

Treasury Monthly Budget Report – May 2014

Summary

The net operating balance for total Government operations at the end of May was a surplus of VT681.0 million, equivalent to 0.9 percent of GDP.

The net operating balance for Government operations, excluding donor funds, at the end of May was a surplus worth VT 174.2 million, equivalent to 0.2 percent of GDP.

Government Revenue

In the past five months, the total receipts for the Government summed up to VT 6,265.6 million. This represents 41 percent of the Budget target (VT 15,252.7 million) and 4.3 percent above what was collected (VT 6,006.1 million) during the equivalent period last year. This is due to compliance operations and subsequent collection of arrears.

VAT, the largest revenue handle came in strong this month at VT 463.2 million. This bring the total collection to VT 2,229.6 million at the end of May, representing 40 percent of the budget target (VT 5,555.2 million) and 6.1 percent higher than the amount of VT 2,102 million collected at the same period last year. Import duty on the other hand has collected VT 965.0 million at the end of May, representing 36 percent of the budget target (VT 2,716.8 million) and 2.1 percent below the level collected (VT 985.9 million) during the same period of 2013. The third largest revenue stream excise collected VT 771.6 million at the end of May. This represent 36 percent of the budget target (VT 2,145.0 million) and 8.7 percent above VT 710.1 million collected during the same period last year.

Higher Government revenue collections continued to be enhanced by sales of residency permits (particularly those bought under the Hong Kong Permanent Residency Program). At the end of May, residency permits collected 50.8 percent (VT 391.5 million) of the budget target (VT 771.1 million).

Government Expenses

To date, Government expenses remain broadly in line with budget target (VT 14,213.8 million) at VT 6,091.3 million. This represents 43 percent of the budget target and 6.5 percent above the level of spending (VT 5,720.9) during the same period of 2013 due to spending on unbudgeted items in most line ministries.

However, the following items are worth highlighting as these expenditure items have exceeded their 2014 budgets.

- *Vehicles hire VT 26.5 million (or 524.3 percent) against an annual Budget of VT 5 million.*
- *Internet and Satellite Communications, VT 270.6 million against VT 0 Budget.*
- *Court costs, VT 38.6 million (or 127.8 percent) against an annual Budget of VT 30.2 million.*
- *Vehicle Replacement, VT 19 million (or 162.6 percent) against an annual Budget of VT 11.5 million*
- *Vehicles – Additional Vehicle, VT 5.5 million (or 102 percent) against an annual Budget of VT 5.4 million.*

Government Acquisition of Non-Financial Assets

To date, the Government spent only VT 88.8 million acquiring fixed assets against budget of VT 449.5 million. It has sold off VT 2.4 million worth of fixed assets.

Government Acquisition of Financial Assets

To date, the government has not issue any new domestic bonds or external loans. The Government has retired VT 238.4 million worth of domestic bonds in April and VT 249.3 million worth of external loans to ADB (VT 70.6 million), IDA (VT 25.8 million) and CFDD (VT 17.6 million) at the end of May.

Development Budget Highlights

The month of May recorded the highest amount of funds received from donors at VT 493.9 million. This brings the total revenue received by the development fund in 2014 to VT 957.5 million against a budget target of VT 1,827.8 million. The major contributing partner is Australia (VT 627.8 million).

