



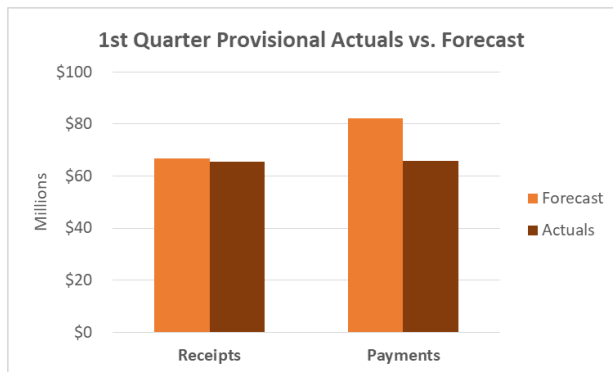
1st QUARTER RECURRENT BUDGET PERFORMANCE REPORT FY 2020/2021

JULY 2020 – SEPT 2020

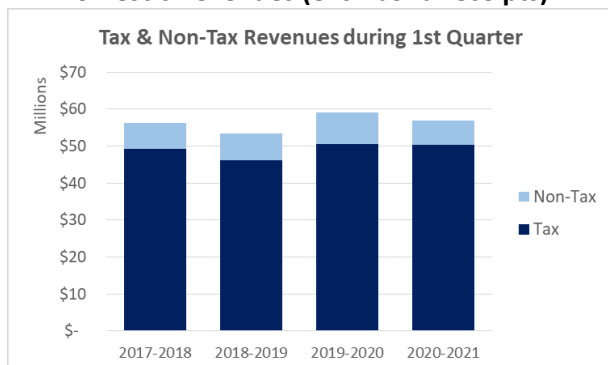
(Unaudited Actuals)

1. Summary Performance of the Recurrent Budget FY20/21 during the 1st Quarter

	Budget Estimates 2020/21	Quarter 1 Provisional Actuals	Quarter 1 Forecast	Variance (Actuals & Forecast)
Receipts	\$ 359.4m	\$ 65.6m (18%)	\$66.9 m (19%)	\$1.3 m shortfall
Payments	\$ 380.0m	\$ 65.9m (17%)	\$82.2 m (22%)	\$15.7m savings



2. Domestic Revenues (excl. bond receipts)



Note: Domestic revenues exclude budget support receipts

A SOMEWHAT POSITIVE TURNOUT...

During the 1st quarter of FY20/21, the amount of government receipts collected was around \$66m, which was also similar to the amount spent or 17-18% of the total budget.

In comparison to the forecast for the 1st quarter of FY20/21, despite receipts being slightly short, there were significant savings on the spending side of at least \$15m.

The main saving triggers included:

- \$7.3m foreign debt payment deferred
- \$4.5m wage bill costs saved

However, these savings such as the deferred debt payment in the 1st quarter of FY20/21 will be utilized in the forthcoming quarters towards COVID-19 related assistance. This is in accordance with the G-20 Debt Service Suspension Initiative (DSSI) offered to low income countries as means of temporary financial relief and to divert such funds towards the mitigation of social and economic impacts of the COVID-19 pandemic.

TAX REVENUES REMAIN STABLE...

Collection from tax revenues alone during the 1st quarter of FY20/21 was around \$50m; more or less the same with the average collection during the 1st quarter of the past 3 years.

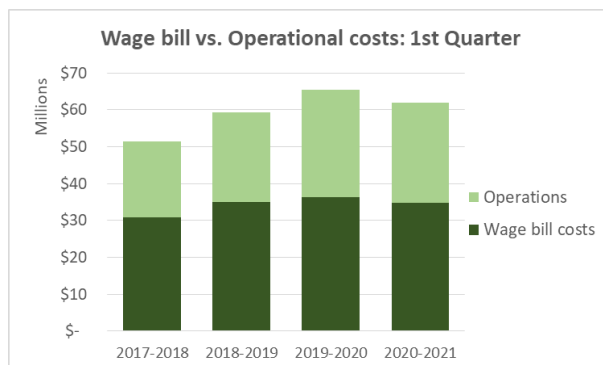
Year-on-year, the 1st quarter of FY20/21 collected around \$1.8m less in income, trade and excise tax categories. However, this was offset by an increase in the collection from domestic consumption taxes (CT).

