrowing (1-2+NOBz-31)</b>	<b>(4,962.2)</b>	<b>(64.2)</b>	<b>1%</b>	<b>(2.0)</b>	<b>(62.2)</b>
<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):</b>						
<b>A32</b>	<b>Net acquisition of financial assets</b>	<b>0.0</b>	<b>(64.2)</b>		<b>(2.0)</b>	<b>(62.2)</b>
<b>A321</b>	<b>Domestic</b>	<b>0.0</b>	<b>(64.2)</b>		<b>(2.0)</b>	<b>(62.2)</b>
3211	Monetary gold and SDRs	-	-	-	-	-
3212	Currency and deposits	0.0	(64.2)	-	(2.0)	(62.2)
3213	Debt securities	-	-	-	-	-
3214	Loans	-	-	-	-	-
<b>A322</b>	<b>Foreign</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>
<b>A33</b>	<b>Net incurrence of liabilities</b>	<b>4,962.2</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>-</b>
<b>A331</b>	<b>Domestic</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>-</b>
<b>A332</b>	<b>Foreign</b>	<b>4,962.2</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>-</b>

## 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
<b>TRANSACTIONS AFFECTING NET WORTH:</b>						
<b>A1</b>	<b>Revenue</b>	<b>31,006.3</b>	<b>6,485.2</b>	<b>20.9%</b>	<b>3,684.0</b>	<b>2,801.2</b>
A11	Taxes	19,973.2	3,636.9	18.2%	2,177.1	1,459.8
A111	Taxes on income, profits, and capital gains	-	-	0.0%	-	-
A112	Taxes on payroll & workforce	-	-	0.0%	-	-
A113	Taxes on property	501.0	214.4	42.8%	98.9	115.5
A114	Taxes on goods & services	15,637.4	2,887.1	18.5%	1,783.2	1,104.0
	of which					
	Value Added Tax	9,705.0	1,431.7	14.8%	862.2	569.5
	Excise	2,897.0	468.8	16.2%	273.4	195.4
A115	Taxes on international trade & transactions	3,834.7	535.3	14.0%	295.0	240.3
A116	Other taxes	-	-	0.0%	-	-
A12	Social contributions	-	-	0.0%	-	-
A13	Grants	489.0	-	0.0%	-	-
A14	Other revenue	10,544.1	2,848.3	27.0%	1,506.9	1,341.4
<b>A2</b>	<b>Expense</b>	<b>27,843.1</b>	<b>4,536.9</b>	<b>16.3%</b>	<b>2,629.6</b>	<b>1,907.3</b>
A21	Compensation of employees	15,574.3	2,435.8	15.6%	1,383.8	1,051.9
A22	Use of goods and services	6,454.3	876.0	13.6%	422.7	453.3
A23	Consumption of fixed capital	-	-	0.0%	-	-
A24	Interest	837.0	23.2	2.8%	23.2	0.0
A25	Subsidies	197.8	44.9	0.0%	14.4	30.5
A26	Grants	2,601.5	898.0	34.5%	731.3	166.7
A27	Social benefits	495.1	159.5	32.2%	14.1	145.4
A28	Other expense	1,683.1	99.6	5.9%	40.1	59.5
<b>G0B</b>	<b>Gross operating balance (1-2+23+NOBz)</b>	<b>3,163.2</b>	<b>1,948.3</b>		<b>1,054.4</b>	<b>893.9</b>
<b>NOB</b>	<b>Net operating balance (1-2+NOBz)</b>	<b>3,163.2</b>	<b>1,948.3</b>		<b>1,054.4</b>	<b>893.9</b>
	% of GDP	2.8%	1.8%		0.9%	0.8%
<b>TRANSACTIONS IN NONFINANCIAL ASSETS:</b>						
<b>A31</b>	<b>Net Acquisition of Nonfinancial Assets</b>	<b>3,274.4</b>	<b>105.3</b>	<b>3.2%</b>	<b>66.5</b>	<b>38.8</b>
A311	Fixed assets	3,274.4	105.3	3.2%	66.5	38.8
A312	Change in inventories	-	-	0.0%	-	-
A313	Valuables	-	-	0.0%	-	-
A314	Nonproduced assets	-	-	0.0%	-	-
<b>NLB</b>	<b>Net lending/ borrowing (1-2+NOBz-31)</b>	<b>(111.1)</b>	<b>1,843.0</b>		<b>987.9</b>	<b>855.1</b>
<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):</b>						
<b>A32</b>	<b>Net acquisition of financial assets</b>	<b>(4,716.8)</b>	<b>1,843.0</b>		<b>987.9</b>	<b>855.1</b>
A321	Domestic	(4,716.8)	1,843.0		987.9	855.1
3211	Monetary gold and SDRs	-	-		-	-
3212	Currency and deposits	(4,716.8)	1,843.0		987.9	855.1
3213	Debt securities	-	-		-	-
3214	Loans	-	-		-	-
A322	Foreign	-	-		-	-
<b>A33</b>	<b>Net incurrence of liabilities</b>	<b>(4,605.7)</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>-</b>
A331	Domestic	(1,427.4)	-		-	-
A332	Foreign	(3,178.3)	-	0.0%	-	-