

Treasury Monthly Budget Report – January 2020

Summary

In January, the total net operating balance for the Government, including donor funds, was a surplus of VT 1,186.7 million. This is equivalent to 1.1 per cent of GDP.

The net operating balance for Government operations excluding donor funds in January was a surplus of VT 1,054.4 million. This is equivalent to 0.9 per cent of GDP.

Government operations excluding donor funds (VT million)

	January forecast	January actual	Year to date
Revenue	3,088.9	3,684.0	3,684.0
Expenditure	2,770.4	2,629.6	2,629.6
Net operating balance (Revenue minus expense)	318.5	1,054.4	1,054.4
Net acquisition of Nonfinancial Assets	118.6	66.5	66.5
Net lending/borrowing (Net operating balance minus net acquisition of nonfinancial assets)	199.9	987.9	987.9

Government Revenue

During January, Government revenue was VT 3,684.0 million which is 19.3 per cent higher than forecast (VT 3,088.9 million). This is mainly due to greater income from land registration, import duties on tobacco and tobacco products, not elsewhere specified import duties, interest from bank deposits, passport fees, port dues and road tax this month, as well as honorary citizenship program fees. Total Government receipts so far in 2020 thus make up 11.9 per cent of the budget target (VT 31,006.3 million) and are 8.1 per cent more than the VT 3,407.5 million that was collected during January last year.

VAT continues to be the main source of the Government's taxation revenue, recording VT 862.2 million in January, which is 9.5 per cent less than forecast (VT 952.6 million). This represents 8.9 per cent of the annual budget target (VT 9,705.0 million) and 2.3 per cent more than the amount that was collected in January last year (VT 843.0 million).

Taxes on international trade and transactions, constituting import and export duties, are the second main source of Government tax revenue, collecting VT 295.0 million in January, which is 4.1 per cent more than forecast (VT 283.4 million). The amount collected so far is 7.7 per cent of the budget target (VT 3,834.7 million) and 29.0 per cent more than the VT 228.8 million that was collected during January last year. Excise tax collection was VT 273.4 million in January, 28.3 per cent more than forecast (VT 213.1 million); the January collection comprises 9.4 per cent of the budget target (VT 2,897.0 million) and is 59.6 per cent more than the VT 171.2 million that was collected in January last year.

Among other revenue, constituting fees and charges, Vanuatu Development Support Program (VDSP) and Vanuatu Contribution Program (VCP) together collected VT 1,236.4 million in January, which is 149.2 per cent more than the forecast of VT 496.1 million. The amount collected in January amounts to 16.2 per cent of the budget target of VT 7,637.4 million and is 12.6 per cent more than the VT 1,098.3 million that was collected in January last year.

Government Expenses

Government expenses were VT 2,629.6 million in January, which is 5.1 per cent less than forecast (VT 2,770.4 million). The majority of the underspending compared to forecast this month was from subsistence allowances, general materials, research and development, incidentals, international organisations, official entertainment, international

travel, international accommodation and severance payments. Government expenses in January represent 9.4 per cent of the 2020 budget target (VT 27,843.1 million) and 63.0 per cent more than the VT 1,613.2 million that was spent in January last year.

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

- Government contributions (VT 24.0 million against an annual budget of VT 6.0 million)

Government Acquisition of Non-Financial Assets

The Government spent a net amount of VT 66.5 million on acquiring fixed assets during January, 43.9 per cent less than forecast (VT 118.6 million). The amount spent in January is 2.0 per cent of the annual budget target (VT 3,274.4 million).

Government Transactions in Financial Assets and Liabilities

In January, the Government paid off no external debt and no domestic bonds.

Development Budget Highlights¹

During January, VT 316.3 million worth of grants were received from donors. This amount represents 3.7 per cent of the budget target (VT 8,580.1 million). Major contributing donors so far include the World Bank (VT 219.5 million), Australia (VT 72.7 million), ADB (VT 14.4 million) and UNICEF (VT 9.0 million). Other contributing donors are gratefully acknowledged.

In January donor funding expenses totalled VT 184.0 million which is equivalent to 2.1 per cent of the budget target (VT 8,580.1 million).

¹ DoFT is working on improving the collection of information regarding loan disbursements throughout the year, for inclusion in the monthly budget report. The department is targeting the budget report for December to detail total disbursements for 2019.

