

Treasury Monthly Budget Report – June 2014

Summary

The Government had a net operating surplus of VT 949.3 million at the end of June, which is identical to 1.2 per cent of GDP.

The total net operating balance for Government operations, excluding donor fund was a surplus of VT 212.8 million at the end of June, equivalent to 0.3 per cent of GDP.

Government Revenue

At the end of June 2014, total Government revenue has recorded VT 7,391.2 million. This represents 48.4 per cent of the Budget 2014 target and 3.9 per cent above VT 7,114.8 million recorded during the same period a year ago. Total Government revenue (including grants) has recorded an amount of VT 8,711.2 million at the end of June, representing 51 per cent of the 2014 budget target and 5.8 per cent above VT 8,237 million collected during the same periods in 2013.

VAT collection at the end of June is VT 2,710.1 million, representing 48.8 per cent of the Budget 2014 target. It is 6.2 per cent above VT 2,552.5 million collected for the same period last year. This is due to compliance operations and subsequent collection of arrears. On the other hand, import duties for the year so far total up to VT 1,162.5 which is 42.8 per cent of the budget target and 14.4 per cent less than collections in the equivalent period, 2013 and 3.9 per cent lower than the level collected in 2012 during the first six months. The increase in tax collections compared with the previous year in part reflect the higher than expected Government expenditure so far this year, which has driven higher private consumption and filtered through to VAT, import duties and excise tax receipts.

Government Expenses

Government expenses at the end of June remain broadly in line with 2014 budget target (VT 14,652.3 million) at VT 7,179.2 million. This represents 49.0 per cent of the budget target and 4.4 per cent above the level of spending (VT 6,875.5 million) for the same period in 2013. The largest portion of government expenses was consumed by compensation of employees at VT 3,795.4 million. This denotes 52.9 per cent of the government expenses and 45.7 per cent of the 2014 budget target (VT 8,302.9 million). This expense component represents a 0.1 per cent decline from the VT 3,798.3 million recorded over the same period in 2013. The next category of government expenses is the use of goods and services; worth VT 1,711.1 million and represents 50.0 per cent of the budget target (VT 3,428.1 million). This category accounted for 23.8 per cent of the Government's expenses and is 17.2 per cent above what was spend (VT 1,460.5 million) in the same period last year. The expense on Grants has recorded VT 929.0 million at the end of June representing 12.9 per cent of the government expense and 65.2 per cent of the budget target. In comparison to a year ago, spending on Grants has increased by 10.4 per cent from VT 841.6 million.*

The extreme increase of expenditure categories is due to the intrusion of unbudgeted items during the beginning of this year. Below are list of some major and unbudgeted spending items under the main expenditure category:

- Airports Cleaning, VT 18.8 million against VT 0 budget
- Internet and Satellite Communications, VT 274.8 million against VT 0 budget
- Court Costs, VT 42.7 million (or 141.4 per cent) against VT 30.2 million budget
- Vehicles Repairs & Maintenance, VT 57.3 million (or 103 per cent) against VT 55.6 million budget
- Allowance-Scholarship, VT 215.8 million (or 82.9 per cent) against VT 260.5 million budget
- Fees-Scholarship, VT 82.4 million (or 50.6 per cent) against VT 162.9 million budget
- Vehicle-Replacement, VT 21.7 million (or 185 per cent) against VT 11.7 million budget
- Vehicle-Additional Vehicle, VT 6.4 million (or 118.5 per cent) against VT 5.4 million budget
- Vehicles Fuel, VT 74.2 million (or 64.4 per cent) against VT 115.1 million budget.

However, the Government is implementing some expenditure control measure to keep total expenditure within the 2014 budget target.

**2014 Budget target on Expense increased to VT 14,652.3 million due to supplementary appropriation by Parliament during the month.*

Government Acquisition of Non-Financial Assets

For the past six (6) months, the Government has a net acquisition of non financial assets of VT 112.1 million and sold off VT 3.7 million worth of fixed assets.

Government Acquisition of Financial Assets

To date, the Government did not issue any new domestic bonds or external loans. However, the Government has retired VT 238.4 million worth of domestic bonds and VT 251.8 million worth of external loans to date. The overall Government's fiscal position acquired a surplus of VT 100.7 million at the end of June; however it helped to meet the Governments external amortization payments.