...WHILE NON-TAX REVENUES ARE IMPACTED MORE BY COVID-19...

On the other hand, the collection from non-tax sources experienced a short-fall of almost \$2m during the 1st quarter of FY20/21 from the same period last year due to COVID-19 travel restrictions. This decline was mainly reflected in collections from passport, visa fees and service charges imposed on outgoing flight passengers.



3. Payments (excl. debt related payments)



LOWER EXPENSES DUE TO LESS OVERSEAS TRAVELS...

Payments made during the 1st quarter of FY20/21 amounted to \$65.9m, of which spending between wage bill related costs and operational costs was at a 50:50 share.

In comparison to the same quarter last FY, spending in the 1st quarter of FY20/21 was \$3.5m lower; mainly reflected in less spending on overseas travels due to the COVID-19 travel restrictions; coupled with deferrals of government activities that usually take place during the 1st quarter of each FY such as the national royal agricultural show.

OUTLOOK FOR FY2021 RECURRENT BUDGET...

Based on the 1st quarter performance:

1. Tax revenues may continue to hold up in the upcoming quarters and will meet the annual target of \$230m. At the same time however, despite that non-tax revenues make up a small portion of domestic revenue but a possible shortfall of \$5m by the end of the FY is expected, which will contribute towards worsening the overall budget position.
2. Although government spending has been well managed thus far, but this 1st quarter is usually the low spending quarter of each FY. Therefore, efforts will need to be maintained in the upcoming quarters of the FY and monitored alongside revenue collections; to mitigate any future shocks on the budget such as the high uncertainties posed by COVID-19 impacts.
3. Additionally, prudent budgetary measures are in place to ensure that there is effective and efficient spending towards delivering government priorities, in light of the anticipated deficit budget this FY. These include:
 - Savings target on each ministry's spending (excluding Health & Education)
 - Hiring of only critical positions to help contain government's large wage bill
 - Reviewing of tax exemptions and strengthening of revenue administration
4. In conclusion, while tax revenues are holding up, there is an expected decline in non-tax revenues which may be offset by lower but more efficient and effective spending. Therefore, coupled with the ongoing uncertainties of COVID-19 impacts, the recurrent budget stance for FY20/21 would remain for now at the originally estimated \$60m deficit (after excluding any loan/ bond financing options).
5. This will mean strong monitoring and evaluation efforts by whole of government on the performance of the budget and its linkage towards the delivery of targeted outcomes; to ensure that service delivery to the public is maintained while at the same time allowing fiscal space towards a sustainable recovery in the future.



ANNEX 1: SPENDING BY MINISTRY AND MAJOR CATEGORIES (T\$ millions)

Ministry/Department/Agency	Total Recurrent Budget FY20/21	1st Quarter Spending	% spent
Palace Office	\$ 3.7	\$ 0.8	21%
Legislative Assembly	\$ 12.5	\$ 1.9	15%
Tonga Office of the Auditor General	\$ 1.9	\$ 0.3	17%
Office of the Ombudsman	\$ 1.5	\$ 0.3	17%
Ministry of Foreign Affairs	\$ 10.3	\$ 1.9	18%
His Majesty's Armed Forces	\$ 10.7	\$ 2.4	23%
Prime Minister's Office	\$ 4.5	\$ 0.9	21%
Ministry of Finance	\$ 106.9	\$ 12.3	12%
Ministry of Revenue & Customs	\$ 10.0	\$ 2.0	20%
Ministry of Public Enterprises	\$ 1.5	\$ 0.3	19%
Ministry of Trade & Eco Development	\$ 7.0	\$ 0.8	11%
Ministry of Justice and Prison	\$ 11.7	\$ 2.5	22%
Attorney General's Office	\$ 3.2	\$ 0.5	16%
Ministry of Police & Fire Services	\$ 13.7	\$ 3.1	22%
Ministry of Health	\$ 48.2	\$ 9.7	20%
Ministry of Education & Training	\$ 56.8	\$ 13.3	23%
Ministry of Internal Affairs	\$ 8.3	\$ 1.6	19%
Ministry of Agriculture, Food & Forestry	\$ 10.4	\$ 1.9	18%
Ministry of Infrastructure	\$ 25.2	\$ 3.1	12%
Ministry of Lands & Natural Resources	\$ 6.1	\$ 1.0	17%
Public Service Commission	\$ 2.1	\$ 0.3	17%
Statistics Department	\$ 3.3	\$ 0.4	13%
MEIDECC	\$ 8.3	\$ 1.6	19%
Ministry of Fisheries	\$ 4.7	\$ 1.2	26%
Ministry of Tourism	\$ 7.5	\$ 1.6	21%
Grand Total	\$ 380.0	\$ 65.9	17%