To date, the development fund spent VT469.7 million against budget target of VT 2,334.2 million, this spending was mainly towards salary and wages (VT 70.8 million), operations (VT 337.9 million), grants (VT 32 million) and acquiring of fixed assets (VT 18.9 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
TRANSACTIONS AFFECTING NET WORTH:									
A1	Revenue	17,080.4	7,223.1	42%	2,029.2	1,332.0	1,124.4	1,157.6	1,579.9
A11	Taxes	13,614.6	5,681.9	42%	1,740.4	1,061.3	846.7	1,042.9	990.6
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-
A113	Taxes on property	353.5	169.0	0%	42.4	22.6	22.6	34.8	46.5
A114	Taxes on goods & services	10,544.3	4,547.9	43%	1,487.1	855.7	648.7	798.9	757.5
	of which								
	Value-Added Tax	5,555.2	2,229.6	40%	511.1	410.3	399.3	445.7	463.2
	Excise	2,145.0	771.6	36%	157.2	182.9	138.0	163.4	132.0
A115	Taxes on international trade & transactions	2,716.8	965.0	36%	210.8	182.9	175.4	209.2	186.6
A116	Other taxes	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-
A13	Grants	1,827.8	957.5	0.5	175.8	149.5	118.2	20.2	493.9
A14	Other revenue	1,638.1	583.7	36%	113.0	121.3	159.5	94.5	95.4
A2	Expense	16,041.5	6,542.1	41%	1,469.6	1,219.9	1,238.6	1,509.2	1,104.9
A21	Compensation of employees	8,534.3	3,244.9	38%	689.3	606.4	624.1	651.5	673.6
A22	Use of goods and services	4,233.6	1,784.3	42%	279.4	317.4	375.0	593.5	219.0
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-
A24	Interest	596.5	219.1	37%	14.0	48.0	106.9	42.0	8.1
A25	Subsidies	60.0	-	0%	-	-	-	-	-
A26	Grants	1,725.4	890.9	52%	459.7	110.1	63.3	130.5	127.3
A27	Social benefits	242.2	-	0%	(1.6)	39.7	28.0	24.4	13.7
A28	Other expense	649.5	-	0%	28.7	98.3	41.3	67.3	63.0
GOB	Gross operating balance (1-2+23+NOBz)	1,038.9	681.0	66%	559.5	112.2	(114.2)	(351.6)	475.0
NOB	Net operating balance (1-2+NOBz) ^{cf}	1,038.9	681.0	66%	559.5	112.2	(114.2)	(351.6)	475.0
	% of GDP		0.9%						
TRANSACTIONS IN NONFINANCIAL ASSETS:									
A31	Net Acquisition of Nonfinancial Assets	954.3	105.2	11%	17.4	28.4	19.0	22.5	18.0
A311	Fixed assets	954.3	105.2	11%	17.4	28.4	19.0	22.5	18.0
A312	Change in inventories	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	84.6	575.8		542.2	83.8	(133.2)	(374.1)	457.1
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):									
A32	Net acquisition of financial assets	(0.0)	88.0	0%	542.2	77.1	(337.5)	(612.5)	418.7
A321	Domestic	(0.0)	88.0	0%	542.2	77.1	(337.5)	(612.5)	418.7
A322	Foreign	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(84.6)	(487.7)	577%	-	(6.7)	(204.3)	(238.4)	(38.3)
A331	Domestic	-	(238.4)	-	-	-	-	(238.4)	-
A332	Foreign	(84.6)	(249.3)	2.9	-	(6.7)	(204.3)	-	(38.3)
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

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
TRANSACTIONS AFFECTING NET WORTH:									
A1	Revenue	1,827.8	957.5	52%	175.8	149.5	118.2	20.2	493.9
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	957.5	52%	175.8	149.5	118.2	20.2	493.9
A14	Other revenue	-	-	0%	-	-	-	-	-
A2	Expense	1,827.8	450.8	25%	27.6	85.8	143.4	144.8	49.3
A21	Compensation of employees	231.4	70.8	31%	14.4	10.3	11.8	20.5	13.8
A22	Use of goods and services	1,244.1	337.9	27%	9.8	43.6	125.2	123.9	35.5
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	9.9	54%	3.0	(0.0)	6.4	0.4	-
GOB	Gross operating balance (1-2+23+NOBz)	-	506.7		148.2	63.7	(25.2)	(124.5)	444.6
NOB	Net operating balance (1-2+NOBz) ^{cf}	-	506.7		148.2	63.7	(25.2)	(124.5)	444.6
		-	0.6%						
TRANSACTIONS IN NONFINANCIAL ASSETS:									
A31	Net Acquisition of Nonfinancial Assets	506.4	18.9	4%	3.7	10.1	0.9	2.7	1.4
A311	Fixed assets	506.4	18.9	4%	3.7	10.1	0.9	2.7	1.4
A312	Change in inventories	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(506.4)	487.9	-96%	144.5	53.6	(26.1)	(127.2)	443.2
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):									
A32	Net acquisition of financial assets	-	487.9		144.5	53.6	(26.1)	(127.2)	443.2
A321	Domestic	-	487.9		144.5	53.6	(26.1)	(127.2)	443.2
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

