

Treasury Monthly Budget Report – March 2014

Summary

At the end of March the Government had a net operating surplus worth VT 451.0 million, equivalent to 0.6 per cent of GDP.

The net operating balance for Government operations, excluding donor financed spending, was a surplus of VT 308.9 million at the end of March, equal to 0.4 per cent of GDP.

Government Revenue

The government has received VT 1,004.2 million worth of revenue in March, a significant increase of 23.3 per cent compared to the same period in 2013 (VT 814.6 million). This totalled to an amount of VT 3,972.0 million in revenue collected so far this year, a 4.4 per cent increase from the equivalent period in 2013 (VT 3,803.3 million).

The government's major revenue stream is Value-Added Tax (VAT). The government collected VT 420.9 million worth of VAT during March, totalling up to an amount of VT 1,342.4 million for the year to date. This covers 24 per cent of the budget target (VT 5,555.2 million) and 9.9 per cent more than the VAT earned in the same period in 2013 (VT 1,221.5 million). Import duties have earned VT 569.0 million to the end of March, 21 per cent of the Budget 2014 target and 4.7 per cent more than the import duties collected during the same period in 2013 (VT 543.2 million). The third major revenue is excise, excise collected VT 476.1 million during the first three months for this year, 22 per cent of the Budget 2014 target and 16.2 per cent more than at the equivalent period a year earlier (VT 409.6 million).

This increase in government revenue is due to the improved collection of fees for Residency Permits, VT 20.9 million collected during the month and a year to March collection of VT 253.1 million which is 32 per cent of the 2014 budget target (VT 771 million). In addition, the collection from Road tax has reached 73.1 per cent of the 2014 budget target (VT 176 million) for the past 3 months, VT 81.9 million collected during March. All in all, there is continual of improved compliance and subsequent collection of arrears in VAT collections.

Government Expenses

The government spent VT 1,086.6 million in March raising total year to date expenses to VT 3,663.1 million at the end of March. The spending for this month is less than 2013's corresponding month by 21.2 per cent. The spending to the end of March has extended to 24 per cent of the 2014 budget and is 8.4 per cent higher than the spending for the same period in 2013.

Major spending items come from the two areas, compensation of employees and use of goods and services.

Compensation of employees- overspent items for the year to date

- Acting allowance- VT 12 million against an annual budget of 0.5 million
- Responsibility allowance – VT 2 million against an annual budget of 0.3 million
- Contract wages - VT 6.6 million against an annual budget of VT 4 million

Use of goods and services- overspent items and major items for the year to date.

- Court costs – VT 35.4 million against an annual budget of VT 30.2 million
- Telephone/Fax –Communication – VT 45 million against an annual budget of VT 91.4 million (49.2 per cent of budget target)
- International travel-VT 47 million against a budget of VT 107.7 million (43.6 per cent of budget target)
- Electricity utilities- VT 99.6 million against a budget of VT 293.1 million (34 per cent of the budget target)

Government Acquisition of Non-Financial Assets

The Government has spent VT 49 million in acquiring fixed assets after the first three months.

Government Acquisition of Financial Assets

The Government issued no new domestic bonds during this month, but has repaid VT 172.2 million of external loans in March. These loans include ADB loan, China loan (e-government) and IDA loan.

Development Budget Highlights

The development fund received VT 56.1 million from donors in March, bringing a total receipts for the year so far to VT 399.7 million with the majority received from Australia (VT 45.4 million) and Japan (VT 9.7 million). During the month, VT 129.9 was spent on operational expense and VT 0.9 million on acquiring fixed assets from the fund. Major donor spending on project for the year to March includes Sarakata Hydro Dam allocation of Funds (VT 35 million), Early childhood and care 2013 to 2014 (VT 31.5 million) and Malaria –Global fund contribution (VT 11.6 million.) This brings a total of VT 257.6 million on expenses and VT 15.9 million on acquiring fixed assets for the year to date.

