

Treasury Monthly Budget Report – May 2015

Summary

The net operating balance for total Government operations at the end of May was a surplus of VT 402.7 million, equivalent to 0.5 per cent of GDP.

The net operating balance for Government operations, excluding donor funds, at the end of May was a deficit worth VT 346.0 million, equivalent to -0.4 per cent of GDP.

Government Revenue

So far, the total receipts for the Government summed up to VT 5,777.1 million. This represents 36.0 per cent of the budget target (VT 16,097.4 million) and 7.8 per cent below what was collected (VT 6,265.6 million) during the equivalent period last year.

VAT collection this month is VT 477.7 million, bringing the total collection to VT 2,290.4 million for the past five months. This represents 41.0 per cent of the budget target (VT 5,610.6 million) and 2.7 per cent higher than the amount of VT 2,229.6 million collected at the same period last year. Import duty on the other hand has collected VT 992.1million at the end of May, representing 37.0 per cent of the budget target (VT 2,695.6 million) and 2.8 per cent above the level collected (VT 965.0 million) during the same period of 2014. The third major revenue stream, excise collected VT 781.6 million at the end of May. This represents 39.0 per cent of the budget target (VT 2,010.8 million) and 1.3 per cent above VT 771.6 million collected during the same period last year.

Government Expenses

To date, Government expenses remain broadly in line with their budget targets (VT 15,271.2 million) at VT 6,123.1 million due to the implementation of expenditure control measures. This represents 40.0 per cent of the budget target and 0.5 per cent above the level of spending (VT 6,091.3) during the same period of 2014 due to spending on unbudgeted items in most line ministries.

The Major spending items to date for the Government are listed below:

- Allowance-scholarship (VT 152.4 million against a budget target of VT 219.5 million)
- Fees-Scholarship (VT 98.7 million against a budget target of VT 100.0 million)
- Electricity Utilities (VT 106.0 million against a budget target of VT 254.7 million)
- International travel (VT 58.6 million against a budget target of VT 149.0 million)
- Vehicle-Additional Vehicle (VT 16.6 million against a budget target of VT 6.0 million)
- Vehicles Fuel (VT 50.8 million against a budget target of VT 123.6 million)
- Telephone/Fax-Communication (VT 49.6 million against a budget target of VT 119.2 million)
- House renovation (VT 1.7 million against a budget target of VT 80 thousand)
- Rations Suppliers (VT 142.5 million against a budget of VT 14.6 million)
- Compensation Damage (VT 9.6 million against a budget of VT 5.1 million)

Government Acquisition of Non-Financial Assets

For the past five months, the Government spent VT 118.7 million acquiring fixed assets against a budget of VT 196.6 million. It sold off VT 98.3 thousand worth of fixed assets.

Government Acquisition of Financial Assets

This month, the Government has not issued any new domestic bonds. However, To date, the Government has issued 399.2 million worth of domestic bonds and repaid VT 388.0 million worth of domestic bonds.

For the external loans, the Government has repaid VT 16.8 million ADB loans in May. The total external amortization at the end of May is VT 128.0 million.

Development Budget Highlights

The month of May recorded amounts of funds received from donors at VT 435.4 million. This brings the total revenue received by the development fund in 2015 to VT 1,997.4 million against a budget target of VT 2,891.7 million. The major contributing partner is new Zealand (VT 481.4 million followed by Australia (VT 278.5 million), World Bank (VT 302.8 million) and Others

To date, the development fund spent VT 1,248.7 million against budget target of VT 2,891.7 million, this spending was mainly towards salary and wages (VT 63.1 million), operations (VT 413.5 million), grants (VT 769.4 million) and acquiring of fixed assets (VT 363.4 million).

Fiscal Policy Response

Expenditure

Following the COM paper 37/2015 the following expenditure measures are addressed to cope with the projected shortfall of revenue early this year.

