

Treasury Monthly Budget Report – July 2013

Summary

The Government had a net operating surplus of **VT 762.9 million** at the end of July, which is identical to 1.0 per cent of GDP.

The total net operating balance for Government operations, excluding donor fund was a surplus of **VT 506.6 million** at the end of July, equivalent to 0.6 per cent of GDP.

Government Revenue

The revenue of the Government continued to be sustainably strong in July with VT 1,261.7 million being collected throughout the month. The revenue collected in July is 0.24 per cent less than what was earned in July 2012 (VT 1264.7 million). The revenue collected for the year to date was aggregated to VT 8,399.1 million which is 8.4 per cent more than the aggregated amount collected, VT 7,744.9 million in January to July, 2012. Specifically, revenue year to date has gathered 57 per cent of the 2013 budget target that is VT 14,629.5 million. The stable performance for this month emulates the ongoing sound economic activity.

The main source of revenue is on Taxes which heavily comes from VAT, VT 477.8 million worth of VAT was collected in Jul, totalling up an amount of VT 3,036.4 million by the end of July. This represent 57 per cent of the budget target of VT 5,353.3 million and is 13 per cent higher than the amount collected in July, 2012 (VT 2,696.3 million).

Government Expenses

The Government of Vanuatu has so far spent VT 7892.5 million for the past 7 months; this spending amount is within the budget target (VT 13,884.1 million). This is 57 per cent of the budget target and 1.9 per cent less than last year's spending (VT 8,043.5 million) during the same period.

Below are the major listed items that have already overspent against their 2013 budget.

- Contract wages- VT 21 million against an annual budget of VT 6.5 million
- Court cost-VT 21.6 million against an annual budget of VT 6.5 million
- Vehicles repairs and maintenance-VT 94.4 million against an annual budget of VT 79.4 million
- International organ-VT 9.8 million against an annual budget of VT 4 million
- Compensation damages-VT 11.5 million against an annual budget of VT 0.2 million

Government Acquisition of Non-Financial Assets

From January this year to the end of July, the Government has a net acquisition of non financial assets of VT 120.3 million.

Government Acquisition of Financial Assets

Up to date, the Government has a fiscal surplus of VT 509.3 million in which the Government can use, this includes VT 93 million is paid for the domestic bonds and VT 212.0 million paid for the external loans while the remaining funds was held at the Reserve Bank. In July the Government has issued a domestic bond worth VT 306.4 million where the VT 300 million was accommodated to pay back a matured bond and left with VT 6.4 million (net incurrence of liability).

Development Budget Highlights

The Development Fund of the Government received VT 8.7 million from donors in July, which sums up to VT 1,130.8 million for the year to date.

To date, the outflow amount from the Government's Development fund is VT 967.1 million against budget target of VT 4,310.9 million. The main spending items are use of goods and services (VT 3,083.0 million) and grants (VT 669.3 million). In addition the three major projects for this year are VTSSP Climate Change Mitigation (VT 108 million), GFG Technical Assistance to MFEM (VT 95 million) and National Library & National Archives Building Project (VT 89 million).

Some Key terminology

- The **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 often referred to as the fiscal surplus/deficit and indicates whether the Government is taking out or giving resources from or to the economy.
- **Expenses** are spending that generate no return and reduce the net worth of the Government.
- When the Government **acquires fixed assets**, these can be used repeatedly and don't affect its net worth.
- **Compensation of employees** figures follow the pay days, Vanuatu runs a fortnightly pay system.
- **Interest payments** and **Grants** are paid on fixed dates as they are payments to external Government entities.
- Therefore, Ministry of Finance and Economic warrant releases only really control the '**Use of goods and services**' budget and the '**Fixed capital assets**' budget.
- **Revenue** adds to the net worth of the Government and excludes borrowing (domestic or external).
- **VAT** is paid at a 12.5% rate and excludes VAT paid by departments as it is one branch of Government paying another.
- **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.

