

Treasury Monthly Budget Report – June 2015

Summary

The Government had a net operating surplus of VT 4,631.4 million at the end of June, which is identical to 5.9 per cent of GDP.

The total net operating balance for Government operations, excluding donor fund was a surplus of VT 268.9 million at the end of June, equivalent to 0.3 per cent of GDP.

Government Revenue

Total government revenue at the end of June recorded an amount of VT 7,676.1 million. This represents 48.0 per cent of the 2015 budget target (VT 16,097.4 million) and is 3.8 per cent above the VT 7,391.2 million recorded in June 2014. The total government revenue (including grants) has increased to VT 13,478.2 million at the end of June, representing 71.0 per cent of the 2015 budget target (VT 18,989.1 million) and is 54.7 per cent higher than the VT 8,711.2 million collected over the same period in 2014. VAT collection at the end of June stands at VT 2,788.5 million, representing 50.0 per cent of the 2015 budget target and is 2.9 per cent above the VT 2,710.1 million collected in the same period last year. The increase is due to confluence of factors including; (i) improved compliance operations and (ii) increased spending during the rehabilitation phase post TC Pam period – the increased spending associated with VNPF 20 per cent members' pay-out. The second stream of government revenues is import duties, collecting VT 1,255.3 million at the end of June, which is 47.0 per cent of the 2015 budget target and is 7.9 per cent more than collections during the same period last year. The increased tax collections in part reflect recovery in total demand (public & private) filtered through to VAT, import duties and excise tax receipts.

Government Expenses

Government expenses at the end of June remain broadly in line with the 2015 budget target (VT 15,519.2 million) at 7,407.2 million. This represents 48.0 per cent of the budget target and is 3.2 per cent above the level of spending (VT 7,178.5 million) during the same period in 2014. The largest portion of government expenses was consumed by compensation of employees with VT 3,935.7 million. The next category of government expenses is the use of good and services worth VT 1,644.6 million and represents 43.0 per cent of the budget target (VT 3,803.4 million).

The increase of expenditure categories is due to the intrusion of unbudgeted items during the beginning of the year associated with the natural disaster, as previously mentioned. The main items include House-renovation with an actual expense of VT 1.7 million against a VT 80 thousand budget, Vehicle-additional vehicle with VT 23.2 million against a VT 6.0 million budget, rations suppliers with VT 138.6 million against a VT 14.6 million budget, internet and satellite communications with VT 15.1 million against a VT 0 budget and compensation damages with VT 8.4 million against a VT 5.1 million budget. However, the government has implemented some stricter expenditure control measures to keep total expenditure under control as outlined in the COM Decision 37/2015.

To date, the Government has made a standing appropriation bill of VT 248.0 million under section 34C of the PFEM Act for the Relief and recovery efforts for TC Pam.

Government expenses including donor at the end of June summed to VT 8,847.1 million, accounting for 48.0 per cent of the budget target of VT 18,410.8 million.

Government Acquisition of Non-Financial Assets

The Government spent VT 147.3 million acquiring fixed assets against a budget of VT 196.6 million and sold off VT1.6 million worth of fixed assets. This brings the total net acquisition of non-financial assets to VT 145.8 million.

Government Acquisition of Financial Assets

At the end of June, the government issued VT 661.3 million worth of domestic bonds and amortised VT 638.1 million worth of domestic bonds. To date, the Government did not draw down any external loans, but repaid VT 279.7 million worth of external loans.

Development Budget Highlights

The Government's development fund received total receipts of VT 5,802.4 million from donor support. The amount is large, due to contributions following TC Pam that hit Vanuatu early this year on 13th March 2015. The major contributing partner is Australia (VT 3,718.5 million) followed by New Zealand (VT 558.8 million), E.E.C Contribution (VT 363.4 million), World Bank Contributions (VT 314.6 million), PNG Contribution (VT 195.6 million) and ADB contributions (VT 109.2 million). Contributions from other donor partners are also acknowledged.