Development Budget Highlights

The Government's Development Fund received total receipts of VT 1,320.0 million from donor partner support for the year to date. The major contributing partner is Australia (VT 969.7 million), 47 per cent more than what was being contributed from Australia for the first six months a year earlier. This followed by New Zealand (VT 70.1 million), 42.2 per cent lower than the contribution from New Zealand during the equivalent period in 2013. Contributions from other donor partners are also acknowledge. The operational expense from the Development fund during June was VT 130.2 million aggregating to an amount of VT 583.5 million for the half of the year, 32.0 per cent against the target budget (VT 1,827.8 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 2014	Total (VT mn)	%	January	February	March	April	May	June
TRANSACTIONS AFFECTING NET WORTH:										
A1	Revenue	17,080.4	8,711.2	51%	2,029.2	1,338.2	1,130.2	1,159.5	1,594.9	1,459.1
A11	Taxes	13,614.6	6,724.7	49%	1,740.4	1,066.1	847.9	1,044.7	1,004.5	1,021.2
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-
A113	Taxes on property	353.5	200.2	0%	42.4	22.6	22.6	34.8	46.5	31.2
A114	Taxes on goods & services	10,544.3	5,360.6	51%	1,487.1	860.5	649.9	800.6	771.3	791.1
	of which									
	Value-Added Tax	5,555.2	2,710.1	49%	511.1	410.3	400.5	445.7	452.5	490.0
	Excise	2,145.0	933.2	44%	157.2	182.9	136.0	163.5	132.0	161.6
A115	Taxes on international trade & transactions	2,716.8	1,163.9	43%	210.8	182.9	175.4	209.3	186.7	198.9
A116	Other taxes	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-
A13	Grants	1,827.8	1,320.0	0.7	175.8	149.5	118.2	20.2	494.2	362.1
A14	Other revenue	1,638.1	666.5	41%	113.1	122.7	164.1	94.6	96.2	75.9
A2	Expense	16,041.5	7,761.9	48%	1,469.7	1,219.9	1,239.4	1,510.0	1,104.7	1,218.3
A21	Compensation of employees	8,534.3	3,883.3	46%	689.5	606.4	624.1	651.5	673.6	638.2
A22	Use of goods and services	4,233.6	2,156.0	51%	279.5	317.4	375.8	594.3	218.9	370.1
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-
A24	Interest	596.5	297.4	50%	14.0	48.0	106.9	42.0	8.1	78.3
A25	Subsidies	60.0	-	0%	-	-	-	-	-	-
A26	Grants	1,725.4	969.0	56%	459.7	110.1	63.3	130.5	127.3	78.1
A27	Social benefits	242.2	-	0%	(1.8)	39.7	28.0	24.4	13.7	5.9
A28	Other expense	649.5	-	0%	28.7	98.3	41.3	67.3	63.0	47.6
GOB	Gross operating balance (1-2+23+NOBz)	1,038.9	949.3	91%	559.5	118.4	(109.2)	(350.5)	490.2	240.8
NOB	Net operating balance (1-2+NOBz) ^{cf}	1,038.9	949.3	91%	559.5	118.4	(109.2)	(350.5)	490.2	240.8
	% of GDP		1.2%							
TRANSACTIONS IN NONFINANCIAL ASSETS:										
A31	Net Acquisition of Nonfinancial Assets	954.3	150.7	16%	17.3	28.3	19.0	22.5	18.6	44.9
A311	Fixed assets	954.3	150.7	16%	17.3	28.3	19.0	22.5	18.6	44.9
A312	Change in inventories	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	84.6	798.6		542.2	90.0	(128.2)	(372.9)	471.6	195.9
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):										
		0.1%	1.0%							
A32	Net acquisition of financial assets	(0.0)	308.3	0%	542.2	83.4	(332.5)	(611.4)	433.2	193.4
A321	Domestic	(0.0)	308.3	0%	542.2	83.4	(332.5)	(611.4)	433.2	193.4
A322	Foreign	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(84.6)	(490.3)	580%	-	(6.7)	(204.3)	(238.4)	(38.3)	(2.6)
A331	Domestic	-	(238.4)	-	-	-	-	(238.4)	-	-
A332	Foreign	(84.6)	(251.8)	3.0	-	(6.7)	(204.3)	-	(38.3)	(2.6)
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

