

Treasury Monthly Budget Report – July 2014

Summary

The total Government net operating balance for the month of July was a surplus of VT 376.0 million. As a result, the total Government net operating balance for the year to date was a surplus of VT 1,009.0 million, equivalent to 1.3 per cent of GDP.

The net operating balance for Government operations, excluding donor funds was a surplus of VT 298.7 million at the end of July 2014.

Government Revenue

In July, the Government collected VT 1,417.5 million in revenue, 12.3 per cent more than what was collected in July 2013 (VT 1,261.7 million). This brings the total revenue receipts so far to VT 9,051.1 million, equal to 59.0 per cent of the Budget 2014 target and 7.8 per cent more than what was collected over the first seven months of 2013 (VT 8,399.1 million).

At the end of July, the two major components of revenue, VAT and import duties collected 60 per cent and 53 per cent respectively against their 2014 Budget targets. To date, total collection from VAT was VT 3,322.1 million, this represents a 9.4 per cent increase from VT 3,036.4 million collected during the same period last year. In contrast, Import duties collected VT 1,433.2 million at the end of July representing a 0.2 per cent increase from what was collected (VT 1,429.9 million) during the equivalent period in 2013. Another significant component revenue is excise, collecting a total of VT 1,144.2 million at the end of July. This represents 52.0 per cent of the Budget 2014 target and 12.2 more than what was collected in the same period in 2013 (VT 1,020.2 million).

In addition, the Residency Permit also enhances revenue collection. To date, Residency Permits collected VT 574.2 million or 74.5 per cent against budget target of VT 771.1 million. A 26.6 per cent increase from VT 453.7 million collected during the same period a year ago.

Government Expenses

The Government spent VT 1,050.6 million in July, a slight increase of 3.3 per cent compared to VT 1,016.9 million recorded during the equivalent month a year earlier. The year to date expense for the Government recorded VT 8,752.5 million, 62 per cent of the Budget target 2014 and 10.9 per cent more than what was spend during the first seven months in 2013 (VT 7,892.5 million).

The Government will continue to implementing expenditure control measure to keep expenditure in line with 2014 budget target because there are some expenditure items that are unbudgeted or under budgeted. The expenditure items include;

- *Acting allowance- VT 46.6 million against a budget of VT 0.5 million*
- *Internet and Satellite Communications- VT 275.2 million against a budget of VT 0*
- *Court Costs- VT 43.4 million against a budget of VT 30.2 million*
- *Vehicles Repairs & Maintenance- VT 77.4 million against a budget of VT 55.6 million*
- *Vehicles Fuel- VT 84.6 million against a budget of VT 115.1 million*
- *Subsistence Allowance- VT 106.7 million against a budget of VT 90.4 million*
- *Vehicle-Additional Vehicle- VT 6.4 million against a budget of VT 5.4 million*
- *Fees-Scholarship- VT 110.5 million against a budget of VT 162.9 million*
- *Allowance-Scholarship- VT 202.2 million against a budget of VT 260.5 million*

Government Acquisition of Non-Financial Assets

To date, the Government has spent VT 140.5 million acquiring fixed assets and sold off VT 3.7 million worth of fixed assets.

Government Acquisition of Financial Assets

In July, the Government has issued a new domestic bond worth VT 300.4 million and paid back VT 66.4 million external loans.

Development Budget Highlights

The development fund received VT 78.8 million in grants in July taking its overall receipts for the year so far to VT 1,398.7 million. This represent 77 per cent of the budget target (VT1, 827.8 million) and 23.7 per cent increase compare to what was recorded (VT 1,130.8 million) during the same period last year. The major contributing partner is Australia (VT 1,004.2 million) followed by New Zealand (VT 72.5 million). Contributions from other partners are also acknowledged.

To date, development budget has spent VT 688.4 million, representing a 38 per cent of 2014 budget target (VT 1,827.8 million) and a 21.2 per cent decrease from VT 874.5 million recorded during the same period last year.