Annex 1: Statement Of Total Government Operations*

STATEMENT OF TOTAL GOVERNMENT OPERATIONS										
GFS Code	GFS Description	Budget 2013	Total (VT mn)	%	January	February	March	April	May	June
TRANSACTIONS AFFECTING NET WORTH:										
A1	Revenue	18,940.4	9,529.9	50%	1,859.8	1,292.0	926.5	1,515.5	1,200.2	1,465.5
A11	Taxes	13,165.9	7,443.1	57%	1,664.9	1,074.5	687.0	946.8	1,008.6	1,051.7
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-
A113	Taxes on property	550.3	202.9	0%	32.9	29.4	35.1	31.5	23.5	24.1
A114	Taxes on goods & services	9,811.6	5,810.3	59%	1,393.5	856.5	534.6	700.4	758.2	794.4
	of which									
	Value-Added Tax	5,353.3	3,036.4	57%	594.8	318.9	283.8	432.1	462.2	466.8
	Excise	2,143.8	1,020.2	48%	166.1	127.7	116.9	153.6	145.8	192.4
A115	Taxes on international trade & transactions	2,803.9	1,429.9	51%	238.5	188.6	117.3	214.8	227.0	233.2
A116	Other taxes	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-
A13	Grants	4,310.9	1,130.8	0.3	59.8	113.3	96.4	400.7	110.8	341.2
A14	Other revenue	1,463.6	956.0	65%	135.2	104.2	143.1	168.0	80.9	72.6
A2	Expense	18,195.0	8,767.0	48%	1,069.2	1,273.4	1,536.2	1,326.1	1,271.1	1,178.4
A21	Compensation of employees	8,559.4	4,578.3	53%	440.3	623.2	909.0	644.3	683.3	634.5
A22	Use of goods and services	6,341.6	2,324.5	37%	244.2	277.0	343.0	390.0	499.4	276.9
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-
A24	Interest	603.1	336.2	56%	14.1	51.8	84.6	72.2	6.1	81.8
A25	Subsidies	108.0	-	0%	-	-	-	-	-	-
A26	Grants	1,936.8	978.7	51%	191.6	279.2	117.0	149.9	51.4	85.8
A27	Social benefits	137.7	-	0%	19.8	13.8	7.8	6.5	17.8	59.2
A28	Other expense	508.5	-	0%	159.4	28.3	74.8	63.2	13.1	40.1
GOB	Gross operating balance (1-2+23+NOBz)	745.3	762.9	102%	790.6	18.6	(609.7)	189.4	(70.8)	287.1
NOB	Net operating balance (1-2+NOBz) ^{cf}	745.3	762.9	102%	790.6	18.6	(609.7)	189.4	(70.8)	287.1
	% of GDP		1.0%							
TRANSACTIONS IN NONFINANCIAL ASSETS:										
A31	Net Acquisition of Nonfinancial Assets	420.6	253.7	60%	20.5	22.0	46.3	22.1	73.7	47.7
A311	Fixed assets	420.6	253.7	60%	20.5	22.0	46.3	22.1	73.7	47.7
A312	Change in inventories	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	324.8	509.3		770.1	(3.4)	(656.0)	167.4	(144.6)	239.5
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):										
		0.4%	0.6%							
A32	Net acquisition of financial assets	0.0	203.7	0%	770.1	(27.8)	(738.7)	51.3	(166.0)	172.1
A321	Domestic	0.0	203.7	0%	770.1	(27.8)	(738.7)	51.3	(166.0)	172.1
A322	Foreign	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(324.8)	(305.6)	94%	-	(24.5)	(82.7)	(116.0)	(21.4)	(67.4)
A331	Domestic	-	(93.6)	-	-	-	-	(100.0)	-	-
A332	Foreign	(324.8)	(212.0)	0.7	-	(24.5)	(82.7)	(16.0)	(21.4)	(67.4)
	Vertical check: Difference between net lending/borrowing and financing (1-2-31=32-33- NLBz=0)	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Note: Given aggregate level of data in this table, A321 (net acquisition of financial assets) just calculated as the balancing item										

* These are data as of 14th August 2013 but the numbers will continue to be revised until 31st March 2014 when the Accounts for 2013 are finalized.