- **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.
- Figures for **compensation of employees** follow the pay days. The Government of Vanuatu runs a fortnightly pay system.

Annex 1: Government Revenue Trend

Government revenue collected in January 2020 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 registration, import duties on tobacco and tobacco products, not elsewhere specified import duties, interest from bank deposits, passport fees, port dues and road 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

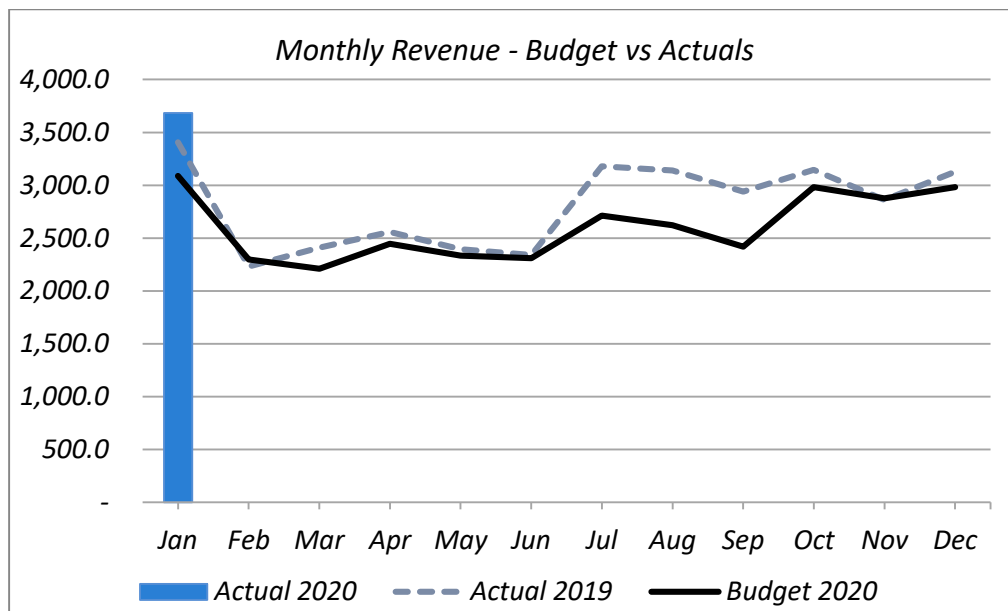
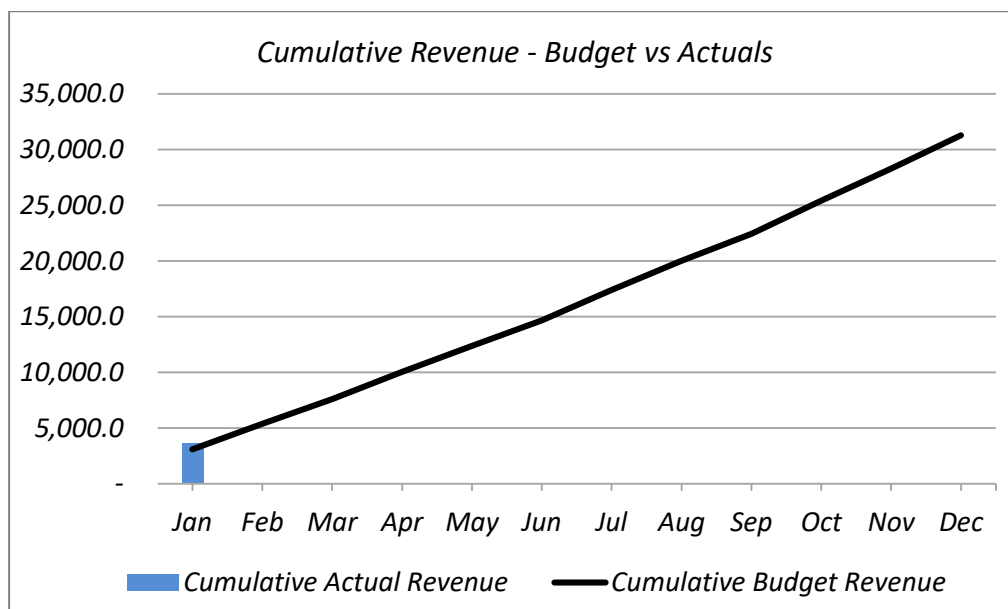


Figure 2



Annex 2: Expenditure Trend

Government expenditure (excluding donor funds) for January 2020 was lower than 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 from subsistence allowances, general materials, research and development, incidentals, international organisations, official entertainment, international travel, international accommodation and severance payments.