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	April	May	June	July
	TRANSACTIONS AFFECTING NET WORTH:										
A1	Revenue	17,080.4	10,449.9	61%	2,029.4	1,339.5	1,130.2	1,159.5	1,594.8	1,459.3	1,496.3
A11	Taxes	13,614.6	8,153.3	60%	1,740.4	1,066.0	847.9	1,044.7	1,004.5	1,021.2	1,198.0
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-	-
A113	Taxes on property	353.5	262.2	0%	42.4	22.6	22.6	34.8	46.5	31.2	52.6
A114	Taxes on goods & services	10,544.3	6,457.9	61%	1,487.1	860.5	649.9	800.6	771.3	791.2	917.6
	of which										
	Value-Added Tax	5,555.2	3,322.1	60%	511.1	410.2	400.5	445.7	452.5	490.1	547.1
	Excise	2,145.0	1,144.2	53%	157.2	182.9	136.0	163.5	132.0	161.6	188.0
A115	Taxes on international trade & transactions	2,716.8	1,433.2	53%	210.8	182.9	175.4	209.3	186.7	198.9	227.8
A116	Other taxes	-	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-	-
A13	Grants	1,827.8	1,398.7	0.8	175.8	149.5	118.2	20.2	494.2	362.1	78.8
A14	Other revenue	1,638.1	897.9	55%	113.2	123.9	164.1	94.6	96.1	76.0	219.5
A2	Expense	16,041.5	9,440.8	59%	1,469.7	1,219.9	1,239.4	1,510.0	1,104.7	1,219.5	1,120.3
A21	Compensation of employees	8,534.3	4,833.9	57%	689.5	606.4	624.1	651.5	673.6	638.7	634.7
A22	Use of goods and services	4,233.6	2,591.6	61%	279.5	317.4	375.8	594.3	218.9	370.7	347.0
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-	-
A24	Interest	596.5	387.8	65%	14.0	48.0	106.9	42.0	8.1	78.4	21.8
A25	Subsidies	60.0	-	0%	-	-	-	-	-	-	-
A26	Grants	1,725.4	1,119.5	65%	459.7	110.1	63.3	130.5	127.3	78.1	91.2
A27	Social benefits	242.2	-	0%	(1.8)	39.7	28.0	24.4	13.7	6.0	3.9
A28	Other expense	649.5	-	0%	28.7	98.3	41.3	67.3	63.0	47.6	21.7
GOB	Gross operating balance (1-2+23+NOBz)	1,038.9	1,009.0	97%	559.7	119.6	(109.2)	(350.5)	490.1	239.8	376.0
NOB	Net operating balance (1-2+NOBz) ^{c/}	1,038.9	1,009.0	97%	559.7	119.6	(109.2)	(350.5)	490.1	239.8	376.0
	% of GDP		1.3%								
	TRANSACTIONS IN NONFINANCIAL ASSETS:										
A31	Net Acquisition of Nonfinancial Assets	954.3	178.8	19%	17.3	28.4	19.0	22.5	18.6	44.9	21.5
A311	Fixed assets	954.3	178.8	19%	17.3	28.4	19.0	22.5	18.6	44.9	21.5
A312	Change in inventories	-	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-	-
NLB	Net lending/ borrowing (1-2+NOBz-31)	84.6	830.2		542.4	91.2	(128.2)	(373.0)	471.5	195.0	354.4
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):	0.1%	1.1%								
A32	Net acquisition of financial assets	(0.0)	574.1	0%	542.4	84.5	(332.5)	(611.4)	433.1	192.4	588.7
A321	Domestic	(0.0)	574.1	0%	542.4	84.5	(332.5)	(611.4)	433.1	192.4	588.7
A322	Foreign	-	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(84.6)	(256.1)	303%	-	(6.7)	(204.3)	(238.4)	(38.3)	(2.6)	234.2
A331	Domestic	-	62.1	-	-	-	-	(238.4)	-	-	300.6
A332	Foreign	(84.6)	(318.2)	3.8	-	(6.7)	(204.3)	-	(38.3)	(2.6)	(66.4)
	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

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 2014	Total (VT mn)	%	January	February	March	April	May	June	July
TRANSACTIONS AFFECTING NET WORTH:											
A1	Revenue	1,827.8	1,398.7	77%	175.8	149.5	118.2	20.2	494.2	362.1	78.8
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	1,398.7	77%	175.8	149.5	118.2	20.2	494.2	362.1	78.8
A14	Other revenue	-	-	0%	-	-	-	-	-	-	-
A2	Expense	1,827.8	688.4	38%	27.6	85.8	143.4	145.2	51.3	130.7	69.7
A21	Compensation of employees	231.4	111.3	48%	14.4	10.3	11.8	20.5	13.8	17.5	13.5
A22	Use of goods and services	1,244.1	526.5	42%	9.8	43.6	125.2	124.3	37.5	105.1	55.9
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-	-
A24	Interest	-	-	0%	-	-	-	-	-	-	-
A25	Subsidies	-	-	0%	-	-	-	-	-	-	-
A26	Grants	302.3	40.0	13%	0.4	31.6	(0.0)	-	-	8.0	-
A27	Social benefits	31.7	0.2	1%	-	0.2	-	-	-	0.0	-
A28	Other expense	18.3	10.3	56%	3.0	(0.0)	6.4	0.4	-	0.1	0.4
GOB	Gross operating balance (1-2+23+NOBz)	-	710.4		148.1	63.7	(25.2)	(124.9)	442.9	231.4	9.1
NOB	Net operating balance (1-2+NOBz) ^{cf}	-	710.4		148.1	63.7	(25.2)	(124.9)	442.9	231.4	9.1
		-	0.9%								
TRANSACTIONS IN NONFINANCIAL ASSETS:											
A31	Net Acquisition of Nonfinancial Assets	506.4	42.0	8%	3.7	10.1	0.9	2.7	1.5	19.7	3.2
A311	Fixed assets	506.4	42.0	8%	3.7	10.1	0.9	2.7	1.5	19.7	3.2
A312	Change in inventories	-	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(506.4)	668.3	-132%	144.5	53.6	(26.1)	(127.6)	441.4	211.7	5.9
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):											
A32	Net acquisition of financial assets	-	668.3		144.5	53.6	(26.1)	(127.6)	441.4	211.7	5.9
A321	Domestic	-	668.3		144.5	53.6	(26.1)	(127.6)	441.4	211.7	5.9
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	0.0	0.0	0.0	0.0