Spending Category	Total Recurrent Budget FY20/21	1st Quarter Spending	% spent
Established Staff	\$ 150.8	\$ 31.5	21%
Unestablished Staff	\$ 10.3	\$ 2.4	23%
Travel & Communication	\$ 9.2	\$ 2.7	29%
Maintenance & Operations	\$ 28.7	\$ 4.3	15%
Purchase of Goods & Services	\$ 64.3	\$ 9.8	15%
Grants and Transfers	\$ 42.5	\$ 7.7	18%
Development Duties Expenditure	\$ 3.8	\$ 0.3	7%
Debt Management	\$ 46.5	\$ 4.8	10%
Contingency Fund	\$ 5.0	\$ -	0%
Pension & Gratuities	\$ 5.5	\$ 0.9	17%
Assets	\$ 13.1	\$ 1.6	12%
Equity Payment	\$ 0.4	\$ -	0%
Grand Total	\$ 380.0	\$ 65.9	17%



ANNEX 2: RECEIPTS BY MINISTRY AND MAJOR CATEGORIES

Ministry/Department/Agency	Total Recurrent Budget FY20/21	1st Quarter Receipts	% received
Tonga Office of the Auditor General	\$ 75,000	\$ 6,000	8%
Ministry of Foreign Affairs	\$ 2,018,000	\$ 277,043	14%
His Majesty's Armed Forces	\$ 20,000	\$ 300	2%
Prime Minister's Office	\$ 10,000	\$ 5,500	55%
Ministry of Finance	\$ 102,423,200	\$ 9,588,717	9%
Ministry of Revenue & Customs	\$ 230,029,900	\$ 49,898,283	22%
Ministry of Public Enterprises	\$ 2,854,100	\$ 12,680	0%
Ministry of Trade & Eco Development	\$ 672,000	\$ 166,050	25%
Ministry of Justice and Prison	\$ 2,031,400	\$ 402,320	20%
Ministry of Police & Fire Services	\$ 466,100	\$ 45,172	10%
Ministry of Health	\$ 1,500,000	\$ 198,992	13%
Ministry of Education & Training	\$ 2,701,700	\$ 1,123,511	42%
Ministry of Internal Affairs	\$ 26,000	\$ 7,880	30%
Ministry of Agriculture, Food & Forestry	\$ 1,648,000	\$ 256,715	16%
Ministry of Infrastructure	\$ 8,345,000	\$ 2,254,045	27%
Ministry of Lands & Natural Resources	\$ 1,049,600	\$ 208,491	20%
MEIDECC	\$ 850,000	\$ 406,336	48%
Ministry of Fisheries	\$ 2,300,000	\$ 694,293	30%
Ministry of Tourism	\$ 418,200	\$ 25,053	6%
Grand Total	\$ 359,438,200	\$ 65,577,383	18%

Receipts Category	Total Recurrent Budget FY20/21	1st Quarter Receipts	% received
Income Tax	\$ 54,632,500	\$ 7,934,406	15%
Trade Taxes	\$ 21,048,100	\$ 4,506,635	21%
Taxes on Goods & Services	\$ 91,735,400	\$ 24,446,411	27%
Excise Taxes	\$ 63,533,500	\$ 13,374,202	21%
Fees & Licences	\$ 25,057,500	\$ 6,186,345	25%
Entrepreneurial & Property Income	\$ 8,885,400	\$ 295,651	3%
Miscellaneous Revenue Items	\$ 434,100	\$ 81,790	19%
Capital & Other Transfers	\$ 55,642,100	\$ 3,015,550	5%
Budget Support	\$ 38,469,600	\$ 5,736,393	15%
Grand Total	\$ 359,438,200	\$ 65,577,383	18%