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

Figure 3

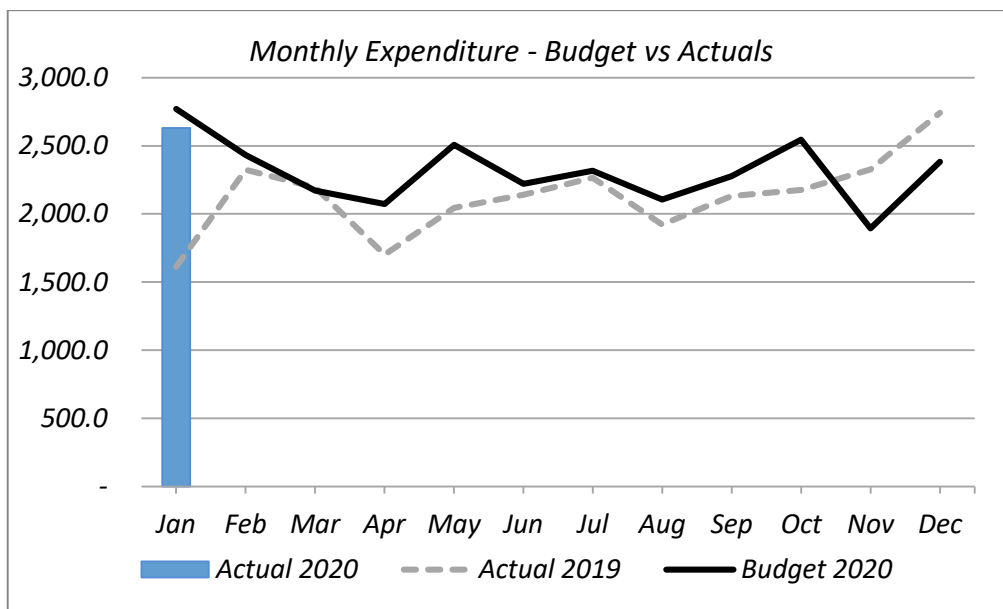
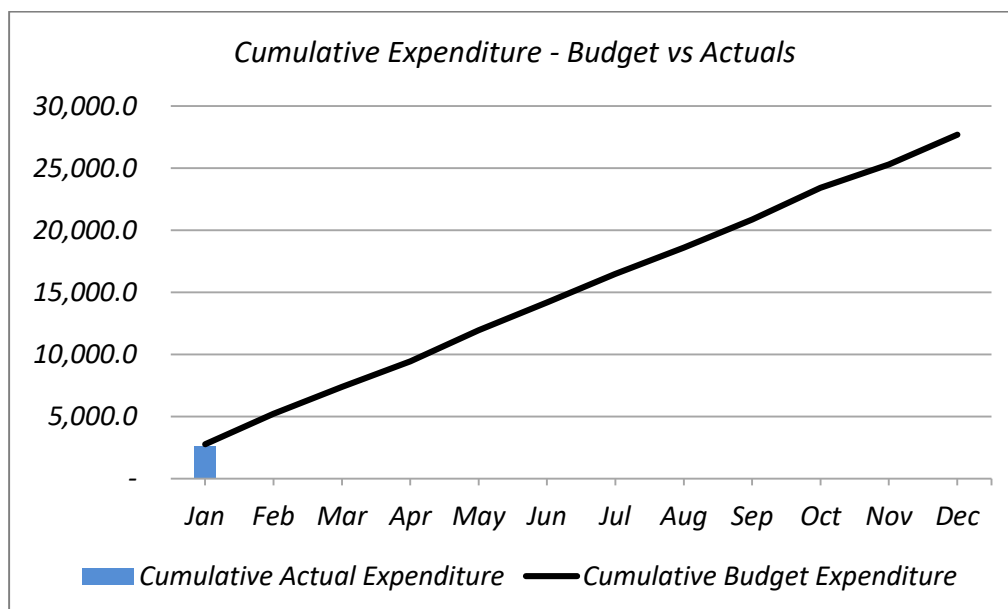