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 2014	Total (VT mn)	%	January	February	March
	TRANSACTIONS AFFECTING NET WORTH:						
A1	Revenue	17,080.4	4,371.7	26%	1,991.5	1,319.8	1,060.3
A11	Taxes	13,614.6	3,580.0	26%	1,682.7	1,051.8	845.5
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-
A113	Taxes on property	353.5	87.6	0%	42.4	22.6	22.5
A114	Taxes on goods & services	10,544.3	2,923.4	28%	1,429.5	846.2	647.7
	of which						
	Value-Added Tax	5,555.2	1,342.4	24%	511.2	410.3	420.9
	Excise	2,145.0	476.1	22%	157.2	182.9	136.0
A115	Taxes on international trade & transactions	2,716.8	569.0	21%	210.8	182.9	175.3
A116	Other taxes	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-
A13	Grants	1,827.8	399.7	0.2	195.9	147.7	56.1
A14	Other revenue	1,638.1	392.0	24%	112.9	120.3	158.7
A2	Expense	16,041.5	3,920.7	24%	1,486.0	1,218.2	1,216.5
A21	Compensation of employees	8,534.3	1,920.2	22%	689.6	606.4	624.1
A22	Use of goods and services	4,233.6	973.1	23%	295.5	315.7	362.0
A23	Consumption of fixed capital	-	-	-	-	-	-
A24	Interest	596.5	159.8	27%	14.0	48.0	97.8
A25	Subsidies	60.0	-	0%	-	-	-
A26	Grants	1,725.4	633.1	37%	459.7	110.1	63.3
A27	Social benefits	242.2	-	0%	(1.6)	39.7	28.0
A28	Other expense	649.5	-	0%	28.7	98.3	41.3
GOB	Gross operating balance (1-2+23+NOBz)	1,038.9	451.0	43%	505.6	101.6	(156.2)
NOB	Net operating balance (1-2+NOBz) ^{c/}	1,038.9	451.0	43%	505.6	101.6	(156.2)
	% of GDP		0.6%				
	TRANSACTIONS IN NONFINANCIAL ASSETS:						
A31	Net Acquisition of Nonfinancial Assets	954.3	64.9	7%	18.4	28.2	18.2
A311	Fixed assets	954.3	64.9	7%	18.4	28.2	18.2
A312	Change in inventories	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	84.6	386.2		487.1	73.4	(174.4)
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):	0.1%	0.5%				
A32	Net acquisition of financial assets	(0.0)	207.3	0%	487.1	66.7	(346.5)
A321	Domestic	(0.0)	207.3	0%	487.1	66.7	(346.5)
A322	Foreign	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-
A33	Net incurrence of liabilities	(84.6)	(178.8)	212%	-	(6.7)	(172.2)
A331	Domestic	-	-	-	-	-	-
A332	Foreign	(84.6)	(178.8)	2.1	-	(6.7)	(172.2)
	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

* These are data as of 22nd April 2014 but the numbers will continue to be revised until 31st March 2015 when the Accounts for 2014 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 2014	Total (VT mn)	%	January	February	March
	TRANSACTIONS AFFECTING NET WORTH:						
A1	Revenue	1,827.8	399.7	22%	195.9	147.7	56.1
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	1,827.8	399.7	22%	195.9	147.7	56.1
A14	Other revenue	-	-	0%	-	-	-
A2	Expense	1,827.8	257.6	14%	43.7	84.0	129.9
A21	Compensation of employees	231.4	36.4	16%	14.4	10.3	11.7
A22	Use of goods and services	1,244.1	179.5	14%	25.9	41.8	111.8
A23	Consumption of fixed capital	-	-	-	-	-	-
A24	Interest	-	-	0%	-	-	-
A25	Subsidies	-	-	0%	-	-	-
A26	Grants	302.3	32.0	11%	0.4	31.6	(0.0)
A27	Social benefits	31.7	0.2	1%	-	0.2	-
A28	Other expense	18.3	9.4	52%	3.0	(0.0)	6.4
GOB	Gross operating balance (1-2+23+NOBz)	-	142.2		152.2	63.7	(73.8)
NOB	Net operating balance (1-2+NOBz) ^{c/}	-	142.2		152.2	63.7	(73.8)
		-	0.2%				
	TRANSACTIONS IN NONFINANCIAL ASSETS:						
A31	Net Acquisition of Nonfinancial Assets	506.4	15.9	3%	4.9	10.1	0.9
A311	Fixed assets	506.4	15.9	3%	4.9	10.1	0.9
A312	Change in inventories	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(506.4)	126.3	-25%	147.4	53.6	(74.7)
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):						
A32	Net acquisition of financial assets	-	126.3		147.4	53.6	(74.7)
A321	Domestic	-	126.3		147.4	53.6	(74.7)
A322	Foreign	-	-		-	-	-
A323	Monetary gold and SDRs	-	-		-	-	-
A33	Net incurrence of liabilities	506.4	-	0%	-	-	-
A331	Domestic	-	-	0%	-	-	-
A332	Foreign	506.4	-	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

