

Treasury Monthly Budget Report – May 2013

Summary

The Government had a net operating surplus at the end of May worth VT 307.6 million, equivalent to 0.4 per cent of GDP.

The net operating balance for Government operations, excluding donor funds, at the end of May was a surplus worth VT 285.2 million, equivalent to 0.4 per cent of GDP.

Government Revenue

Government revenue continued to come in strongly in May with VT 1,087.7 million collected during the month, 7.9 per cent more than what was received in May 2012 (VT 1,007.6 million). Total collections for the year to date reached VT 6,006.1 million; this is 8.8 per cent more than the VT 5,518.4 million received in the first five months of 2012 and 41 per cent of the Budget 2013 target (VT 14,629.5 million). The solid performance reflects efforts to improve compliance and chase arrears but also suggests that economic activity may have picked up compared with a year ago.

VAT (the largest revenue stream) recorded a strong VT 475million in May, bringing total VAT collections to VT 2,102 million at the end of May. This is 39 per cent of the budget target (VT 5,353.3 million) and 14 per cent higher than the amount of VT 1,843.7 million collected at the same time last year.

In contrast, the second and third largest revenue streams are coming in weaker than VAT. Import duty recorded VT 985.9 million for the first 5 months of the year, 35 per cent of the budget target (VT 2,801.6 million) and 4.8 per cent above the level collected (VT 940.4 million) during the same period of 2012. Whilst VT 710.1 million worth of excise was received at the end of May, just 33 per cent of the budget target (VT 2,143.8 million) and only 0.3 per cent above the VT 708.2 million collected up to May 2012.

Government Expenses

After the first 5 months of the year, Government expenses remain broadly in line with the budget target (VT 13,884.1 million) at VT 5,720.9 million. This represents 41 per cent of the budget target and 1.2 percent below the level of spending (VT 5,792.2 million) during the same period in 2012.

However, the following items have already overspent their 2013 Budget lines.

- Vehicles hire - VT 35.4 million against an annual budget of VT 6 million (over by 487 per cent).
- Court costs (lawyer fees) - VT 20 million against an annual budget of VT 6.5 million (over by 206 per cent).
- Contract wages - VT 15 million against an annual budget of VT 6.5 million (over by 131 per cent).

The following items are also worth highlighting as they are relatively large in size and if current trends continue will significantly overspend their 2013 Budget lines (note we are only 42 per cent of the way through the year).

- Scholarship fees and allowances, VT237.9 million against an annual budget of VT 295.1 million (81 per cent).
- Subsistence allowances, VT 110.8 million against an annual budget of VT 176.2 million (63 per cent).
- Vehicles Repair and Maintenance, VT 70.1 million against an annual budget of VT 79.4 million (88 per cent).

It is also worth highlighting the unbudgeted cost of hosting a Council of Ministers meeting in TORBA Province at the end of April/start of May, this came to VT 30.9 million.

Government Acquisition of Non-Financial Assets

To date, the Government spent only VT 83.9 million acquiring fixed assets, representing 33.1 per cent of its 2013 budget (VT 253.4 million). The major items of expenditure have been general equipment (VT 24.8 million) and computers (VT 24.5 million). It has sold off VT 1.4 million worth of fixed assets so far this year.

Government Acquisition of Financial Assets

Up to the end of May 2013, the Government has not issued any new domestic bonds or drawn down any external loans. However, it has paid back VT 144.6 million worth of external loans and retired a VT 100 million domestic bond.

Development Budget Highlights

The Government's Development Fund received VT 108 million from donors in May, bringing total receipts for the year to VT 688.1 million. The major contributing partner is Australia (VT 412.4 million) followed by Japan (VT 71.7 million) and New Zealand (VT 48.5 million).

Up to the end of May, VT 896.5 million has been spent from the Government's Development Fund against a budget target of VT 4,479.6 million. The main areas of expenditure have been other goods and services/operations (VT 497.7 million) and acquiring of fixed assets (VT 165.5 million). The four projects incurring the majority of the expenditure are the AusAID funded Vanuatu Transport Sector Strengthening Program (VTSSP) Climate Change Mitigation; National Library and Archives; Governance for Growth (GfG); and Community Based Health projects.