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	February	March	April	May	June
TRANSACTIONS AFFECTING NET WORTH:										
A1	Revenue	18,989.1	13,776.6	73%	1,626.0	1,270.3	2,501.0	1,603.6	1,703.0	5,072.7
A11	Taxes	14,068.6	6,273.7	45%	1,431.9	614.9	985.5	1,074.0	1,018.4	1,149.0
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-
A113	Taxes on property	520.4	206.3	40%	43.7	48.4	22.6	23.9	31.6	36.1
A114	Taxes on goods & services	10,852.7	4,812.1	44%	1,173.7	426.1	781.2	808.6	772.8	849.7
	of which									
	Value-Added Tax	5,610.6	2,770.1	49%	577.0	252.0	518.9	464.7	470.2	487.3
	Excise	2,010.8	995.7	50%	170.4	76.7	126.1	232.6	175.8	214.1
A115	Taxes on international trade & transactions	2,695.6	1,255.3	47%	214.6	140.4	181.7	241.5	214.0	263.2
A116	Other taxes	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-
A13	Grants	2,891.7	6,677.6	2.3	41.6	541.6	1,394.0	381.0	570.9	3,748.5
A14	Other revenue	2,028.8	825.3	41%	152.5	113.8	121.5	148.6	113.7	175.2
A2	Expense	18,410.8	8,907.5	48%	1,389.6	1,548.0	1,581.0	1,558.3	1,361.6	1,469.2
A21	Compensation of employees	8,848.8	4,016.7	45%	704.0	640.8	653.6	656.4	661.1	701.0
A22	Use of goods and services	5,802.3	2,289.9	39%	333.4	321.8	341.5	520.4	359.6	413.3
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-
A24	Interest	683.9	331.9	49%	15.3	45.7	62.9	28.1	4.3	175.6
A25	Subsidies	-	-	-	-	-	-	-	-	-
A26	Grants	1,686.3	1,691.9	100%	166.9	380.7	518.6	262.6	275.8	87.3
A27	Social benefits	518.2	-	0%	86.8	97.5	4.1	22.5	7.4	22.3
A28	Other expense	871.3	-	0%	83.1	61.5	0.4	68.3	53.4	69.7
GOB	Gross operating balance (1-2+23+NOBz)	578.2	4,869.1	842%	236.4	(277.6)	920.0	45.3	341.5	3,603.6
NOB	Net operating balance (1-2+NOBz) ^{cf}	578.2	4,869.1	842%	236.4	(277.6)	920.0	45.3	341.5	3,603.6
	% of GDP		6.2%							
TRANSACTIONS IN NONFINANCIAL ASSETS:										
A31	Net Acquisition of Nonfinancial Assets	6,070.9	586.8	10%	116.0	199.9	25.6	71.6	88.2	85.5
A311	Fixed assets	6,070.9	586.8	10%	116.0	199.9	25.6	71.6	88.2	85.5
A312	Change in inventories	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(5,492.6)	4,282.3		120.4	(477.5)	894.4	(26.4)	253.3	3,518.1
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):										
		-7.0%	5.4%							
A32	Net acquisition of financial assets	(248.0)	4,025.8	0%	113.3	(503.2)	844.2	(36.1)	236.4	3,371.1
A321	Domestic	(248.0)	4,025.8	0%	113.3	(503.2)	844.2	(36.1)	236.4	3,371.1
A322	Foreign	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	5,244.6	(256.5)	-5%	(7.1)	(25.7)	(50.2)	(9.8)	(16.8)	(146.9)
A331	Domestic	162.9	23.2		-	-	2.4	8.8	-	12.0
A332	Foreign	5,081.7	(279.7)	(0.1)	(7.1)	(25.7)	(52.6)	(18.6)	(16.8)	(158.9)

* These are data as of 31st July 2015 but the numbers will continue to be revised until 31st March 2016 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 2015	Total (VT mn)	%	January	February	March	April	May	June
	TRANSACTIONS AFFECTING NET WORTH:									
A1	Revenue	2,891.7	5,802.4	201%	41.6	518.8	1,023.8	173.4	565.9	3,478.8
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	2,891.7	5,802.4	201%	41.6	518.8	1,023.8	173.4	565.9	3,478.8
A14	Other revenue	-	-	0%	-	-	-	-	-	-
A2	Expense	2,891.7	1,439.9	50%	116.3	101.9	397.8	351.5	299.0	173.4
A21	Compensation of employees	360.4	81.0	22%	11.5	13.4	11.6	11.8	14.7	17.9
A22	Use of goods and services	1,998.9	584.8	29%	89.7	85.9	26.6	137.0	92.1	153.5
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-
A24	Interest	-	-	0%	-	-	-	-	-	-
A25	Subsidies	-	-	0%	-	-	-	-	-	-
A26	Grants	447.2	770.1	172%	14.8	1.5	359.6	202.3	191.2	0.7
A27	Social benefits	51.3	3.0	6%	0.2	1.1	-	0.4	-	1.3
A28	Other expense	33.8	1.0	3%	-	-	-	-	1.0	-
GOB	Gross operating balance (1-2+23+NOBz)	-	4,362.5		(74.7)	417.0	626.0	(178.0)	266.9	3,305.4
NOB	Net operating balance (1-2+NOBz) ^{cf}	-	4,362.5		(74.7)	417.0	626.0	(178.0)	266.9	3,305.4
		-	5.5%							
	TRANSACTIONS IN NONFINANCIAL ASSETS:									
A31	Net Acquisition of Nonfinancial Assets	5,858.1	439.6	8%	94.8	177.2	2.5	44.2	62.5	58.3
A311	Fixed assets	5,858.1	439.6	8%	94.8	177.2	2.5	44.2	62.5	58.3
A312	Change in inventories	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(5,858.1)	3,922.9	-67%	(169.5)	239.8	623.5	(222.3)	204.4	3,247.0
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):									
A32	Net acquisition of financial assets	-	3,922.9		(169.5)	239.8	623.5	(222.3)	204.4	3,247.0
A321	Domestic	-	3,922.9		(169.5)	239.8	623.5	(222.3)	204.4	3,247.0
A322	Foreign	-	-		-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-		-	-	-	-	-	-
A33	Net incurrence of liabilities	5,858.1	-	0%	-	-	-	-	-	-
A331	Domestic	-	-	0%	-	-	-	-	-	-
A332	Foreign	5,858.1	-	0%	-	-	-	-	-	-