- COM through the Ministerial Budget Committee (MBC) approves that expenditure management and control undertaken at the Ministry/agency level including the need to re-prioritize expenditures accordingly.
- Government places a temporary freeze on all NPPs, except those under the productive sectors and legal obligations including severance payment. This temporary order should be lifted once Government revenue has been recovered supported by another COM decision;
- Maintain the current arrangement to release operational warrant on a fortnightly and not monthly basis;
- Review and control for international travel
- Freeze all recruitments, except for recommended revenue generating Departments of the Government including DCIR, Department of Ports & Harbor, Citizenship office, Department of Lands, Fire-arms section of the Vanuatu Police Force and the Department of Bio-Security until such time the Government fiscal position recovers. The Public Service Commission will assist DCIR with the approval of some of their key positions within their new structure.
- Freeze the implementation of new structures even if approved by PSC until the following budget year to ensure that they are fully incorporated into the budget;
- Continue to implement COM decision 72/2013;
- Freeze virements out of payroll and into operational budget;
- Enforce out-standing debts;
- No advance release of payroll;
- Reject all tender requests from line agencies without an appropriated budget;
- COM requests MFEM to design a set of penalties for line agencies who fail to use NPPs for their intended purpose to which they are originally appropriated.

Revenue

The COM paper 37/2015 has imposed significant initiatives to boost revenue receipts:

- 1. DCO will now assume the role of the Revenue task force with the inclusion of the State law office (SLO), DSSPAC and Treasury (MFEM) as members during the deliberations. This is to ensure that there is a continuous follow-up on all that has been discussed and agreed upon;*
- 2. COM urges all Ministries to work together with DCO to implement and provide up-dates over their initiatives stipulated within the Revenue Matrix;*
- 3. A COM paper on Non-tax revenue be developed and presented to COM before the end of Quarter 2 of 2015;*
- 4. COM empowers Department of Customs & Inland revenue (DCIR) to recover key VAT out-standing and penalties from Government state own enterprises (SOEs) and beef-up general compliances;*
- 5. All Ministries are urged to collect out-standing revenue. Directors-General and their respective Directors will be assessed by PMO and PSC for non-adherence to these instructions. COM must anticipate, seeing some changes in current outstanding revenue arrear from each sector, by end of 3rd quarter of 2015;*
- 6. COM approves for DCIR to implement the following as immediate measures to cater for the current shortfall:*
 - DCIR to strengthen compliance on Value added tax as it is likely that more revenue can still be collected;*
 - Expansion of Excise tax base from 79 excisable items to 154 excisable items (recent amendment). For example:*
 - Excise on Soft drinks-Projecting VT 200 million in 2015*
 - Second-hand vehicles-Projecting VT 50 million in 2015*
 - Increase rate on double cabin vehicle-Projecting VT 20 million 2015*
- 7. Improve compliance efforts. For example:*
 - Increased number of checks on exemption-end users, rather than relying solely on paper work*
 - Improve risk management system through selectively committee meetings*
 - Amend "Materially incorrect" penalty provisions to allow for penalty notices to be served to clients*