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
TRANSACTIONS AFFECTING NET WORTH:									
A1	Revenue	18,940.4	6,694.2	35%	1,858.6	1,201.2	924.8	1,514.0	1,195.6
A11	Taxes	13,165.9	5,376.7	41%	1,663.8	1,073.7	685.3	946.2	1,007.7
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-
A113	Taxes on property	550.3	152.4	0%	32.9	29.4	35.1	31.5	23.5
A114	Taxes on goods & services	9,811.6	4,238.4	43%	1,392.4	855.8	532.9	699.8	757.5
	of which								
	Value-Added Tax	5,353.3	2,102.0	39%	594.8	318.1	282.5	431.6	475.0
	Excise	2,143.8	710.1	33%	166.1	127.7	116.9	153.6	145.8
A115	Taxes on international trade & transactions	2,803.9	985.9	35%	238.5	188.6	117.3	214.8	226.7
A116	Other taxes	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-
A13	Grants	4,310.9	688.1	0.2	59.8	23.3	96.4	400.7	108.0
A14	Other revenue	1,463.6	629.5	43%	135.1	104.2	143.1	167.2	80.0
A2	Expense	18,195.0	6,386.7	35%	1,069.2	1,183.1	1,538.1	1,326.0	1,270.2
A21	Compensation of employees	8,559.4	3,300.0	39%	440.3	623.2	909.0	644.3	683.3
A22	Use of goods and services	6,341.6	1,754.2	28%	244.2	276.7	344.9	390.0	498.5
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-
A24	Interest	603.1	228.8	38%	14.1	51.8	84.6	72.2	6.1
A25	Subsidies	108.0	-	0%	-	-	-	-	-
A26	Grants	1,936.8	699.2	36%	191.6	189.2	117.0	149.9	51.4
A27	Social benefits	137.7	-	0%	19.8	13.8	7.8	6.5	17.8
A28	Other expense	508.5	-	0%	159.4	28.3	74.8	63.2	13.1
GOB	Gross operating balance (1-2+23+NOBz)	745.3	307.6	41%	789.4	18.1	(613.3)	188.0	(74.6)
NOB	Net operating balance (1-2+NOBz) ^{cr}	745.3	307.6	41%	789.4	18.1	(613.3)	188.0	(74.6)
	% of GDP		0.4%						
TRANSACTIONS IN NONFINANCIAL ASSETS:									
A31	Net Acquisition of Nonfinancial Assets	420.6	313.3	74%	89.7	35.1	69.8	37.8	80.9
A311	Fixed assets	420.6	313.3	74%	89.7	35.1	69.8	37.8	80.9
A312	Change in inventories	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	324.8	(5.7)		699.7	(17.0)	(683.2)	150.2	(155.5)
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):									
A32	Net acquisition of financial assets	0.0	(250.3)	0%	699.7	(41.5)	(765.8)	34.2	(176.9)
A321	Domestic	0.0	(250.3)	0%	699.7	(41.5)	(765.8)	34.2	(176.9)
A322	Foreign	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(324.8)	(244.6)	75%	-	(24.5)	(82.7)	(116.0)	(21.4)
A331	Domestic	-	(100.0)	-	-	-	-	(100.0)	-
A332	Foreign	(324.8)	(144.6)	0.4	-	(24.5)	(82.7)	(16.0)	(21.4)
	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