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
TRANSACTIONS AFFECTING NET WORTH:									
A1	Revenue	15,252.7	6,265.6	41%	1,853.4	1,182.5	1,006.2	1,137.4	1,086.0
A11	Taxes	13,614.6	5,681.9	42%	1,740.4	1,061.3	846.7	1,042.9	990.6
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-
A113	Taxes on property	353.5	169.0	48%	42.4	22.6	22.6	34.8	46.5
A114	Taxes on goods & services	10,544.3	4,547.9	43%	1,487.1	855.7	648.7	798.9	757.5
	of which								
	Value-Added Tax	5,555.2	2,229.6	40%	511.1	410.3	399.3	445.7	463.2
	Excise	2,145.0	771.6	36%	157.2	182.9	136.0	163.4	132.0
A115	Taxes on international trade & transactions	2,716.8	965.0	36%	210.8	182.9	175.4	209.2	186.6
A116	Other taxes	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-
A13	Grants	-	-	-	-	-	-	-	-
A14	Other revenue	1,638.1	583.7	36%	113.0	121.3	159.5	94.5	95.4
A2	Expense	14,213.8	6,091.3	43%	1,442.0	1,134.1	1,095.2	1,364.4	1,055.6
A21	Compensation of employees	8,302.9	3,174.1	38%	674.9	596.1	612.3	631.0	659.8
A22	Use of goods and services	2,989.6	1,446.4	48%	269.6	273.7	249.8	469.6	183.6
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-
A24	Interest	596.5	219.1	37%	14.0	48.0	106.9	42.0	8.1
A25	Subsidies	60.0	-	0%	-	-	-	-	-
A26	Grants	1,423.1	858.9	60%	459.3	78.5	63.3	130.5	127.3
A27	Social benefits	210.5	104.1	49%	(1.6)	39.5	28.0	24.4	13.7
A28	Other expense	631.2	288.8	46%	25.7	98.3	34.8	66.9	63.0
GOB	Gross operating balance (1-2+23+NOBz)	1,038.9	174.2		411.4	48.5	(89.0)	(227.1)	30.5
NOB	Net operating balance (1-2+NOBz) ^{c/}	1,038.9	174.2		411.4	48.5	(89.0)	(227.1)	30.5
	% of GDP		0.2%						
TRANSACTIONS IN NONFINANCIAL ASSETS:									
A31	Net Acquisition of Nonfinancial Assets	447.9	86.3	19%	13.6	18.3	18.1	19.8	16.6
A311	Fixed assets	447.9	86.3	19%	13.6	18.3	18.1	19.8	16.6
A312	Change in inventories	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	591.0	87.9		397.7	30.2	(107.1)	(246.8)	13.9
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):									
A32	Net acquisition of financial assets	(0.0)	(399.8)	0%	397.7	23.5	(311.4)	(485.3)	(24.4)
A321	Domestic	(0.0)	(399.8)	0%	397.7	23.5	(311.4)	(485.3)	(24.4)
A322	Foreign	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(591.0)	(487.7)	83%	-	(6.7)	(204.3)	(238.4)	(38.3)
A331	Domestic	-	(238.4)	-	-	-	-	(238.4)	-
A332	Foreign	(591.0)	(249.3)	0.4	-	(6.7)	(204.3)	-	(38.3)
	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