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
	TRANSACTIONS AFFECTING NET WORTH:								
A1	Revenue	18,989.1	7,774.5	41%	1,626.0	1,247.6	1,933.5	1,396.3	1,571.0
A11	Taxes	14,068.6	5,131.2	36%	1,432.0	614.9	985.5	1,074.0	1,024.8
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-
A113	Taxes on property	520.4	170.2	0%	43.7	48.4	22.6	23.9	31.6
A114	Taxes on goods & services	10,852.7	3,969.0	37%	1,173.7	426.1	781.3	808.6	779.3
	of which								
	Value-Added Tax	5,610.6	2,290.4	41%	577.1	252.0	519.0	464.7	477.7
	Excise	2,010.8	781.6	39%	170.4	76.7	126.1	232.6	175.8
A115	Taxes on international trade & transactions	2,695.6	992.1	37%	214.6	140.4	181.7	241.5	214.0
A116	Other taxes	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-
A13	Grants	2,891.7	1,997.4	0.7	41.6	518.8	828.2	173.4	435.4
A14	Other revenue	2,028.8	645.8	32%	152.5	113.8	119.8	148.9	110.8
A2	Expense	18,162.8	7,371.8	41%	1,388.0	1,525.2	1,567.7	1,550.6	1,340.4
A21	Compensation of employees	8,848.8	3,313.1	37%	703.3	640.8	651.6	656.4	661.1
A22	Use of goods and services	5,554.3	1,812.7	33%	332.5	299.0	330.1	512.7	338.4
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-
A24	Interest	683.9	156.3	23%	15.3	45.7	62.9	28.1	4.3
A25	Subsidies	-	-	#DIV/0!	-	-	-	-	-
A26	Grants	1,686.3	1,604.6	95%	166.9	380.7	518.6	262.6	275.8
A27	Social benefits	518.2	-	0%	86.8	97.5	4.1	22.5	7.4
A28	Other expense	871.3	-	0%	83.1	61.5	0.4	68.3	53.4
GOB	Gross operating balance (1-2+23+NOBz)	826.2	402.7	49%	238.1	(277.6)	365.8	(154.3)	230.6
NOB	Net operating balance (1-2+NOBz) ^{cf}	826.2	402.7	49%	238.1	(277.6)	365.8	(154.3)	230.6
	% of GDP		0.5%						
	TRANSACTIONS IN NONFINANCIAL ASSETS:								
A31	Net Acquisition of Nonfinancial Assets	6,070.9	484.1	8%	116.0	199.9	25.6	63.3	79.3
A311	Fixed assets	6,070.9	484.1	8%	116.0	199.9	25.6	63.3	79.3
A312	Change in inventories	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(5,244.6)	(81.4)		122.1	(477.5)	340.2	(217.6)	151.3
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):								
		-6.6%	-0.1%						
A32	Net acquisition of financial assets	0.0	(191.0)	0%	115.0	(503.2)	290.0	(227.3)	134.5
A321	Domestic	0.0	(191.0)	0%	115.0	(503.2)	290.0	(227.3)	134.5
A322	Foreign	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	5,244.6	(109.6)	-2%	(7.1)	(25.7)	(50.2)	(9.8)	(16.8)
A331	Domestic	162.9	11.2	-	-	-	2.4	8.8	-
A332	Foreign	5,081.7	(120.8)	(0.0)	(7.1)	(25.7)	(52.6)	(18.6)	(16.8)

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	February	March	April	May
	TRANSACTIONS AFFECTING NET WORTH:								
A1	Revenue	2,891.7	1,997.4	69%	41.6	518.8	828.2	173.4	435.4
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	1,997.4	69%	41.6	518.8	828.2	173.4	435.4
A14	Other revenue	-	-	0%	-	-	-	-	-
A2	Expense	2,891.7	1,248.7	43%	116.3	101.9	397.8	351.5	281.3
A21	Compensation of employees	360.4	63.1	17%	11.5	13.4	11.6	11.8	14.7
A22	Use of goods and services	1,998.9	413.5	21%	89.7	85.9	26.6	137.0	74.4
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-
A24	Interest	-	-	0%	-	-	-	-	-
A25	Subsidies	-	-	0%	-	-	-	-	-
A26	Grants	447.2	769.4	172%	14.8	1.5	359.6	202.3	191.2
A27	Social benefits	51.3	1.7	3%	0.2	1.1	-	0.4	-
A28	Other expense	33.8	1.0	3%	-	-	-	-	1.0
GOB	Gross operating balance (1-2+23+NOBz)	-	748.7		(74.7)	417.0	430.4	(178.0)	154.1
NOB	Net operating balance (1-2+NOBz) ^{c/}	-	748.7		(74.7)	417.0	430.4	(178.0)	154.1
		-	0.9%						
	TRANSACTIONS IN NONFINANCIAL ASSETS:								
A31	Net Acquisition of Nonfinancial Assets	5,858.1	363.4	6%	94.8	177.2	2.5	35.9	53.0
A311	Fixed assets	5,858.1	363.4	6%	94.8	177.2	2.5	35.9	53.0
A312	Change in inventories	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	(5,858.1)	385.3	-7%	(169.5)	239.8	427.9	(214.0)	101.1
	TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):								
A32	Net acquisition of financial assets	-	385.3		(169.5)	239.8	427.9	(214.0)	101.1
A321	Domestic	-	385.3		(169.5)	239.8	427.9	(214.0)	101.1
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%	-	-	-	-	-