* These are data as of 28th July 2014 but the numbers will continue to be revised until 31st March 2015 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 2014	Total (VT mn)	%	January	February	March	April	May	June
	TRANSACTIONS AFFECTING NET WORTH:									
A1	Revenue	1,827.8	1,320.0	72%	175.8	149.5	118.2	20.2	494.2	362.1
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	1,320.0	72%	175.8	149.5	118.2	20.2	494.2	362.1
A14	Other revenue	-	-	0%	-	-	-	-	-	-
A2	Expense	1,827.8	583.5	32%	27.6	85.8	143.4	145.2	51.3	130.2
A21	Compensation of employees	231.4	87.8	38%	14.4	10.3	11.8	20.5	13.8	17.0
A22	Use of goods and services	1,244.1	445.5	36%	9.8	43.6	125.2	124.3	37.5	105.1
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	-	-	-	-
A28	Other expense	18.3	9.9	54%	3.0	(0.0)	6.4	0.4	-	0.1
GOB	Gross operating balance (1-2+23+NOBz)	-	736.5		148.1	63.7	(25.2)	(124.9)	442.9	231.9
NOB	Net operating balance (1-2+NOBz) ^{cf}	-	736.5		148.1	63.7	(25.2)	(124.9)	442.9	231.9
		-	0.9%							
	TRANSACTIONS IN NONFINANCIAL ASSETS:									
A31	Net Acquisition of Nonfinancial Assets	506.4	38.5	8%	3.7	10.1	0.9	2.7	1.5	19.7
A311	Fixed assets	506.4	38.5	8%	3.7	10.1	0.9	2.7	1.5	19.7
A312	Change in inventories	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(506.4)	697.9	-138%	144.5	53.6	(26.1)	(127.6)	441.4	212.2
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):									
A32	Net acquisition of financial assets	-	697.9		144.5	53.6	(26.1)	(127.6)	441.4	212.2
A321	Domestic	-	697.9		144.5	53.6	(26.1)	(127.6)	441.4	212.2
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

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
TRANSACTIONS AFFECTING NET WORTH:										
A1	Revenue	15,252.7	7,391.2	48%	1,853.4	1,188.8	1,012.0	1,139.3	1,100.7	1,097.0
A11	Taxes	13,614.6	6,724.7	49%	1,740.4	1,066.1	847.9	1,044.7	1,004.5	1,021.2
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-
A113	Taxes on property	353.5	200.2	57%	42.4	22.6	22.6	34.8	46.5	31.2
A114	Taxes on goods & services	10,544.3	5,360.6	51%	1,487.1	860.5	649.9	800.6	771.3	791.1
	of which									
	Value-Added Tax	5,555.2	2,710.1	49%	511.1	410.3	400.5	445.7	452.5	490.0
	Excise	2,145.0	933.2	44%	157.2	182.9	136.0	163.5	132.0	161.6
A115	Taxes on international trade & transactions	2,716.8	1,163.9	43%	210.8	182.9	175.4	209.3	186.7	198.9
A116	Other taxes	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-
A13	Grants	-	-	-	-	-	-	-	-	-
A14	Other revenue	1,638.1	666.5	41%	113.1	122.7	164.1	94.6	96.2	75.9
A2	Expense	14,213.8	7,178.5	51%	1,442.0	1,134.1	1,096.0	1,364.8	1,053.4	1,088.1
A21	Compensation of employees	8,302.9	3,795.4	46%	675.1	596.1	612.3	631.0	659.8	621.2
A22	Use of goods and services	2,989.6	1,710.4	57%	269.6	273.7	250.7	470.0	181.4	265.0
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-
A24	Interest	596.5	297.4	50%	14.0	48.0	106.9	42.0	8.1	78.3
A25	Subsidies	60.0	-	0%	-	-	-	-	-	-
A26	Grants	1,423.1	929.0	65%	459.3	78.5	63.3	130.5	127.3	70.1
A27	Social benefits	210.5	109.8	52%	(1.8)	39.5	28.0	24.4	13.7	5.9
A28	Other expense	631.2	336.3	53%	25.7	98.3	34.8	66.9	63.0	47.6
GOB	Gross operating balance (1-2+23+NOBz)	1,038.9	212.8		411.4	54.7	(84.0)	(225.5)	47.3	8.9
NOB	Net operating balance (1-2+NOBz) ^{cf}	1,038.9	212.8		411.4	54.7	(84.0)	(225.5)	47.3	8.9
	% of GDP		0.3%							
TRANSACTIONS IN NONFINANCIAL ASSETS:										
A31	Net Acquisition of Nonfinancial Assets	447.9	112.1	25%	13.6	18.3	18.1	19.8	17.2	25.2
A311	Fixed assets	447.9	112.1	25%	13.6	18.3	18.1	19.8	17.2	25.2
A312	Change in inventories	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	591.0	100.7		397.8	36.4	(102.1)	(245.3)	30.1	(16.2)
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):										
A32	Net acquisition of financial assets	(0.0)	(389.6)	0%	397.8	29.8	(306.4)	(483.8)	(8.2)	(18.8)
A321	Domestic	(0.0)	(389.6)	0%	397.8	29.8	(306.4)	(483.8)	(8.2)	(18.8)
A322	Foreign	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(591.0)	(490.3)	83%	-	(6.7)	(204.3)	(238.4)	(38.3)	(2.6)
A331	Domestic	-	(238.4)	-	-	-	-	(238.4)	-	-
A332	Foreign	(591.0)	(251.8)	0.4	-	(6.7)	(204.3)	-	(38.3)	(2.6)
	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