Annex 3: Statement Of Government Operations Excluding Donors

STATEMENT OF GOVERNMENT OPERATIONS EXCLUDING DONORS											
GFS Code	GFS Description	Budget 2014	Total (VT mn)	%	January	February	March	April	May	June	July
TRANSACTIONS AFFECTING NET WORTH:											
A1	Revenue	15,252.7	9,051.1	59%	1,853.6	1,190.0	1,012.0	1,139.3	1,100.6	1,097.2	1,417.5
A11	Taxes	13,614.6	8,153.3	60%	1,740.4	1,066.0	847.9	1,044.7	1,004.5	1,021.2	1,198.0
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-	-
A113	Taxes on property	353.5	262.2	74%	42.4	22.6	22.6	34.8	46.5	31.2	52.6
A114	Taxes on goods & services	10,544.3	6,457.9	61%	1,487.1	860.5	649.9	800.6	771.3	791.2	917.6
	of which										
	Value-Added Tax	5,555.2	3,322.1	60%	511.1	410.2	400.5	445.7	452.5	490.1	547.1
	Excise	2,145.0	1,144.2	53%	157.2	182.9	136.0	163.5	132.0	161.6	188.0
A115	Taxes on international trade & transactions	2,716.8	1,433.2	53%	210.8	182.9	175.4	209.3	186.7	198.9	227.8
A116	Other taxes	-	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-	-
A13	Grants	-	-	-	-	-	-	-	-	-	-
A14	Other revenue	1,638.1	897.9	55%	113.2	123.9	164.1	94.6	96.1	76.0	219.5
A2	Expense	14,213.8	8,752.5	62%	1,442.1	1,134.1	1,096.0	1,364.8	1,053.4	1,088.8	1,050.6
A21	Compensation of employees	8,302.9	4,722.5	57%	675.1	596.1	612.3	631.0	659.8	621.2	621.2
A22	Use of goods and services	2,989.6	2,065.1	69%	269.6	273.8	250.7	470.0	181.4	265.7	291.1
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-	-
A24	Interest	596.5	387.8	65%	14.0	48.0	106.9	42.0	8.1	78.4	21.8
A25	Subsidies	60.0	-	0%	-	-	-	-	-	-	-
A26	Grants	1,423.1	1,079.6	76%	459.3	78.5	63.3	130.5	127.3	70.1	91.2
A27	Social benefits	210.5	124.0	59%	(1.8)	39.5	28.0	24.4	13.7	5.9	3.9
A28	Other expense	631.2	373.5	59%	25.7	98.3	34.8	66.9	63.0	47.6	21.3
GOB	Gross operating balance (1-2+23+NOBz)	1,038.9	298.7		411.5	55.9	(84.0)	(225.6)	47.2	8.5	366.9
NOB	Net operating balance (1-2+NOBz) ^{cf}	1,038.9	298.7		411.5	55.9	(84.0)	(225.6)	47.2	8.5	366.9
	% of GDP		0.4%								
TRANSACTIONS IN NONFINANCIAL ASSETS:											
A31	Net Acquisition of Nonfinancial Assets	447.9	136.8	31%	13.6	18.3	18.1	19.8	17.2	25.2	18.4
A311	Fixed assets	447.9	136.8	31%	13.6	18.3	18.1	19.8	17.2	25.2	18.4
A312	Change in inventories	-	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	591.0	161.9		397.9	37.6	(102.1)	(245.3)	30.1	(16.7)	348.6
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):											
A32	Net acquisition of financial assets	(0.0)	(94.2)	0%	397.9	30.9	(306.4)	(483.8)	(8.3)	(19.3)	582.8
A321	Domestic	(0.0)	(94.2)	0%	397.9	30.9	(306.4)	(483.8)	(8.3)	(19.3)	582.8
A322	Foreign	-	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(591.0)	(256.1)	43%	-	(6.7)	(204.3)	(238.4)	(38.3)	(2.6)	234.2
A331	Domestic	-	62.1	-	-	-	-	(238.4)	-	-	300.6
A332	Foreign	(591.0)	(318.2)	0.5	-	(6.7)	(204.3)	-	(38.3)	(2.6)	(66.4)
	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