Statement Of Government Operations Excluding Donors

STATEMENT OF GOVERNMENT OPERATIONS EXCLUDING DONORS							
GFS Code	GFS Description	Budget 2014	Total (VT mn)	%	January	February	March
	TRANSACTIONS AFFECTING NET WORTH:						
A1	Revenue	15,252.7	3,972.0	26%	1,795.6	1,172.1	1,004.2
A11	Taxes	13,614.6	3,580.0	26%	1,682.7	1,051.8	845.5
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-
A113	Taxes on property	353.5	87.6	25%	42.4	22.6	22.5
A114	Taxes on goods & services	10,544.3	2,923.4	28%	1,429.5	846.2	647.7
	of which						
	Value-Added Tax	5,555.2	1,342.4	24%	511.2	410.3	420.9
	Excise	2,145.0	476.1	22%	157.2	182.9	136.0
A115	Taxes on international trade & transactions	2,716.8	569.0	21%	210.8	182.9	175.3
A116	Other taxes	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-
A13	Grants	-	-	-	-	-	-
A14	Other revenue	1,638.1	392.0	24%	112.9	120.3	158.7
A2	Expense	14,213.8	3,663.1	26%	1,442.3	1,134.2	1,086.6
A21	Compensation of employees	8,302.9	1,883.7	23%	675.2	596.1	612.4
A22	Use of goods and services	2,989.6	793.6	27%	269.6	273.9	250.2
A23	Consumption of fixed capital	-	-	-	-	-	-
A24	Interest	596.5	159.8	27%	14.0	48.0	97.8
A25	Subsidies	60.0	-	0%	-	-	-
A26	Grants	1,423.1	601.1	42%	459.3	78.5	63.3
A27	Social benefits	210.5	65.9	31%	(1.6)	39.5	28.0
A28	Other expense	631.2	158.9	25%	25.7	98.3	34.8
GOB	Gross operating balance (1-2+23+NOBz)	1,038.9	308.9		353.3	37.9	(82.4)
NOB	Net operating balance (1-2+NOBz) ^{c/}	1,038.9	308.9		353.3	37.9	(82.4)
	% of GDP		0.4%				
	TRANSACTIONS IN NONFINANCIAL ASSETS:						
A31	Net Acquisition of Nonfinancial Assets	447.9	49.0	11%	13.6	18.1	17.3
A311	Fixed assets	447.9	49.0	11%	13.6	18.1	17.3
A312	Change in inventories	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	591.0	259.9		339.8	19.8	(99.7)
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):						
A32	Net acquisition of financial assets	(0.0)	81.0	0%	339.8	13.1	(271.8)
A321	Domestic	(0.0)	81.0	0%	339.8	13.1	(271.8)
A322	Foreign	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-
A33	Net incurrence of liabilities	(591.0)	(178.8)	30%	-	(6.7)	(172.2)
A331	Domestic	-	-	-	-	-	-
A332	Foreign	(591.0)	(178.8)	0.3	-	(6.7)	(172.2)
	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