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

REVENUE BY MINISTRY						
Code	Ministry	2014 Budget	2014 Actual to Date	Actual as % Budget	2013 Actual	2012 Actual
M01	Constitutional Agencies	70,900,000	26,100,673	37	46,341,560	47,214,963
M02	Prime Ministers Ministry	31,200,000	20,525,948	66	40,515,153	36,876,379
M03	Ministry of Education & Training	5,500,000	2,236,189	41	12,307,049	2,996,161
M04	Ministry of Internal Affairs	1,012,293,445	645,640,356	64	1,190,192,710	749,027,563
M05	Ministry of Finance and Economic Management	12,779,217,812	7,515,686,976	59	13,675,585,678	13,464,949,356
M06	Ministry of Commerce, Industry and Tourism	29,180,000	11,122,276	38	17,270,360	19,083,380
M07	Ministry of Health	21,684,668	9,346,108	43	14,636,163	16,608,079
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	282,280,000	232,744,633	82	413,415,719	292,440,995
M09	Ministry of Lands, Environment, Mines & Water Resources	632,996,674	412,744,357	65	534,387,900	802,610,083
M10	Ministry of Infrastructure and Public Utilities	500,550,000	250,593,485	50	472,427,784	587,862,810
M12	Ministry of Foreign Affairs and External Trade	500,000	154,500	31	7,152,910	6,115,886
M14	Ministry of Youth Development and Training	400,000	294,600	74	504,500	548,300
M20	Ministry of Climate Change Adaptation, Geohazards, Meteorology and Energy	30,300,000	4,029,720	13	44,377,716	11,379,804
Total for all Ministries		15,397,002,599	9,131,219,821	59	16,469,115,202	16,225,079,306
EXPENDITURE BY MINISTRY						
Code	Ministry	2014 Budget	2014 Actual to Date	Actual as % Budget	2013 Actual	2012 Actual
M01	Constitutional Agencies	1,129,698,286	625,905,386	55	1,125,710,615	1,409,284,391
M02	Prime Ministers Ministry	1,549,764,931	724,402,297	47	1,274,898,042	1,031,120,959
M03	Ministry of Education & Training	4,177,924,503	2,583,139,398	62	4,176,452,140	3,945,597,404
M04	Ministry of Internal Affairs	608,452,252	340,672,432	56	693,464,193	649,812,877
M05	Ministry of Finance and Economic Management	4,466,857,249	2,698,099,436	60	3,858,032,255	3,523,730,773
M06	Ministry of Commerce, Industry and Tourism	287,682,462	187,732,982	65	334,021,158	412,387,655
M07	Ministry of Health	1,642,203,839	943,296,727	57	1,597,043,326	1,561,579,702
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	482,491,212	256,170,086	53	444,542,361	424,601,547
M09	Ministry of Lands, Environment, Mines & Water Resources	231,598,853	132,280,885	57	245,945,671	237,708,585
M10	Ministry of Infrastructure and Public Utilities	1,546,656,666	571,424,571	37	1,222,163,176	1,153,848,538
M12	Ministry of Foreign Affairs and External Trade	366,022,222	243,915,199	67	360,449,180	326,842,681
M13	Ministry of Cooperatives and Ni-Vanuatu Business Development Services	0	0	0	11,916,789	39,962,239
M14	Ministry of Youth Development and Training	182,801,748	104,926,541	57	139,052,408	145,761,167
M15	Ministry of Justice and Community Service	328,337,089	174,428,864	53	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 Energy	234,984,043	124,368,333	53	218,134,823	187,075,624
Total for all Ministries		17,235,475,355	9,710,731,957	56	16,026,673,143	15,417,042,635

**Vision report 28th July 2014 includes VAT paid by Departments