

# Treasury Monthly Budget Report – January 2015

## Summary

*The net operating balance for total Government operations at the end of January was a surplus of VT 308.4 million, equivalent to 0.4 percent of GDP.*

*The net operating balance for Government operations, excluding donor funds, at the end of January was a surplus worth VT 266.1 million, equivalent to 0.3 percent of GDP.*

## Government Revenue

*During the first month of the year the Government total receipts summed up to VT 1,537.3 million. This represents 10 percent of the Budget target (VT 16,097.4 million) and 17.1 per cent below what was collected in January a year ago (VT 1,854.6 million). This may be due to the cancellation of the Hong Kong PR program by Hong Kong Authorities this year. Additionally a few other revenue initiatives which were forecasted to come in the Month of January and mid-February, are yet to be paid into the national treasury thus, resulting to the lower than expect collections.*

*VAT collection for this month totalled up to VT 575.2 million, representing 10.0 percent of the budget target (VT 5,610.6 million) and is 12.3 percent higher than the amount of VT 512.0 million collected at the same period last year. The second largest stream of revenue are Import Duties, which amounted to VT 214.3 million at the end of January, signifying 8 percent of the budget target (VT 2,695.6 million) and 1.7 percent higher than VT 210.8 million collected in January 2014.*

## Government Expenses

*Government expense in January was VT 1,271.3 million. This equals to 8 percent of the budget target (VT 15,271.2 million) and is 12 percent below the level of spending (VT 1,442.5 million) in January 2014.*

*So far, the major spending items for this month include:*

- *Fees-Scholarships (VT 56.2 million against a budget target of VT 100.0 million)*
- *Allowance-Scholarship ( VT 24.7 million against a budget target of VT 327.5 million)*
- *Electricity Utilities (VT 33.3 million against a budget target of VT 254.7 million)*
- *International travel (VT 28.8 million against a budget target of VT 149.0 million)*
  
- *It is highly likely that the Government appropriated expenditure for 2015 will increase due additional demands for funding. A few of these non-budgeted expenditure includes:*
  - *Additional funding for Scholarships approximately VT 100 million*
  - *20 percent good will payment for fisherman's as agreed by the PM that is approximately VT 300 million*
  - *Likely chances for another ACP EU parliamentary Council meeting for an estimate cost of VT 150 million*

## Government Acquisition of Non-Financial Assets

*The Government purchased fixed assets of VT 21 million and made almost no sales of assets.*

## Government Acquisition of Financial Assets

*No domestic bonds were bought or sold in January however; the Government has used the operational surplus to reduce the dependency on the RBV overdraft.*

## **Development Budget Highlights**

Grants received from donors during the month total up to VT 41.6 million 1.0 percent of the budget target (VT 2,891.7 million) and 40.7 percent below what was donated during the equivalent month in 2014. The development fund spent (VT 0.8) million against a budget of VT 2,891.7 million.

## **Fiscal Policy Response**

The Ministry of Internal Affairs earned revenue under the Security and Borders controls through the PR Scheme. It was really unfortunate that early this year, the Government was informed of the suspension of this scheme for some time, as mention above. The immediate impact will be that approximately VT 950 Million in revenues will be lost from this initiative and the Government will need to find other sources of revenue to carter for this shortfall in its 2015 revenue target. Until then, Government continues its policy to tighten fiscal management through the following expenditure measures agreed by the Council of Ministers:

- 1) Freeze all NPPs until such time when all revenue recovers or a decision from the Government is made;
- 2) Discourage requests for supplementary budgets in 2015;
- 3) Release of operational warrant on a fortnightly and not monthly basis;
- 4) Review and control for international travel;
- 5) Freeze all recruitments, except for recommended revenue generating departments of the Government, until such time the Government fiscal position recovers.
- 6) Freeze the implementation of new structures even if approved by the PSC until the following budget year to ensure that they are fully incorporated into the budget; and,
- 7) Continue to implement the following COM decision 72/2013
  - a) Request that MFEM and MBC do not allow NPP's that have already been rejected to be presented again to DCO;
  - b) Freeze virements out of payroll and into operational budgets;
  - c) Enforce outstanding debts;
  - d) No advance releases of payroll;
  - e) Freeze purchases of both new and replacement vehicles;
  - f) Reject all tender requests from line agencies without an appropriated budget;
  - g) Request MFEM and COM to design a set of penalties for line agencies who fail to use NPPs for their intended activities

For the Government revenue, the Government will continue to strengthen and improve compliance in the major revenue agencies.

