

FY2020-2021 Monthly Budget Update - JULY 2020

Budget Division
Ministry of Finance



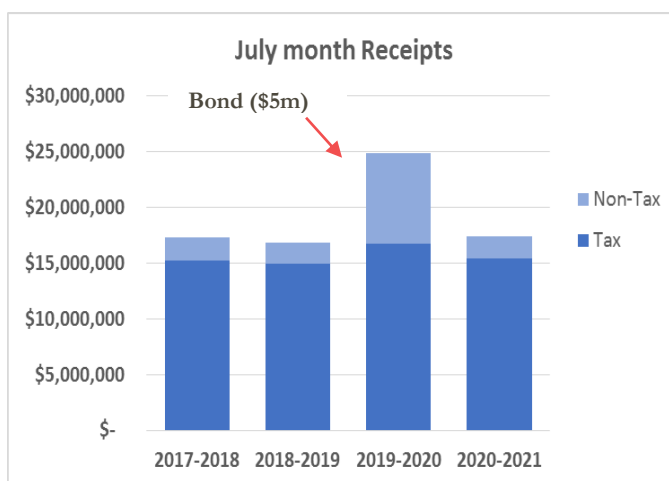
Provisional figures as of Wednesday 4th September, 2020

Monthly Performance	(July 2020)		
	Receipts	\$ 17.3 million	
	Payments	<u>\$ 19.1 million¹</u>	
	Deficit Balance	\$ (1.8) million	

FY2020/2021 Estimated Outturn:²	By the end of June 2021, the recurrent budget is expected to remain in a deficit of:
Receipts	\$ 359.4 million
Payments	<u>\$ 380.0 million</u>
Deficit Balance	(\$ 20.6 million) – including financing options to loan & issue bond (\$ 59.6 million) – excluding financing options to loan & issue bond

Compared to previous years' performances:	July 2020	July 2019	Variance (year on year)	Past 3 years average (avg.)	Variance (Jul 20 vs. avg.)	
	Receipts	\$ 17.3 million	\$ 24.8 million	(\$7.5) million	\$ 19.6 million	(\$2.3) million
	Payments	\$ 19.1 million	\$ 22.7 million	(\$3.6) million	\$ 17.7 million	\$1.4 million

Receipts Performance

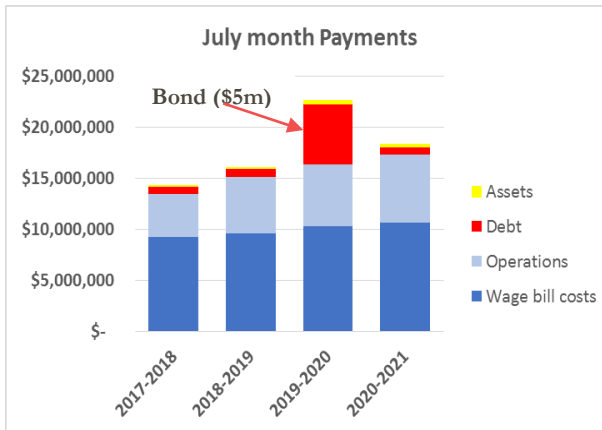


- Due to COVID-19, receipts in July 2020 was \$2.2m lower than the usual collection for the July month in the past 3 years.
- July 2020 collection was \$7.5m lower than July last year. However, this variance included a \$5m one-off bond receipt last year. Without the bond, there was a decline in tax revenues by \$1.4m reflecting the impact of COVID-19 on trade related receipts.

¹ Includes \$660k worth of payments from Overseas Missions yet to be in the system

² Actuals for July 2020 PLUS Forecast for Aug-June 2021

Payments Performance



- July 2020 payments was \$3.4 million lower than July last year. However, without the \$5m bond payment in July last year, the performance of July 2020 was slightly higher by \$1.4 million.
- The main trigger for the year-on-year variance was wage bill costs - in July 2020 it was \$11m, which was a \$1m higher than the past 3 years' average and \$0.5m higher year-on-year.

Performance by Ministry:

See Annex 1 for more details by Ministry

- Each line ministry was expected to spend an average of 8% of their total allocations in July 2020, however the Ministry of Tourism was slightly higher at 12% or \$910k, mainly for its usual quarterly payout of grant to the Tonga Tourism Authority (TTA).
- In light of the performance in July 2020, by the end of June 2021 it is anticipated that all Ministries will remain within their annual budget allocations, none exceeding. However, ongoing dialogue is being carried out to ensure more efficient and effective use of existing allocations; and possible savings to be made due to the anticipated deficit budget this FY.
- A total of \$15m was allocated in the recurrent budget for COVID-19 related expenses. At the end of July 2020, 1% or \$0.2m has been utilized by nine (9) ministries. Majority of spending was by MET in mainly providing water tanks for primary schools.