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 2013	Total (VT mn)	%	January	February	March	April	May	June	July
TRANSACTIONS AFFECTING NET WORTH:											
A1	Revenue	4,310.9	1,130.8	26%	59.8	113.3	96.4	400.7	110.8	341.2	8.7
A11	Taxes	-	-	0%	-	-	-	-	-	-	-
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-	-
A13	Grants	4,310.9	1,130.8	26%	59.8	113.3	96.4	400.7	110.8	341.2	8.7
A14	Other revenue	-	-	0%	-	-	-	-	-	-	-
A2	Expense	4,310.9	874.5	20%	60.8	153.0	103.8	96.1	250.1	114.9	95.7
A21	Compensation of employees	530.4	161.9	31%	10.3	19.1	18.3	15.6	52.9	20.0	25.7
A22	Use of goods and services	3,083.0	623.2	20%	50.8	94.5	69.0	78.3	203.3	74.1	53.3
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-	-
A24	Interest	-	-	0%	-	-	-	-	-	-	-
A25	Subsidies	-	-	0%	-	-	-	-	-	-	-
A26	Grants	669.3	33.9	5%	(0.1)	26.0	11.9	2.2	(7.3)	0.7	0.5
A27	Social benefits	5.1	35.3	693%	(0.1)	-	-	-	-	19.8	15.7
A28	Other expense	23.2	20.1	87%	-	13.3	4.7	-	1.2	0.4	0.5
GOB	Gross operating balance (1-2+23+NOBz)	-	256.4	#DIV/0!	(1.0)	(39.7)	(7.5)	304.6	(139.3)	226.3	(87.1)
NOB	Net operating balance (1-2+NOBz)	-	256.4	#DIV/0!	(1.0)	(39.7)	(7.5)	304.6	(139.3)	226.3	(87.1)
		-	0.3%								
TRANSACTIONS IN NONFINANCIAL ASSETS:											
A31	Net Acquisition of Nonfinancial Assets	168.7	133.3	79%	9.0	14.9	17.5	2.5	57.9	20.4	11.1
A311	Fixed assets	168.7	133.3	79%	9.0	14.9	17.5	2.5	57.9	20.4	11.1
A312	Change in inventories	-	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(168.7)	123.0	-73%	(10.0)	(54.6)	(25.0)	302.1	(197.3)	205.9	(98.1)
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):											
A32	Net acquisition of financial assets	0.0	123.0		(10.0)	(54.6)	(25.0)	302.1	(197.3)	205.9	(98.1)
A321	Domestic	0.0	123.0		(10.0)	(54.6)	(25.0)	302.1	(197.3)	205.9	(98.1)
A322	Foreign	-	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	168.7	-	0%	-	-	-	-	-	-	-
A331	Domestic	-	-	0%	-	-	-	-	-	-	-
A332	Foreign	168.7	-	0%	-	-	-	-	-	-	-
Vertical check: Difference between net lending/borrowing and financing (1-2-31=32-33-NLBz=0)		0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Note: spending details based on GFS86 estimates in Budget 2012 book, in turn these are based on averages for the past 5 years											
Note: Given aggregate level of data in this table, A321 (net acquisition of financial assets) just calculated as the balancing item											