### 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 2015	Total (VT mn)	%	January
	<b>TRANSACTIONS AFFECTING NET WORTH:</b>				
<b>A1</b>	<b>Revenue</b>	<b>18,989.1</b>	<b>1,578.9</b>	<b>8%</b>	<b>1,578.9</b>
A11	Taxes	14,068.6	1,387.3	10%	1,387.3
A111	Taxes on income, profits, and capital gains	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-
A113	Taxes on property	520.4	43.7	0%	43.7
A114	Taxes on goods & services	10,852.7	1,129.3	10%	1,129.3
	of which				
	Value-Added Tax	5,610.6	575.2	10%	575.2
	Excise	2,010.8	170.4	8%	170.4
A115	Taxes on international trade & transactions	2,695.6	214.3	8%	214.3
A116	Other taxes	-	-	-	-
A12	Social contributions	-	-	-	-
A13	Grants	2,891.7	41.6	0.0	41.6
A14	Other revenue	2,028.8	150.0	7%	150.0
<b>A2</b>	<b>Expense</b>	<b>18,162.8</b>	<b>1,270.5</b>	<b>7%</b>	<b>1,270.5</b>
A21	Compensation of employees	8,844.2	703.3	8%	703.3
A22	Use of goods and services	5,623.4	230.1	4%	230.1
A23	Consumption of fixed capital	-	-	-	-
A24	Interest	683.9	15.3	2%	15.3
A25	Subsidies	-	-	#DIV/0!	-
A26	Grants	1,688.0	152.2	9%	152.2
A27	Social benefits	470.4	-	0%	86.6
A28	Other expense	853.0	-	0%	83.1
<b>GOB</b>	<b>Gross operating balance (1-2+23+NOBz)</b>	<b>826.3</b>	<b>308.4</b>	<b>37%</b>	<b>308.4</b>
<b>NOB</b>	<b>Net operating balance (1-2+NOBz) ✓</b>	<b>826.3</b>	<b>308.4</b>	<b>37%</b>	<b>308.4</b>
	% of GDP		0.4%		
	<b>TRANSACTIONS IN NONFINANCIAL ASSETS:</b>				
<b>A31</b>	<b>Net Acquisition of Nonfinancial Assets</b>	<b>719.2</b>	<b>21.0</b>	<b>3%</b>	<b>21.0</b>
A311	Fixed assets	719.2	21.0	3%	21.0
A312	Change in inventories	-	-	-	-
A313	Valuables	-	-	-	-
A314	Nonproduced assets	-	-	-	-
<b>NLB</b>	<b>Net lending / borrowing (1-2+NOBz-31)</b>	<b>107.1</b>	<b>287.3</b>		<b>287.3</b>
	<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):</b>	<b>0.1%</b>	<b>0.4%</b>		
<b>A32</b>	<b>Net acquisition of financial assets</b>	<b>0.0</b>	<b>280.3</b>	<b>0%</b>	<b>280.3</b>
A321	Domestic	0.0	280.3	0%	280.3
A322	Foreign	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-
<b>A33</b>	<b>Net incurrence of liabilities</b>	<b>(107.1)</b>	<b>(7.1)</b>	<b>7%</b>	<b>(7.1)</b>
A331	Domestic	162.9	-	-	-
A332	Foreign	(270.0)	(7.1)	0.0	(7.1)