Performance by Budget Category:

See Annex 2 for more details by Category

- Top 2 Receipt Categories that have majority of their targets collected to date:
 - Taxes on Goods & Services (8% or \$7.2 million)
 - Fees & Licenses (8% or \$1.9 million)
- Top 2 Payment Categories that have majority of their estimates spent to date:
 - Travel & Communication (8% or \$0.8 million)
 - Established Staff (6% or \$9.7 million)

Conclusion

- Important to note the Budget Performance report for July 2020, particularly:
 - the shortfall in tax revenues due to the negative impact of COVID-19
 - the need to sustainably manage the continuous increase in wage bill costs within the parameters of less revenue collection this FY, coupled with the uncertainty of COVID-19 impacts

Annex 1 – Payments & Receipts by Ministry

Table 1: FY2020/21 Payments by Ministry

Ministry	Budget 2020/21	July 2020	% spent	Remaining Balance
Palace Office	\$ 3,669,100	\$ 253,894	7%	\$ 3,415,206
Legislative Assembly	\$ 12,475,600	\$ 671,569	5%	\$ 11,804,031
Tonga Office of the Auditor General	\$ 1,941,400	\$ 144,640	7%	\$ 1,796,760
Office of the Ombudsman	\$ 1,547,900	\$ 82,869	5%	\$ 1,465,031
Ministry of Foreign Affairs	\$ 10,306,500	\$ 782,363	8%	\$ 9,524,137
His Majesty's Armed Forces	\$ 10,701,600	\$ 695,975	7%	\$ 10,005,625
Prime Minister's Office	\$ 4,476,000	\$ 278,540	6%	\$ 4,197,460
Ministry of Finance	\$ 106,925,600	\$ 2,563,987	2%	\$ 104,361,613
Ministry of Revenue & Customs	\$ 10,047,600	\$ 613,573	6%	\$ 9,434,027
Ministry of Public Enterprises	\$ 1,471,200	\$ 122,382	8%	\$ 1,348,818
Ministry of Trade & Eco Development	\$ 6,992,300	\$ 260,003	4%	\$ 6,732,297
Ministry of Justice and Prison	\$ 11,697,000	\$ 723,775	6%	\$ 10,973,225
Attorney General's Office	\$ 3,229,100	\$ 109,010	3%	\$ 3,120,090
Ministry of Police & Fire Services	\$ 13,733,000	\$ 825,804	6%	\$ 12,907,196
Ministry of Health	\$ 48,229,400	\$ 2,823,509	6%	\$ 45,405,891
Ministry of Education & Training	\$ 56,777,200	\$ 4,130,671	7%	\$ 52,646,529
Ministry of Internal Affairs	\$ 8,298,300	\$ 513,183	6%	\$ 7,785,117
Ministry of Agriculture, Food & Forests	\$ 10,355,200	\$ 494,131	5%	\$ 9,861,069
Ministry of Infrastructure	\$ 25,181,300	\$ 697,521	3%	\$ 24,483,779
Ministry of Lands & Natural Resources	\$ 6,126,600	\$ 331,007	5%	\$ 5,795,593
Public Service Commission	\$ 2,064,900	\$ 126,330	6%	\$ 1,938,570
Statistics Department	\$ 3,330,200	\$ 116,654	4%	\$ 3,213,546
MEIDECC	\$ 8,290,500	\$ 497,454	6%	\$ 7,793,046
Ministry of Fisheries	\$ 4,707,600	\$ 326,475	7%	\$ 4,381,125
Ministry of Tourism	\$ 7,472,300	\$ 913,886	12%	\$ 6,558,415
Grand Total	\$ 380,047,400	\$ 19,099,201	5%	\$ 360,948,199