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

EXPENDITURE BY MINISTRY							
Code	Ministry	2014 Budget	2014 original Appropriation	2014 Actual to date	Actual as % of Budget	2013 Actual	2012 Actual
M01	Constitutional Agencies	1,058,798,286	1,058,798,286	291,902,445	28	1,079,369,055	1,362,069,428
M02	Prime Ministers Ministry	1,244,291,813	1,244,291,813	310,049,249	25	1,234,401,391	994,244,580
M03	Ministry of Education and Youth and Sports	4,172,424,503	4,172,424,503	1,329,297,103	32	4,164,145,091	3,942,601,243
M04	Ministry of Internal Affairs	403,841,193	403,841,193	215,231,435	53	496,721,017	99,214,686
M05	Ministry of Finance and Economic Management	8,447,360,563	8,447,360,563	2,298,186,285	27	9,702,736,570	9,940,632,731
M06	Ministry of Commerce, Industry and Tourism	258,502,822	258,502,822	112,412,486	43	316,761,540	393,304,275
M07	Ministry of Health	1,620,519,171	1,620,519,171	489,226,412	30	1,582,407,163	1,544,971,623
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	200,211,212	200,211,212	63,712,681	32	31,131,642	132,160,552
M09	Ministry of Lands, Environment, Mines & Water Resources	401,397,821	401,397,821	57,145,242	14	288,483,021	564,917,257
M10	Ministry of Infrastructure and Public Utilities	1,046,106,666	1,046,106,666	48,914,445	5	749,834,910	565,985,728
M12	Ministry of Foreign Affairs and External Trade	365,522,222	365,522,222	152,664,646	42	353,296,270	320,726,795
M13	Ministry of Cooperatives and Ni-Vanuatu Business Development Services	0	0	0	0	11,916,789	39,962,239
M14	Ministry of Youth Development and Training	153,151,748	153,151,748	61,397,644	40	138,547,908	145,212,867
M15	Ministry of Justice and Community Service	328,337,089	328,337,089	81,638,577	25	311,807,952	364,276,464
M19	Ministry of Civil Aviation, Meteorology and Postal Services	0	0	0	0	13,039,054	3,452,029
M20	Ministry of Climate Change Adaptation, Geohazards, Meteorology and Energy	204,684,043	204,684,045	53,743,919	26	173,757,107	175,695,820
M99	Consolidated Ministries and Departments	0	0	0	0	80	187,390,580
Total for all Ministries		1,399,949,998	1,399,950,000	424,396,645	30	327,524,816	807,491,611
REVENUE BY MINISTRY							
Code	Ministry	2014 Budget	2014 original Appropriation	2014 Actual to date	Actual as % of Budget	2013 Actual	2012 Actual
M01	Constitutional Agencies	70,900,000	70,900,000	9,769,904	14	46,341,560	47,214,963
M02	Prime Ministers Ministry	31,200,000	31,200,000	13,822,870	44	40,499,151	36,876,379
M03	Ministry of Education and Youth and Sports	5,500,000	5,500,000	1,678,428	31	12,307,049	2,996,161
M04	Ministry of Internal Affairs	1,012,293,445	1,012,293,445	396,298,188	39	1,190,192,710	749,027,563
M05	Ministry of Finance and Economic Management	12,779,217,812	12,779,217,812	4,098,243,116	32	13,558,660,950	13,464,363,504
M06	Ministry of Commerce, Industry and Tourism	29,180,000	29,180,000	4,785,525	16	17,270,360	19,083,380
M07	Ministry of Health	21,684,668	21,684,668	3,105,978	14	14,636,163	16,608,079
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	282,280,000	282,280,000	58,372,021	21	413,415,719	292,440,995
M09	Ministry of Lands, Environment, Mines & Water Resources	632,996,674	632,996,674	124,694,399	20	534,428,692	802,625,842
M10	Ministry of Infrastructure and Public Utilities	500,550,000	500,550,000	140,988,336	28	472,427,784	587,862,810
M12	Ministry of Foreign Affairs and External Trade	500,000	500,000	106,500	21	7,152,910	6,115,886
M14	Ministry of Youth Development and Training	400,000	400,000	159,100	40	504,500	548,300
M20	Ministry of Climate Change Adaptation, Geohazards, Meteorology and Energy	30,300,000	30,300,000	3,241,142	11	44,377,716	11,379,804
M99	Consolidated Ministries and Departments	0	0	0	0	0	187,390,580
Total for all Ministries		15,397,002,599	15,397,002,599	4,855,265,507	32	16,352,215,264	16,224,534,246

**Vision report 22nd April 2014 includes VAT paid by Departments