**Annex 2: 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 2015	Total (VT mn)	%	January
	<b>TRANSACTIONS AFFECTING NET WORTH:</b>				
<b>A1</b>	<b>Revenue</b>	<b>2,891.7</b>	<b>41.6</b>	<b>1%</b>	<b>41.6</b>
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	2,891.7	41.6	1%	41.6
A14	Other revenue	-	-	0%	-
<b>A2</b>	<b>Expense</b>	<b>2,891.7</b>	<b>(0.8)</b>	<b>0%</b>	<b>(0.8)</b>
A21	Compensation of employees	355.8	11.5	3%	11.5
A22	Use of goods and services	2,068.0	(12.3)	-1%	(12.3)
A23	Consumption of fixed capital	-	-	-	-
A24	Interest	-	-	0%	-
A25	Subsidies	-	-	0%	-
A26	Grants	448.9	-	0%	-
A27	Social benefits	3.4	-	0%	-
A28	Other expense	15.5	-	0%	-
<b>GOB</b>	<b>Gross operating balance (1-2+23+NOBz)</b>	<b>-</b>	<b>42.3</b>		<b>42.3</b>
<b>NOB</b>	<b>Net operating balance (1-2+NOBz) <sup>c/</sup></b>	<b>-</b>	<b>42.3</b>		<b>42.3</b>
		-	0.1%		
	<b>TRANSACTIONS IN NONFINANCIAL ASSETS:</b>				
<b>A31</b>	<b>Net Acquisition of Nonfinancial Assets</b>	<b>506.4</b>	<b>-</b>	<b>0%</b>	<b>-</b>
A311	Fixed assets	506.4	-	0%	-
A312	Change in inventories	-	-	-	-
A313	Valuables	-	-	-	-
A314	Nonproduced assets	-	-	-	-
<b>NLB</b>	<b>Net lending / borrowing (1-2+NOBz-31)</b>	<b>(506.4)</b>	<b>42.3</b>	<b>-8%</b>	<b>42.3</b>
	<b>TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):</b>				
<b>A32</b>	<b>Net acquisition of financial assets</b>	<b>-</b>	<b>42.3</b>		<b>42.3</b>
A321	Domestic	-	42.3		42.3
A322	Foreign	-	-		-
A323	Monetary gold and SDRs	-	-		-
<b>A33</b>	<b>Net incurrence of liabilities</b>	<b>506.4</b>	<b>-</b>	<b>0%</b>	<b>-</b>
A331	Domestic	-	-	0%	-
A332	Foreign	506.4	-	0%	-

### Annex 3: Statement Of Government Operations Excluding Donors

STATEMENT OF GOVERNMENT OPERATIONS EXCLUDING DONORS					
GFS Code	GFS Description	Budget 2015	Total (VT mn)	%	January
	<b>TRANSACTIONS AFFECTING NET WORTH:</b>				
<b>A1</b>	<b>Revenue</b>	<b>16,097.4</b>	<b>1,537.3</b>	<b>10%</b>	<b>1,537.3</b>
A11	Taxes	14,068.6	1,387.3	10%	1,387.3
A111	Taxes on income, profits, and capital gains	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-
A113	Taxes on property	520.4	43.7	8%	43.7
A114	Taxes on goods & services	10,852.7	1,129.3	10%	1,129.3
	of which				
	Value-Added Tax	5,610.6	575.2	10%	575.2
	Excise	2,010.8	170.4	8%	170.4
A115	Taxes on international trade & transactions	2,695.6	214.3	8%	214.3
A116	Other taxes	-	-	-	-
A12	Social contributions	-	-	-	-
A13	Grants	-	-	-	-
A14	Other revenue	2,028.8	150.0	7%	150.0
<b>A2</b>	<b>Expense</b>	<b>15,271.2</b>	<b>1,271.3</b>	<b>8%</b>	<b>1,271.3</b>
A21	Compensation of employees	8,488.4	691.8	8%	691.8
A22	Use of goods and services	3,555.4	242.4	7%	242.4
A23	Consumption of fixed capital	-	-	-	-
A24	Interest	683.9	15.3	2%	15.3
A25	Subsidies	-	-	0%	-
A26	Grants	1,239.1	152.2	12%	152.2
A27	Social benefits	467.0	86.6	19%	86.6
A28	Other expense	837.5	83.1	10%	83.1
<b>GOB</b>	<b>Gross operating balance (1-2+23+NOBz)</b>	<b>826.2</b>	<b>266.1</b>		<b>266.1</b>
<b>NOB</b>	<b>Net operating balance (1-2+NOBz) <sup>c/</sup></b>	<b>826.2</b>	<b>266.1</b>		<b>266.1</b>
	% of GDP		0.3%		
	<b>TRANSACTIONS IN NONFINANCIAL ASSETS:</b>				
<b>A31</b>	<b>Net Acquisition of Nonfinancial Assets</b>	<b>212.7</b>	<b>21.0</b>	<b>10%</b>	<b>21.0</b>
A311	Fixed assets	212.7	21.0	10%	21.0
A312	Change in inventories	-	-	-	-
A313	Valuables	-	-	-	-
A314	Nonproduced assets	-	-	-	-
<b>NLB</b>	<b>Net lending / borrowing (1-2+NOBz-31)</b>	<b>613.5</b>	<b>245.0</b>		<b>245.0</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>237.9</b>	<b>0%</b>	<b>237.9</b>
A321	Domestic	0.0	237.9	0%	237.9
A322	Foreign	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-
<b>A33</b>	<b>Net incurrence of liabilities</b>	<b>(613.5)</b>	<b>(7.1)</b>	<b>1%</b>	<b>(7.1)</b>
A331	Domestic	162.9	-	-	-
A332	Foreign	(776.4)	(7.1)	0.0	(7.1)