Statement Of Government Operations Excluding Donors

STATEMENT OF GOVERNMENT OPERATIONS EXCLUDING DONORS										
GFS Code	GFS Description	Budget 2015	Total (VT mn)	%	January	February	March	April	May	June
	TRANSACTIONS AFFECTING NET WORTH:									
A1	Revenue	16,097.4	7,676.1	48%	1,584.4	728.7	1,466.5	1,425.4	1,130.5	1,340.4
A11	Taxes	14,068.6	6,292.1	45%	1,431.9	614.9	985.5	1,074.0	1,018.4	1,167.4
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-	-
A113	Taxes on property	520.4	206.3	40%	43.7	48.4	22.6	23.9	31.6	36.1
A114	Taxes on goods & services	10,852.7	4,830.5	45%	1,173.7	426.1	781.2	808.6	772.8	868.1
	of which									
	Value-Added Tax	5,610.6	2,788.5	50%	577.0	252.0	518.9	464.7	470.2	505.7
	Excise	2,010.8	995.7	50%	170.4	76.7	126.1	232.6	175.8	214.1
A115	Taxes on international trade & transactions	2,695.6	1,255.3	47%	214.6	140.4	181.7	241.5	214.0	263.2
A116	Other taxes	-	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-	-
A13	Grants	-	561.6	-	-	-	359.6	202.0	-	-
A14	Other revenue	2,028.8	822.4	41%	152.5	113.8	121.5	149.4	112.2	173.0
A2	Expense	15,519.2	7,407.2	48%	1,273.0	1,423.3	1,172.0	1,197.4	1,056.6	1,284.8
A21	Compensation of employees	8,488.4	3,935.7	46%	692.5	627.4	641.9	644.6	646.4	683.1
A22	Use of goods and services	3,803.4	1,644.6	43%	243.4	213.1	303.7	374.0	261.5	248.9
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-	-
A24	Interest	683.9	331.9	49%	15.3	45.7	62.9	28.1	4.3	175.6
A25	Subsidies	-	-	0%	-	-	-	-	-	-
A26	Grants	1,239.1	921.8	74%	152.2	379.2	159.0	60.4	84.6	86.6
A27	Social benefits	467.0	237.7	51%	86.6	96.5	4.1	22.1	7.4	21.1
A28	Other expense	837.5	335.4	40%	83.1	61.5	0.4	68.3	52.4	69.7
GOB	Gross operating balance (1-2+23+NOBz)	578.2	268.9		311.4	(694.6)	294.5	228.1	73.9	55.6
NOB	Net operating balance (1-2+NOBz) ^u	578.2	268.9		311.4	(694.6)	294.5	228.1	73.9	55.6
	% of GDP		0.3%							
	TRANSACTIONS IN NONFINANCIAL ASSETS:									
A31	Net Acquisition of Nonfinancial Assets	212.7	145.8	69%	21.2	22.7	23.1	27.4	24.3	27.2
A311	Fixed assets	212.7	145.8	69%	21.2	22.7	23.1	27.4	24.3	27.2
A312	Change in inventories	-	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	365.5	123.1		290.2	(717.3)	271.5	200.7	49.6	28.4
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):									
A32	Net acquisition of financial assets	(248.0)	(133.4)	0%	283.1	(743.0)	221.3	190.9	32.8	(118.6)
A321	Domestic	(248.0)	(133.4)	0%	283.1	(743.0)	221.3	190.9	32.8	(118.6)
A322	Foreign	-	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(613.5)	(256.5)	42%	(7.1)	(25.7)	(50.2)	(9.8)	(16.8)	(146.9)
A331	Domestic	162.9	23.2	-	-	-	2.4	8.8	-	12.0
A332	Foreign	(776.4)	(279.7)	0.4	(7.1)	(25.7)	(52.6)	(18.6)	(16.8)	(158.9)