Annex 3: 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
TRANSACTIONS AFFECTING NET WORTH:									
A1	Revenue	16,097.4	5,777.1	36%	1,584.5	728.7	1,105.3	1,222.9	1,135.6
A11	Taxes	14,068.6	5,131.2	36%	1,432.0	614.9	985.5	1,074.0	1,024.8
A111	Taxes on income, profits, and capital gains	-	-	-	-	-	-	-	-
A112	Taxes on payroll & workforce	-	-	-	-	-	-	-	-
A113	Taxes on property	520.4	170.2	33%	43.7	48.4	22.6	23.9	31.6
A114	Taxes on goods & services	10,852.7	3,969.0	37%	1,173.7	426.1	781.3	808.6	779.3
	of which								
	Value-Added Tax	5,610.6	2,290.4	41%	577.1	252.0	519.0	464.7	477.7
	Excise	2,010.8	781.6	39%	170.4	76.7	126.1	232.6	175.8
A115	Taxes on international trade & transactions	2,695.6	992.1	37%	214.6	140.4	181.7	241.5	214.0
A116	Other taxes	-	-	-	-	-	-	-	-
A12	Social contributions	-	-	-	-	-	-	-	-
A13	Grants	-	-	-	-	-	-	-	-
A14	Other revenue	2,028.8	645.8	32%	152.5	113.8	119.8	148.9	110.8
A2	Expense	15,271.2	6,123.1	40%	1,271.7	1,423.3	1,169.9	1,199.1	1,059.1
A21	Compensation of employees	8,488.4	3,250.1	38%	691.8	627.4	640.0	644.6	646.4
A22	Use of goods and services	3,555.4	1,399.1	39%	242.8	213.1	303.5	375.7	264.0
A23	Consumption of fixed capital	-	-	-	-	-	-	-	-
A24	Interest	683.9	156.3	23%	15.3	45.7	62.9	28.1	4.3
A25	Subsidies	-	-	0%	-	-	-	-	-
A26	Grants	1,239.1	835.2	67%	152.2	379.2	159.0	60.4	84.6
A27	Social benefits	467.0	216.6	46%	86.6	96.5	4.1	22.1	7.4
A28	Other expense	837.5	265.7	32%	83.1	61.5	0.4	68.3	52.4
GOB	Gross operating balance (1-2+23+NOBz)	826.2	(346.0)		312.8	(694.6)	(64.6)	23.8	76.6
NOB	Net operating balance (1-2+NOBz) ^{c/}	826.2	(346.0)		312.8	(694.6)	(64.6)	23.8	76.6
	% of GDP		-0.4%						
TRANSACTIONS IN NONFINANCIAL ASSETS:									
A31	Net Acquisition of Nonfinancial Assets	212.7	120.6	57%	21.2	22.7	23.1	27.4	26.3
A311	Fixed assets	212.7	120.6	57%	21.2	22.7	23.1	27.4	26.3
A312	Change in inventories	-	-	-	-	-	-	-	-
A313	Valuables	-	-	-	-	-	-	-	-
A314	Nonproduced assets	-	-	-	-	-	-	-	-
NLB	Net lending / borrowing (1-2+NOBz-31)	613.5	(466.7)		291.6	(717.3)	(87.7)	(3.6)	50.2
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):									
A32	Net acquisition of financial assets	0.0	(576.3)	0%	284.5	(743.0)	(137.9)	(13.4)	33.4
A321	Domestic	0.0	(576.3)	0%	284.5	(743.0)	(137.9)	(13.4)	33.4
A322	Foreign	-	-	-	-	-	-	-	-
A323	Monetary gold and SDRs	-	-	-	-	-	-	-	-
A33	Net incurrence of liabilities	(613.5)	(109.6)	18%	(7.1)	(25.7)	(50.2)	(9.8)	(16.8)
A331	Domestic	162.9	11.2	-	-	-	2.4	8.8	-
A332	Foreign	(776.4)	(120.8)	0.2	(7.1)	(25.7)	(52.6)	(18.6)	(16.8)