Statement Of Government Operations Excluding Donors

STATEMENT OF GOVERNMENT OPERATIONS EXCLUDING DONORS											
GFS Code	GFS Description	Budget 2013	Total (VT mn)	%	January	February	March	April	May	June	July
TRANSACTIONS AFFECTING NET WORTH:											
A1	Revenue	14,629.5	8,399.1	57%	1,800.0	1,178.7	830.2	1,114.8	1,089.5	1,124.3	1,261.7
A11	Taxes	13,165.9	7,443.1	57%	1,664.9	1,074.5	687.0	946.8	1,008.6	1,051.7	1,009.7
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-	-
A113	Taxes on property	550.3	202.9	37%	32.9	29.4	35.1	31.5	23.5	24.1	26.4
A114	Taxes on goods & services	9,811.6	5,810.3	59%	1,393.5	856.5	534.6	700.4	758.2	794.4	772.7
	of which										
	Value-Added Tax	5,353.3	3,036.4	57%	594.8	318.9	283.8	432.1	462.2	466.8	477.8
	Excise	2,143.8	1,020.2	48%	166.1	127.7	116.9	153.6	145.8	192.4	117.7
A115	Taxes on international trade & transactions	2,803.9	1,429.9	51%	238.5	188.6	117.3	214.8	227.0	233.2	210.5
A116	Other taxes	-	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-	-
A13	Grants	-	-	-	-	-	-	-	-	-	-
A14	Other revenue	1,463.6	956.0	65%	135.2	104.2	143.1	168.0	80.9	72.6	252.0
A2	Expense	13,884.1	7,892.5	57%	1,008.4	1,120.4	1,432.4	1,229.9	1,021.0	1,063.5	1,016.9
A21	Compensation of employees	8,029.0	4,416.4	55%	430.0	604.1	890.7	628.6	630.4	614.5	618.1
A22	Use of goods and services	3,258.6	1,701.3	52%	193.4	182.5	274.1	311.7	296.0	202.8	240.8
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-	-
A24	Interest	603.1	336.2	56%	14.1	51.8	84.6	72.2	6.1	81.8	25.5
A25	Subsidies	108.0	-	0%	-	-	-	-	-	-	-
A26	Grants	1,267.5	944.8	75%	191.7	253.2	105.1	147.7	58.8	85.2	103.2
A27	Social benefits	132.6	117.4	89%	19.9	13.8	7.8	6.5	17.8	39.4	12.1
A28	Other expense	485.3	376.5	78%	159.4	15.0	70.1	63.2	11.9	39.7	17.3
GOB	Gross operating balance (1-2+23+NOBz)	745.3	506.6		791.6	58.2	(602.2)	(115.1)	68.5	60.8	244.8
NOB	Net operating balance (1-2+NOBz) [✓]	745.3	506.6		791.6	58.2	(602.2)	(115.1)	68.5	60.8	244.8
	% of GDP		0.6%								
TRANSACTIONS IN NONFINANCIAL ASSETS:											
A31	Net Acquisition of Nonfinancial Assets	251.8	120.3	48%	11.4	7.0	28.8	19.6	15.8	27.2	10.4
A311	Fixed assets	251.8	120.3	48%	11.4	7.0	28.8	19.6	15.8	27.2	10.4
A312	Change in inventories	-	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	493.5	386.2		780.2	51.2	(631.0)	(134.8)	52.7	33.6	234.4
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):											
A32	Net acquisition of financial assets	0.0	80.6	0%	780.2	26.7	(713.7)	(250.8)	31.3	(33.8)	240.7
A321	Domestic	0.0	80.6	0%	780.2	26.7	(713.7)	(250.8)	31.3	(33.8)	240.7
A322	Foreign	-	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(493.5)	(305.6)	62%	-	(24.5)	(82.7)	(116.0)	(21.4)	(67.4)	6.4
A331	Domestic	-	(93.6)	-	-	-	-	(100.0)	-	-	6.4
A332	Foreign	(493.5)	(212.0)	0.4	-	(24.5)	(82.7)	(16.0)	(21.4)	(67.4)	-
	Vertical check: Difference between net lending/borrowing and financing (1-2-31=32-33-NLBz=0)	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0

Note: Given aggregate level of data in this table, A321 (net acquisition of financial assets) just calculated as the balancing item