#### Annex 4: Summary of Revenue and Expense by Ministry

REVENUE BY MINISTRY					
CODE	MINISTRY	2015 Budget	2014 Actual	2013 Actual	2012 Actual
M01	Constitutional Agencies	269,000,000	201,846,029	46,341,560	47,214,963
M02	Prime Ministers Ministry	39,200,000	39,298,842	40,515,153	36,876,379
M03	Ministry of Education & Training	8,500,000	12,609,971	12,307,049	2,996,161
M04	Ministry of Internal Affairs	1,229,358,000	1,172,524,983	1,190,192,710	749,027,563
M05	Ministry of Finance and Economic Management	12,826,273,683	13,846,105,893	13,675,789,067	13,464,726,365
M06	Ministry of Tourism, Trade, Commerce and Ni- Vanuatu Business	25,241,111	22,887,229	17,270,360	19,083,380
M07	Ministry of Health	16,184,668	17,207,175	14,636,163	16,608,079
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	365,744,000	389,857,970	413,415,719	292,440,995
M09	Ministry of Lands, Mines & Water Resources	764,390,000	619,823,373	534,428,692	802,650,875
M10	Ministry of Infrastructure and Public Utilities	513,089,865	509,604,704	472,427,784	587,862,810
M12	Ministry of Foreign Affairs, International Cooperation and External Trade	176,530,889	4,049,009	7,152,910	6,115,886
M14	Ministry of Youth Development and Sports	400,000	519,100	504,500	548,300
M20	Ministry of Climate Change Adaptation, Geohazards, Meteorology and Energy	32,300,000	7,563,502	44,377,716	11,379,804
Total for all Ministries		16,266,212,216	16,843,897,780	16,469,359,383	16,037,531,560
EXPENDITURE BY MINISTRY					
CODE	MINISTRY	2015 Budget	2014 Actual	2013 Actual	2012 Actual
M01	Constitutional Agencies	1,118,723,490	1,149,967,239	1,125,710,615	1,409,284,391
M02	Prime Ministers Ministry	1,275,491,813	1,654,069,639	1,274,898,042	1,031,120,959
M03	Ministry of Education & Training	4,197,924,503	4,318,483,305	4,176,452,140	3,945,597,404
M04	Ministry of Internal Affairs	576,452,252	602,505,134	693,464,193	649,812,877
M05	Ministry of Finance and Economic Management	4,566,061,256	4,320,948,940	3,856,611,613	3,523,730,773
M06	Ministry of Tourism, Trade, Commerce and Ni- Vanuatu Business	218,682,822	287,202,526	334,405,948	412,387,655
M07	Ministry of Health	1,695,603,839	1,615,118,822	1,596,914,326	1,561,579,702
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	470,491,212	483,722,238	444,547,361	424,601,547
M09	Ministry of Lands, Mines & Water Resources	231,598,853	232,548,557	245,945,671	237,708,585
M10	Ministry of Infrastructure and Public Utilities	1,276,989,241	1,519,644,943	1,222,163,176	1,153,848,538
M12	Ministry of Foreign Affairs, International Cooperation and External Trade	365,022,222	373,001,756	360,449,180	326,842,681
M13	Ministry of Cooperatives and Ni-Vanuatu Business Development Services			11,916,789	39,962,239
M14	Ministry of Youth Development and Sports	137,151,748	179,949,934	139,052,408	145,761,167
M15	Ministry of Justice and Social Welfare	328,337,089	329,015,872	311,807,952	364,276,464
M19	Ministry of Civil Aviation, Meteorology and Postal Services			13,039,054	3,452,029
M20	Ministry of Climate Change Adaptation, Geohazards, Meteorology and Energy	234,984,045	235,335,626	218,134,823	187,075,624
Total for all Ministries		16,693,514,385	17,301,514,531	16,025,513,291	15,417,042,635

\*Vision report 19/02/2015 includes VAT paid by Departments