Table 2: FY2020-2021 Receipts by Ministry

Ministry	Budget 2020/21	July 2020	% rec	Remaining Balance
Tonga Office of the Auditor General	\$ 75,000	\$ 2,000	3%	\$ (73,000)
Ministry of Foreign Affairs	\$ 2,018,000	\$ 62,000	3%	\$ (1,956,000)
His Majesty's Armed Forces	\$ 20,000	\$ -	0%	\$ (20,000)
Prime Minister's Office	\$ 10,000	\$ 1,500	15%	\$ (8,500)
Ministry of Finance	\$ 102,423,200	\$ 705,280	1%	\$ (101,717,920)
Ministry of Revenue & Customs	\$ 230,029,900	\$ 14,721,846	6%	\$ (215,308,054)
Ministry of Public Enterprises	\$ 2,854,100	\$ 6,237	0%	\$ (2,847,863)
Ministry of Trade, Economic & Development	\$ 672,000	\$ 48,161	7%	\$ (623,839)
Ministry of Justice and Prison	\$ 2,031,400	\$ 150,245	7%	\$ (1,881,155)
Ministry of Police & Fire Services	\$ 466,100	\$ 6,640	1%	\$ (459,460)
Ministry of Health	\$ 1,500,000	\$ 87,858	6%	\$ (1,412,142)
Ministry of Education & Training	\$ 2,701,700	\$ 175,215	6%	\$ (2,526,485)
Ministry of Internal Affairs	\$ 26,000	\$ 2,430	9%	\$ (23,570)
Ministry of Agriculture, Food & Forests	\$ 1,648,000	\$ 76,289	5%	\$ (1,571,711)
Ministry of Infrastructure	\$ 8,345,000	\$ 671,488	8%	\$ (7,673,512)
Ministry of Lands & Natural Resources	\$ 1,049,600	\$ 83,494	8%	\$ (966,106)
MEIDECC	\$ 850,000	\$ 1,885	0%	\$ (848,115)
Ministry of Fisheries	\$ 2,300,000	\$ 508,726	22%	\$ (1,791,274)
Ministry of Tourism	\$ 418,200	\$ 18,066	4%	\$ (400,134)
Grand Total	\$ 359,438,200	\$ 17,329,360	5%	\$ (342,108,840)

Annex 2 – Payments & Receipts by Category

Table 3: FY2020-2021 Payments by Category

Expenditure Category	Budget 2020/21	Transfers	Revised Budget 2020/21	July 2020	% spent	Remaining Balance
Established Staff	\$ 150,813,200	\$ -	\$ 150,813,200	\$ 9,740,152	6%	\$ 141,073,048
Unestablished Staff	\$ 10,260,700	\$ -	\$ 10,260,700	\$ 610,146	6%	\$ 9,650,554
Travel & Communication	\$ 9,165,100	\$ (62,400)	\$ 9,102,700	\$ 757,762	8%	\$ 8,407,338
Maintenance & Operations	\$ 28,659,800	\$ (3,600)	\$ 28,656,200	\$ 942,155	3%	\$ 27,717,645
Purchase of Goods & Services	\$ 64,305,200	\$ 26,000	\$ 64,331,200	\$ 2,401,886	4%	\$ 61,903,314
Grants and Transfers	\$ 42,510,500	\$ -	\$ 42,510,500	\$ 2,526,668	6%	\$ 39,983,832
Development Duties Expenditure	\$ 3,769,900	\$ -	\$ 3,769,900	\$ 473	0%	\$ 3,769,427
Debt Management	\$ 46,536,900	\$ -	\$ 46,536,900	\$ 747,300	2%	\$ 45,789,600
Contingency Fund	\$ 5,000,000	\$ -	\$ 5,000,000	\$ -	0%	\$ 5,000,000
Pension & Gratuities	\$ 5,499,900	\$ -	\$ 5,499,900	\$ 356,220	6%	\$ 5,143,680
Assets	\$ 13,126,200	\$ 40,000	\$ 13,166,200	\$ 356,438	3%	\$ 12,769,762
Equity Payment	\$ 400,000	\$ -	\$ 400,000	\$ -	0%	\$ 400,000
Grand Total	\$ 380,047,400		\$ 380,047,400	\$ 18,439,201	5%	\$ 361,608,199
			+ Overseas Missions returns	\$ 660,000		
			Total Spending July 2020	\$ 19,099,201	5%	\$ 360,948,199

Table 4: FY2020-2021 Receipts by Category

Revenue Category	Budget 2020/21	July 2020	% rec	Remaining Balance
Income Tax	\$ 54,632,500	\$ 2,892,145	5%	\$ (51,740,355)
Trade Taxes	\$ 21,048,100	\$ 1,126,804	5%	\$ (19,921,296)
Taxes on Goods & Services	\$ 91,735,400	\$ 7,164,200	8%	\$ (84,571,200)
Excise Taxes	\$ 63,533,500	\$ 4,052,661	6%	\$ (59,480,839)
Fees & Licences	\$ 25,057,500	\$ 1,904,642	8%	\$ (23,152,858)
Entrepreneurial & Property Income	\$ 8,885,400	\$ 100,582	1%	\$ (8,784,818)
Miscellaneous Revenue Items	\$ 434,100	\$ 33,596	8%	\$ (400,505)
Capital & Other Transfers	\$ 55,642,100	\$ 54,730	0%	\$ (55,587,370)
Budget Support & Revolving	\$ 38,469,600	\$ -	0%	\$ (38,469,600)
Grand Total	\$ 359,438,200	\$ 17,329,360	5%	\$ (342,108,840)