Annex 2: Summary of Revenue and Expense by Ministry**

REVENUE BY MINISTRY						
Code	Ministry	2013 Budget	2013 Actual to Date	Actual as % budget	2012 Actual	2011 Actual
M01	Constitutional Agencies	33,632,000	32,555,519	97	46,894,963	43,066,044
M02	Prime Ministers Ministry	24,500,000	28,364,791	116	36,876,379	41,870,350
M03	Ministry of Education and Youth and Sports	3,675,000	6,330,603	172	2,996,161	552,825
M04	Ministry of Internal Affairs	655,275,000	687,242,924	105	749,027,563	427,990,617
M05	Ministry of Finance and Economic Management	12,611,106,960	9,321,386,158	74	13,471,082,437	13,483,137,442
M06	Ministry of Commerce, Industry and Tourism	2,573,125	11,545,210	449	19,083,380	19,604,741
M07	Ministry of Health	10,830,000	9,537,366	88	16,608,079	17,243,587
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	221,800,000	219,037,681	99	292,440,995	256,042,603
M09	Ministry of Lands, Geology and Mines	762,053,849	425,950,045	56	802,600,611	642,275,765
M10	Ministry of Infrastructure and Public Utilities	449,756,750	352,961,767	78	587,894,424	329,970,512
M12	Ministry of Foreign Affairs and External Trade	0	3,725,338	0	5,332,052	706,550
M14	Ministry of Youth Development and Training	0	412,300	0	548,300	675,800
M15	Ministry of Justice and Community Service	0	0	0	0	10,000
M20	Ministry of Climate Change Adaptation, Geohazards, Meteorology and Energy	35,442,825	6,415,931	18	11,379,804	7,356,969
Total for all Ministries		14,810,645,509	14,810,645,509	90	16,042,765,148	15,859,244,998
EXPENDITURE BY MINISTRY						
Code	Ministry	2013 Budget	2013 Actual to Date	Actual as % budget	2012 Actual	2011 Actual
M01	Constitutional Agencies	1,139,949,684	716,188,879	63	1,409,284,391	1,138,515,505
M02	Prime Ministers Ministry	1,246,170,206	773,495,262	62	1,031,120,959	980,912,156
M03	Ministry of Education and Youth and Sports	4,285,025,195	2,761,727,677	64	3,945,597,404	3,828,825,674
M04	Ministry of Internal Affairs	694,693,249	464,837,668	67	649,845,039	612,371,387
M05	Ministry of Finance and Economic Management	4,392,077,397	2,475,784,066	56	3,523,730,773	3,267,269,104
M06	Ministry of Commerce, Industry and Tourism	339,589,963	245,082,706	72	412,387,655	293,576,977
M07	Ministry of Health	1,609,839,563	1,122,260,337	70	1,561,579,702	1,688,803,707
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	445,358,299	286,631,998	64	424,601,547	432,170,049
M09	Ministry of Lands, Geology and Mines	241,916,565	152,464,318	63	237,708,585	267,768,685
M10	Ministry of Infrastructure and Public Utilities	1,267,850,271	758,595,589	60	1,153,848,538	1,231,267,717
M12	Ministry of Foreign Affairs and External Trade	365,224,820	235,499,254	64	326,842,681	354,680,850
M13	Ministry of Cooperatives and Ni-Vanuatu Business Development Services	12,017,483	12,017,483	100	39,962,239	39,078,857
M14	Ministry of Youth Development and Training	138,141,026	111,165,348	80	145,761,167	206,464,433
M15	Ministry of Justice and Community Service	311,506,036	201,670,951	65	364,276,464	294,996,121
M19	Ministry of Civil Aviation, Meteorology and Postal Services	13,044,054	13,039,054	100	3,452,029	0
M20	Ministry of Climate Change Adaptation, Geohazards, Meteorology and Energy	218,591,170	128,403,821	59	187,075,624	182,151,528
M99	Consolidated Ministries and Departments	0	-40	0	0	0
Total for all Ministries		16,720,994,981	10,458,864,371	65	15,417,074,797	14,818,852,750

**Vision report 4th September 2013 includes VAT paid by Departments