Figure 4



Annex 3: Statement Of Total Government Operations

STATEMENT OF TOTAL GOVERNMENT OPERATIONS

GFS Code	GFS Description	Budget 2020	Total (VT mn)	%	January
TRANSACTIONS AFFECTING NET WORTH:					
A1	Revenue	39,586.4	4,000.3	10.1%	4,000.3
A11	Taxes	19,973.2	2,177.1	10.9%	2,177.1
A111	Taxes on income, profits, and capital gains	-	-	0.0%	-
A112	Taxes on payroll & workforce	-	-	0.0%	-
A113	Taxes on property	501.0	98.9	19.7%	98.9
A114	Taxes on goods & services	15,637.4	1,783.2	11.4%	1,783.2
	of which				
	Value-Added Tax	9,705.0	862.2	8.9%	862.2
	Excise	2,897.0	273.4	9.4%	273.4
A115	Taxes on international trade & transactions	3,834.7	295.0	7.7%	295.0
A116	Other taxes	-	-	0.0%	-
A12	Social contributions	-	-	0.0%	-
A13	Grants	9,069.1	316.3	3.5%	316.3
A14	Other revenue	10,544.1	1,506.9	14.3%	1,506.9
A2	Expense	36,423.2	2,813.5	7.7%	2,813.5
A21	Compensation of employees	16,193.7	1,396.9	8.6%	1,396.9
A22	Use of goods and services	11,700.4	594.9	5.1%	594.9
A23	Consumption of fixed capital	-	-	0.0%	-
A24	Interest	854.6	23.2	2.7%	23.2
A25	Subsidies	197.8	-	0.0%	14.4
A26	Grants	4,442.9	729.1	16.4%	729.1
A27	Social benefits	1,343.5	15.0	1.1%	15.0
A28	Other expense	1,690.4	40.1	2.4%	40.1
GOB	Gross operating balance (1-2+23+NOBz)	3,163.2	1,186.7	37.5%	1,186.7
NOB	Net operating balance (1-2+NOBz)	3,163.2	1,186.7	37.5%	1,186.7
	% of GDP		1.1%		1.1%
TRANSACTIONS IN NONFINANCIAL ASSETS:					
A31	Net Acquisition of Nonfinancial Assets	8,236.6	200.8	2.4%	200.8
A311	Fixed assets	8,236.6	200.8	2.4%	200.8
A312	Change in inventories	-	-	0.0%	-
A313	Valuables	-	-	0.0%	-
A314	Nonproduced assets	-	-	0.0%	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(5,073.3)	985.9		985.9
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):					
A32	Net acquisition of financial assets	(4,716.8)	985.9	0.0%	985.9
A321	Domestic	(4,716.8)	985.9	0.0%	985.9
3211	Monetary gold and SDRs	-	-		-
3212	Currency and deposits	(4,716.8)	985.9		985.9
3213	Debt securities	-	-		-
3214	Loans	-	-		-
A322	Foreign	-	-	0.0%	-
A33	Net incurrence of liabilities	356.5	-	0.0%	-
A331	Domestic	(1,427.4)	-	0.0%	-
A332	Foreign	1,783.9	-	0.0%	-