Annex 4: Summary of Revenue and Expense by Ministry

REVENUE BY MINISTRY						
Code	Ministry	2015 Budget	2015 Actual to Date	Actual as % by Budget	2014 Actual	2013 Actual
M01	Constitutional Agencies	269,000,000	213,995,670	80	201,846,029	46,341,560
M02	Prime Ministers Ministry	39,200,000	17,296,468	44	39,301,842	40,515,153
M03	Ministry of Education & Training	8,500,000	2,938,830	35	12,609,971	12,307,049
M04	Ministry of Internal Affairs	1,229,358,000	222,292,210	18	1,179,353,484	1,190,192,710
M05	Ministry of Finance and Economic Management	12,826,273,683	6,406,915,020	50	13,874,041,674	13,601,621,499
M06	Ministry of Tourism, Trade, Commerce and Ni- Vanuatu Business	25,241,111	10,580,833	42	22,650,234	17,270,360
M07	Ministry of Health	16,184,668	6,413,766	40	17,147,175	14,576,163
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	365,744,000	252,944,651	69	388,523,170	412,065,719
M09	Ministry of Lands, Mines & Water Resources	764,390,000	203,719,736	27	619,372,640	533,923,959
M10	Ministry of Infrastructure and Public Utilities	513,089,865	253,405,850	49	509,729,662	472,418,895
M12	Ministry of Foreign Affairs, International Cooperation and External Trade	176,530,889	3,021,793	2	4,049,009	7,152,910
M14	Ministry of Youth Development and Sports	400,000	211,700	53	519,100	504,500
M20	Ministry of Climate Change Adaptation, Geohazards, Meteorology and Energy	32,300,000	32,002,357	99	7,563,502	44,377,716
Total for all Ministries		16,266,212,216	7,625,738,884	47	16,876,707,492	15,699,343,354
EXPENDITURE BY MINISTRY						
Code	Ministry	2015 Budget	2015 Actual to Date	Actual as % by Budget	2014 Actual	2013 Actual
M01	Constitutional Agencies	1,196,653,930	548,758,866	46	1,150,364,809	1,125,710,621
M02	Prime Ministers Ministry	1,384,791,813	599,784,986	43	1,654,221,899	1,274,898,044
M03	Ministry of Education & Training	4,303,732,687	2,286,563,688	53	4,318,497,545	4,176,452,186
M04	Ministry of Internal Affairs	626,735,094	280,583,505	45	602,505,134	693,464,194
M05	Ministry of Finance and Economic Management	4,985,611,256	1,726,575,729	35	4,298,804,244	3,856,613,345
M06	Ministry of Tourism, Trade, Commerce and Ni- Vanuatu Business	281,382,822	117,454,497	42	287,204,586	334,405,947
M07	Ministry of Health	1,949,169,127	701,683,862	36	1,616,383,504	1,596,914,299
M08	Ministry of Agriculture, Livestock, Forestry, Fisheries and Biosecurity	568,908,586	211,476,270	37	483,722,236	444,547,362
M09	Ministry of Lands, Mines & Water Resources	266,196,156	109,983,153	41	232,561,213	245,945,671
M10	Ministry of Infrastructure and Public Utilities	1,306,989,241	464,484,860	36	1,520,032,795	1,222,163,187
M12	Ministry of Foreign Affairs, International Cooperation and External Trade	425,022,222	218,722,764	51	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	75,322,831	49	179,964,934	139,052,407
M15	Ministry of Justice and Social Welfare	333,337,089	140,949,048	42	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	99,329,179	42	258,870,363	218,097,203
Total for all Ministries		18,021,665,816	7,581,673,238	42	17,305,159,574	16,025,476,883

*Vision report 18/06/15, includes VAT paid by Departments