*These are data as of 2nd July 2013 however 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
	TRANSACTIONS AFFECTING NET WORTH:								
A1	Revenue	4,310.9	688.1	16%	59.8	23.3	96.4	400.7	108.0
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	688.1	16%	59.8	23.3	96.4	400.7	108.0
A14	Other revenue	-	-	0%	-	-	-	-	-
A2	Expense	4,310.9	665.7	15%	60.8	153.0	105.7	96.1	250.1
A21	Compensation of employees	530.4	116.2	22%	10.3	19.1	18.3	15.6	52.9
A22	Use of goods and services	3,083.0	497.7	16%	50.8	94.5	70.9	78.3	203.3
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-
A24	Interest	-	-	0%	-	-	-	-	-
A25	Subsidies	-	-	0%	-	-	-	-	-
A26	Grants	669.3	32.7	5%	(0.1)	26.0	11.9	2.2	(7.3)
A27	Social benefits	5.1	(0.1)	-3%	(0.1)	-	-	-	-
A28	Other expense	23.2	19.2	83%	-	13.3	4.7	-	1.2
GOB	Gross operating balance (1-2+23+NOBz)	-	22.4	#DIV/0!	(1.0)	(129.7)	(9.4)	304.6	(142.1)
NOB	Net operating balance (1-2+NOBz) ^{cf}	-	22.4	#DIV/0!	(1.0)	(129.7)	(9.4)	304.6	(142.1)
		-	0.0%						
	TRANSACTIONS IN NONFINANCIAL ASSETS:		896.5						
A31	Net Acquisition of Nonfinancial Assets	168.7	230.8	137%	78.2	28.0	41.0	18.2	65.3
A311	Fixed assets	168.7	230.8	137%	78.2	28.0	41.0	18.2	65.3
A312	Change in inventories	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(168.7)	(208.4)	124%	(79.3)	(157.7)	(50.4)	286.4	(207.5)
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):								
A32	Net acquisition of financial assets	0.0	(208.4)		(79.3)	(157.7)	(50.4)	286.4	(207.5)
A321	Domestic	0.0	(208.4)		(79.3)	(157.7)	(50.4)	286.4	(207.5)
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

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
TRANSACTIONS AFFECTING NET WORTH:									
A1	Revenue	14,629.5	6,006.1	41%	1,798.8	1,177.9	828.4	1,113.3	1,087.7
A11	Taxes	13,165.9	5,376.7	41%	1,663.8	1,073.7	685.3	946.2	1,007.7
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-
A113	Taxes on property	550.3	152.4	28%	32.9	29.4	35.1	31.5	23.5
A114	Taxes on goods & services	9,811.6	4,238.4	43%	1,392.4	855.8	532.9	699.8	757.5
	of which								
	Value-Added Tax	5,353.3	2,102.0	39%	594.8	318.1	282.5	431.6	475.0
	Excise	2,143.8	710.1	33%	166.1	127.7	116.9	153.6	145.8
A115	Taxes on international trade & transactions	2,803.9	985.9	35%	238.5	188.6	117.3	214.8	226.7
A116	Other taxes	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-
A13	Grants	-	-	-	-	-	-	-	-
A14	Other revenue	1,463.6	629.5	43%	135.1	104.2	143.1	167.2	80.0
A2	Expense	13,884.1	5,720.9	41%	1,008.4	1,030.1	1,432.4	1,229.9	1,020.1
A21	Compensation of employees	8,029.0	3,183.8	40%	430.0	604.1	890.7	628.6	630.4
A22	Use of goods and services	3,258.6	1,256.5	39%	193.4	182.2	274.1	311.7	295.1
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-
A24	Interest	603.1	228.8	38%	14.1	51.8	84.6	72.2	6.1
A25	Subsidies	108.0	-	0%	-	-	-	-	-
A26	Grants	1,267.5	666.4	53%	191.7	163.2	105.1	147.7	58.8
A27	Social benefits	132.6	65.8	50%	19.9	13.8	7.8	6.5	17.8
A28	Other expense	485.3	319.5	66%	159.4	15.0	70.1	63.2	11.9
GOB	Gross operating balance (1-2+23+NOBz)	745.3	285.2		790.4	147.7	(603.9)	(116.6)	67.6
NOB	Net operating balance (1-2+NOBz) ^{c/}	745.3	285.2		790.4	147.7	(603.9)	(116.6)	67.6
	% of GDP		0.4%						
TRANSACTIONS IN NONFINANCIAL ASSETS:									
A31	Net Acquisition of Nonfinancial Assets	251.8	82.5	33%	11.4	7.0	28.8	19.6	15.6
A311	Fixed assets	251.8	82.5	33%	11.4	7.0	28.8	19.6	15.6
A312	Change in inventories	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	493.5	202.7		779.0	140.7	(632.8)	(136.2)	52.0
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):									
A32	Net acquisition of financial assets	0.0	(41.9)	0%	779.0	116.3	(715.4)	(252.2)	30.6
A321	Domestic	0.0	(41.9)	0%	779.0	116.3	(715.4)	(252.2)	30.6
A322	Foreign	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(493.5)	(244.6)	50%	-	(24.5)	(82.7)	(116.0)	(21.4)
A331	Domestic	-	(100.0)	-	-	-	-	(100.0)	-
A332	Foreign	(493.5)	(144.6)	0.3	-	(24.5)	(82.7)	(16.0)	(21.4)
	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