Annex 4: Summary of Revenue and Expense by Ministry

REVENUE BY MINISTRY						
Code	MINISTRY	2014 Budget	2014 Actual to Date	2014 Actual as % of Budget	2013 Actual	2012 Actual
M01	Constitutional Agencies	70,900,000	20,939,130	30	46,341,560	47,214,963
M02	Prime Ministers Ministry	31,200,000	18,104,743	58	40,515,153	36,876,379
M03	Ministry of Education and Youth and Sports	5,500,000	2,279,998	41	12,307,049	2,996,161
M04	Ministry of Internal Affairs	1,012,293,445	568,721,207	56	1,190,192,710	749,027,563
M05	Ministry of Finance and Economic Management	12,779,217,812	6,362,977,244	50	13,567,778,222	13,464,949,356
M06	Ministry of Commerce, Industry and Tourism	29,180,000	8,908,328	31	17,270,360	19,083,380
M07	Ministry of Health	21,684,668	8,033,785	37	14,636,163	16,608,079
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	282,280,000	162,729,363	58	413,415,719	292,440,995
M09	Ministry of Lands, Environment, Mines & Water Resources	632,996,674	215,091,508	34	534,358,639	802,555,789
M10	Ministry of Infrastructure and Public Utilities	500,550,000	223,794,883	45	472,444,652	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	238,300	60	504,500	548,300
M20	Ministry of Climate Change Adaptation, Geohazards, Meteorology and Energy	30,300,000	3,589,459	12	43,857,966	10,860,054
M99	Consolidated Ministries and Departments	0	0	0	0	187,390,580
Total for all Ministries		15,397,002,599	7,595,562,448	49	16,360,775,603	16,224,530,295
EXPENDITURE BY MINISTRY						
Code	MINISTRY	2014 Budget	2014 Actual to Date	2014 Actual as % of Budget	2013 Actual	2012 Actual
M01	Constitutional Agencies	1,129,698,286	497,975,903	44	1,125,710,615	1,409,284,391
M02	Prime Ministers Ministry	1,275,491,813	555,562,538	44	1,274,914,910	1,031,120,959
M03	Ministry of Education and Youth and Sports	4,177,924,503	2,099,746,375	50	4,176,452,140	3,945,597,404
M04	Ministry of Internal Affairs	608,452,252	301,433,993	50	693,464,193	649,812,877
M05	Ministry of Finance and Economic Management	4,466,857,249	2,417,901,092	54	3,856,606,613	3,523,730,773
M06	Ministry of Commerce, Industry and Tourism	287,682,822	160,603,578	56	334,021,158	412,387,655
M07	Ministry of Health	1,642,203,839	777,772,125	47	1,597,043,326	1,561,579,702
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	482,491,212	209,177,032	43	444,542,361	424,601,547
M09	Ministry of Lands, Environment, Mines & Water Resources	231,598,853	111,006,561	48	245,945,671	237,708,585
M10	Ministry of Infrastructure and Public Utilities	1,546,656,666	458,015,259	30	1,222,163,176	1,153,848,538
M12	Ministry of Foreign Affairs and External Trade	366,022,222	213,377,691	58	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	153,551,748	86,944,524	57	139,052,408	145,761,167
M15	Ministry of Justice and Community Service	328,337,089	139,611,203	43	311,807,952	364,276,464
M19	Ministry of Civil Aviation, Meteorology and Postal Services	0	0	0	13,039,054	3,452,029
M20	Ministry of Climate Change Adaptation, Geohazards, Meteorology and Energy	234,984,043	97,559,160	42	218,134,823	187,075,624
Total for all Ministries		16,931,952,597	8,126,687,034	48	16,025,264,369	15,417,042,635

*Vision report 19/06/14, includes VAT paid by Departments