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
TRANSACTIONS AFFECTING NET WORTH:					
A1	Revenue	8,580.1	316.3	3.7%	316.3
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	8,580.1	316.3	3.7%	316.3
A14	Other revenue	-	-	0.0%	-
A2	Expense	8,580.1	184.0	2.1%	184.0
A21	Compensation of employees	619.4	13.1	2.1%	13.1
A22	Use of goods and services	5,246.0	172.2	3.3%	172.2
A23	Consumption of fixed capital	-	-	0.0%	-
A24	Interest	17.6	-	0.0%	-
A25	Subsidies	-	-	0.0%	-
A26	Grants	1,841.4	(2.2)	-0.1%	(2.2)
A27	Social benefits	848.4	0.9	0.1%	0.9
A28	Other expense	7.3	-	0.0%	-
GOB	Gross operating balance (1-2+23+NOBz)	-	132.3		132.3
NOB	Net operating balance (1-2+NOBz)	-	132.3		132.3
	% of GDP		0.1%		0.1%
TRANSACTIONS IN NONFINANCIAL ASSETS:					
A31	Net Acquisition of Nonfinancial Assets	4,962.2	134.3	2.7%	134.3
A311	Fixed assets	4,962.2	134.3	2.7%	134.3
A312	Change in inventories	-	-	0.0%	-
A313	Valuables	-	-	0.0%	-
A314	Nonproduced assets	-	-	0.0%	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(4,962.2)	(2.0)	0.0%	(2.0)
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):					
A32	Net acquisition of financial assets	0.0	(2.0)		(2.0)
A321	Domestic	0.0	(2.0)		(2.0)
3211	Monetary gold and SDRs	-	-		-
3212	Currency and deposits	0.0	(2.0)		(2.0)
3213	Debt securities	-	-		-
3214	Loans	-	-		-
A322	Foreign	-	-		-
A33	Net incurrence of liabilities	4,962.2	-	0.0%	-
A331	Domestic	-	-	0.0%	-
A332	Foreign	4,962.2	-	0.0%	-

Annex 5: Statement Of Government Operations Excluding Donors

STATEMENT OF GOVERNMENT OPERATIONS EXCLUDING DONORS

GFS Code	GFS Description	Budget 2020	Total (VT mn)	%	January
TRANSACTIONS AFFECTING NET WORTH:					
A1	Revenue	31,006.3	3,684.0	11.9%	3,684.0
A11	Taxes	19,973.2	2,177.1	10.9%	2,177.1
A111	Taxes on income, profits, and capital gains	-	-	0.0%	-
A112	Taxes on payroll & workforce	-	-	0.0%	-
A113	Taxes on property	501.0	98.9	19.7%	98.9
A114	Taxes on goods & services	15,637.4	1,783.2	11.4%	1,783.2
	of which				
	Value Added Tax	9,705.0	862.2	8.9%	862.2
	Excise	2,897.0	273.4	9.4%	273.4
A115	Taxes on international trade & transactions	3,834.7	295.0	7.7%	295.0
A116	Other taxes	-	-	0.0%	-
A12	Social contributions	-	-	0.0%	-
A13	Grants	489.0	-	0.0%	-
A14	Other revenue	10,544.1	1,506.9	14.3%	1,506.9
A2	Expense	27,843.1	2,629.6	9.4%	2,629.6
A21	Compensation of employees	15,574.3	1,383.8	8.9%	1,383.8
A22	Use of goods and services	6,454.3	422.7	6.5%	422.7
A23	Consumption of fixed capital	-	-	0.0%	-
A24	Interest	837.0	23.2	2.8%	23.2
A25	Subsidies	197.8	14.4	0.0%	14.4
A26	Grants	2,601.5	731.3	28.1%	731.3
A27	Social benefits	495.1	14.1	2.9%	14.1
A28	Other expense	1,683.1	40.1	2.4%	40.1
GOB	Gross operating balance (1-2+23+NOBz)	3,163.2	1,054.4		1,054.4
NOB	Net operating balance (1-2+NOBz)	3,163.2	1,054.4		1,054.4
	% of GDP	2.8%	0.9%		0.9%
TRANSACTIONS IN NONFINANCIAL ASSETS:					
A31	Net Acquisition of Nonfinancial Assets	3,274.4	66.5	2.0%	66.5
A311	Fixed assets	3,274.4	66.5	2.0%	66.5
A312	Change in inventories	-	-	0.0%	-
A313	Valuables	-	-	0.0%	-
A314	Nonproduced assets	-	-	0.0%	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(111.1)	987.9		987.9
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):					
A32	Net acquisition of financial assets	(4,716.8)	987.9		987.9
A321	Domestic	(4,716.8)	987.9		987.9
3211	Monetary gold and SDRs	-	-		-
3212	Currency and deposits	(4,716.8)	987.9		987.9
3213	Debt securities	-	-		-
3214	Loans	-	-		-
A322	Foreign	-	-		-
A33	Net incurrence of liabilities	(4,605.7)	-	0.0%	-
A331	Domestic	(1,427.4)	-	0.0%	-
A332	Foreign	(3,178.3)	-	0.0%	-