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

REVENUE BY MINISTRY						
Code	Ministry	2015 Budget	2015 Actual to Date	Actual as % by Budget 2015	2014 Actual	2013 Actual
M01	Constitutional Agencies	269,000,000	452,332,866	168%	201,846,029	46,341,560
M02	Prime Ministers Ministry	39,200,000	24,216,032	62%	39,301,842	40,515,153
M03	Ministry of Education & Training	8,500,000	8,816,856	104%	12,609,971	12,307,049
M04	Ministry of Internal Affairs	1,229,358,000	307,599,569	25%	1,179,353,484	1,190,192,710
M05	Ministry of Finance and Economic Management	12,826,273,683	8,930,254,566	70%	13,874,547,721	13,601,621,499
M06	Ministry of Tourism, Trade, Commerce and Ni- Vanuatu Business	25,241,111	17,006,017	67%	22,650,234	17,270,360
M07	Ministry of Health	16,184,668	9,128,378	56%	17,207,175	14,636,163
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	365,744,000	278,885,229	76%	389,873,170	413,415,719
M09	Ministry of Lands, Mines & Water Resources	764,390,000	249,627,300	33%	619,877,373	534,428,692
M10	Ministry of Infrastructure and Public Utilities	513,089,865	306,839,389	60%	509,738,551	472,427,784
M12	Ministry of Foreign Affairs, International Cooperation and External Trade	176,530,889	6,178,213	3%	4,049,009	7,152,910
M14	Ministry of Youth Development and Sports	400,000	312,300	78%	519,100	504,500
M20	Ministry of Climate Change Adaptation, Geohazards, Meteorology and Energy	32,300,000	32,974,771	102%	7,563,502	44,377,716
Total for all Ministries		16,266,212,216	10,624,171,486	65%	16,879,137,161	15,701,266,976
EXPENDITURE BY MINISTRY						
Code	Ministry	2015 Budget	2015 Actual to Date	Actual as % by Budget 2015	2014 Actual	2013 Actual
M01	Constitutional Agencies	1,196,653,930	695,417,163	58%	1,150,364,809	1,125,710,621
M02	Prime Ministers Ministry	1,384,791,813	766,219,486	55%	1,654,961,899	1,274,898,044
M03	Ministry of Education & Training	4,303,732,687	2,907,368,240	68%	4,318,497,545	4,176,452,186
M04	Ministry of Internal Affairs	626,735,094	367,813,550	59%	602,505,134	693,464,194
M05	Ministry of Finance and Economic Management	4,985,611,256	2,759,907,285	55%	4,298,804,324	3,856,613,345
M06	Ministry of Tourism, Trade, Commerce and Ni- Vanuatu Business	281,382,822	156,983,043	56%	287,204,586	334,405,947
M07	Ministry of Health	1,949,169,127	974,105,799	50%	1,616,383,504	1,596,914,299
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	568,908,586	273,061,530	48%	483,722,236	444,547,362
M09	Ministry of Lands, Mines & Water Resources	266,196,156	143,870,993	54%	232,561,213	245,945,671
M10	Ministry of Infrastructure and Public Utilities	1,306,989,241	636,675,759	49%	1,520,032,795	1,222,163,187
M12	Ministry of Foreign Affairs, International Cooperation and External Trade	425,022,222	265,084,318	62%	373,001,757	360,448,430
M13	Ministry of Cooperatives and Ni-Vanuatu Business Development Services					11,916,788
M14	Ministry of Youth Development and Sports	155,151,748	102,815,494	66%	179,964,934	139,052,407
M15	Ministry of Justice and Social Welfare	333,337,089	183,790,212	55%	329,024,555	311,808,143
M19	Ministry of Civil Aviation, Meteorology and Postal Services					13,039,056
M20	Ministry of Climate Change Adaptation, Geohazards, Meteorology and Energy	237,984,045	127,853,184	54%	258,870,363	218,097,203
Total for all Ministries		18,021,665,816	10,360,966,056	57%	17,305,899,654	16,025,476,883

**Vision report 31st July 2015 includes VAT paid by Departments