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	25,219,252	75%	46,894,963	43,066,044
M02	Prime Ministers Ministry	0	1,589,000	-	1,000,000	0
M03	Ministry of Education	3,675,000	3,514,042	96%	3,544,461	1,228,625
M04	Ministry of Internal Affairs	679,775,000	546,032,245	80%	784,903,942	469,860,967
M05	Ministry of Finance and Economic Management	12,611,106,960	5,810,633,391	46%	13,472,955,197	13,482,730,563
M06	Ministry of Commerce, Industry and Tourism	0	9,340,573	-	20,402,084	18,571,388
M07	Ministry of Health	10,830,000	6,943,515	64%	16,608,079	17,243,587
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	221,800,000	171,343,890	77%	292,440,995	256,042,603
M09	Ministry of Lands, Geology and Mines	791,496,674	195,425,066	25%	806,827,365	644,378,419
M10	Ministry of Infrastructure and Public Utilities	446,356,750	292,701,944	66%	583,308,767	323,790,968
M12	Ministry of Foreign Affairs and External Trade	0	88,197	-	525,990	303,588
M13	Ministry of Cooperatives and Ni-Vanuatu Business Development Services	2,573,125	1,090,771	42%	3,487,358	1,436,315
M15	Ministry of Justice and Social Welfare	0	0	-	0	10,000
M19	Ministry of Civil Aviation, Meteorology and Postal Services	9,400,000	5,664,542	60%	11,560,770	11,222,232
	Total for all Ministries	14,810,645,509	7,069,586,428	48%	16,044,459,971	15,269,885,299
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	539,559,239	47%	1,409,284,391	1,138,515,505
M02	Prime Ministers Ministry	521,410,718	228,129,509	44%	220,311,993	205,700,764
M03	Ministry of Education	4,091,193,597	2,110,716,008	52%	4,048,880,934	3,993,083,562
M04	Ministry of Internal Affairs	1,425,550,641	700,029,288	49%	1,481,533,597	1,405,034,308
M05	Ministry of Finance and Economic Management	4,344,377,397	1,332,181,010	31%	3,523,731,523	3,267,269,104
M06	Ministry of Commerce, Industry and Tourism	303,842,470	161,350,973	53%	376,442,651	268,432,950
M07	Ministry of Health	1,609,839,563	862,555,335	54%	1,561,579,702	1,688,803,707
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	442,058,299	214,745,816	49%	424,601,547	432,170,049
M09	Ministry of Lands, Geology and Mines	283,082,048	132,415,692	47%	280,016,668	310,536,332
M10	Ministry of Infrastructure and Public Utilities	1,217,203,657	532,857,098	44%	1,112,779,133	1,187,974,600
M12	Ministry of Foreign Affairs and External Trade	313,264,861	171,376,557	55%	303,923,465	308,721,916
M13	Ministry of Cooperatives and Ni-Vanuatu Business Development Services	72,724,935	37,478,788	52%	98,826,459	110,181,818
M14	Ministry of Youth Development and Training	29,972,624	9,084,700	30%	42,477,637	42,206,545
M15	Ministry of Justice and Social Welfare	311,506,036	150,446,490	48%	364,276,464	294,996,121
M19	Ministry of Civil Aviation, Meteorology and Postal Services	196,204,327	103,032,042	53%	168,399,383	165,225,469
M20	Ministry of Climate Change Adaptation, Geohazards, Meteorology and Energy	23,814,124	9,335,208	39%	0	0
	Total for all Ministries	16,325,994,981	7,295,293,753	45%	16,325,994,981	16,325,994,981

**Vision report 3rd July 2013, includes VAT paid by Departments