Annex 4: Summary of Revenue and Expense by Ministry (as of 11/85/2014)

REVENUE BY MINISTRY						
Code	Ministry	2014 Budget	2014 Actual to Date	Actual as of % of Budget	2013 Actual	2012 Actual
M01	Constitutional Agencies	70,900,000	29,945,399	42	46,341,560	47,214,963
M02	Prime Ministers Ministry	31,200,000	21,827,969	70	40,515,153	36,876,379
M03	Ministry of Education & Training	5,500,000	2,402,491	44	12,307,049	2,996,161
M04	Ministry of Internal Affairs	1,012,293,445	721,672,488	71	1,190,192,710	749,027,563
M05	Ministry of Finance and Economic Management	12,779,217,812	8,535,115,086	67	13,675,399,143	13,464,762,821
M06	Ministry of Commerce, Industry and Tourism	29,180,000	11,551,229	40	17,270,360	19,083,380
M07	Ministry of Health	21,684,668	10,019,164	46	14,636,163	16,608,079
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	282,280,000	236,732,827	84	413,415,719	292,440,995
M09	Ministry of Lands, Environment, Mines & Water Resources	632,996,674	443,049,026	70	534,428,692	802,650,875
M10	Ministry of Infrastructure and Public Utilities	500,550,000	257,775,824	51	472,427,784	587,862,810
M12	Ministry of Foreign Affairs and External Trade	500,000	232,000	46	7,152,910	6,115,886
M14	Ministry of Youth Development and Training	400,000	312,100	78	504,500	548,300
M20	Ministry of Climate Change Adaptation, Geohazards, Meteorology and	30,300,000	4,093,220	14	44,377,716	11,379,804
M99	Consolidated Ministries and Departments	0	0	0	0	187,365,547
Total for all Ministries		15,397,002,599	10,274,728,823	67	16,468,969,459	16,224,933,563
EXPENDITURE BY MINISTRY						
Code	Ministry	2014 Budget	2014 Actual to Date	Actual as of % of Budget	2013 Actual	2012 Actual
M01	Constitutional Agencies	1,129,698,286	667,036,288	59	1,125,710,615	1,409,284,391
M02	Prime Ministers Ministry	1,549,764,931	853,598,568	55	1,274,898,042	1,031,120,959
M03	Ministry of Education & Training	4,177,924,503	2,774,762,510	66	4,176,452,140	3,945,597,404
M04	Ministry of Internal Affairs	608,452,252	411,908,731	68	693,458,533	649,812,877
M05	Ministry of Finance and Economic Management	4,466,857,249	2,871,445,684	64	3,856,611,613	3,523,730,773
M06	Ministry of Commerce, Industry and Tourism	287,682,462	196,432,382	68	334,021,158	412,387,655
M07	Ministry of Health	1,642,203,839	1,005,330,731	61	1,597,043,326	1,561,579,702
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	482,491,212	272,767,665	57	444,542,361	424,601,547
M09	Ministry of Lands, Environment, Mines & Water Resources	231,598,853	142,133,134	61	245,945,671	237,708,585
M10	Ministry of Infrastructure and Public Utilities	1,546,656,666	614,127,862	40	1,222,163,176	1,153,848,538
M12	Ministry of Foreign Affairs and External Trade	366,022,222	254,679,223	70	360,449,180	326,842,681
M13	Ministry of Cooperatives and Ni-Vanuatu Business Development Servi	0	0	0	11,916,789	39,962,239
M14	Ministry of Youth Development and Training	182,801,748	113,999,141	62	139,052,408	145,761,167
M15	Ministry of Justice and Community Service	328,337,089	190,069,609	58	311,807,952	364,276,464
M19	Ministry of Civil Aviation, Meteorology and Postal Services	0	-31,180	0	13,039,054	3,452,029
M20	Ministry of Climate Change Adaptation, Geohazards, Meteorology and	234,984,043	134,000,815	57	218,134,823	187,075,624
Total for all Ministries		17,235,475,355	10,502,261,163	61	16,025,246,841	15,417,042,635