



MID-YEAR FISCAL REPORT FOR THE PERIOD: JANUARY – JUNE 2024



Building a Secure and Prosperous Future

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MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

1. Introduction

This Mid-Year Fiscal Report presents an assessment of the Government's financial performance over the first six months of the 2024 financial year, covering the period from 1 January to 30 June 2024. It provides an analysis of revenue and expenditure performance, reviews the fiscal balance position, and identifies fiscal risks and management options for the remainder of the year.

All financial data presented are based on preliminary reconciliations drawn from the Government's financial management system and official budget sources. Figures for June 2024 remain provisional pending final end-year reconciliation.

2. Fiscal Overview

The Government's fiscal performance for the first half of 2024 is summarized in Table 1 as shown below:

Table 1: Government's Fiscal Position as of 30th June 2024

Summary	June 2024 (Provisional)	June 2023 (Actual)	Difference	% change	Total 2024 Budget
Revenue	167,696,177	147,082,768	20,613,409	14.01%	406,516,903
Expenditure	149,296,596	168,782,527	-19,485,931	-11.54%	406,516,903
Budget (Deficit)/Surplus	18,399,581	-21,699,759	1,127,477	-5.20%	
<i>Budget (Deficit)/Surplus % of GDP</i>	4.80%	-5.50%			
Nominal GDP	383,000,000	394,471,250			

*Red Font: Fiscal deficit recorded for the reporting period

As presented in Table 1, Government revenues totalled \$167.7 million at the end of June 2024, while expenditures amounted to \$149.3 million. This represents a notable shift from deficit to surplus, indicating expanded fiscal space. However, the surplus should be interpreted with caution, taking into account the actual execution of development expenditures and the timing of revenue receipts. The budget outcome for June 2024 reflects a fiscal surplus equivalent to 4.8% of GDP, in contrast to the marginal deficit of \$21 million (equivalent to 5.5% of GDP) recorded during the same period in 2023.

A year-on-year comparison shows:

- Revenue increased by 14.01%, reflecting stronger domestic revenue mobilization and higher external inflows.
- Conversely, total expenditure decreased by 11.54%, which may indicate lower execution of budgeted programs or delays in implementation. This decline suggests either improved expenditure control or timing issues in the disbursement of development and operational spending
- Overall, the fiscal position for June 2024 recorded a headline surplus equivalent to approximately 4.8% of GDP.

3. Revenue Performance

Table 2 below highlights the performance of government's revenues for the period January to June 2024. This includes the performance of both tax and non-tax revenues as well as general budget support contributions from development partners.

Table 2: Performance of Government Revenue up to June 2024

Revenue Component	June 2024 (Provisional)	June 2023 (Actual)	Difference	% change	2024 Budget Revenue	Proportion of Budget
Tax Revenue	36,111,724	22,378,263	13,733,461	61%	80,666,046	45%
Personal income tax	5,465,839	7,787,394	-2,321,555	-30%	14,700,000	37%
Company tax	688,789	5,989,885	-5,301,096	-89%	17,072,910	4%
Excise Tax	9,048,498	793,195	8,255,303	1041%	13,147,136	69%
VAT	20,908,599	7,807,789	13,100,810	168%	35,746,000	58%
Non-Tax Revenue	131,584,452	124,704,505	6,879,947	6%	230,269,164	57%
Dividends	1,744,603	199,781	1,544,822	773%	3,500,000	50%
Interest Income	1,808	12,311	-10,503	-85%	500,000	0%
RERF Dividends	0	0	0	0%	80,000,000	0%
Fishing License Revenue	129,371,147	103,084,570	26,286,577	26%	197,054,164	66%
Fish transshipment fees	20,780	877,015	-856,235	-98%	22,000,000	0%
Other Fishing Revenue	47,323	678,533	-631,210	-93%	11,215,000	0%
Other Ministries' Revenue	398,790.85	19,852,295	-19,453,504	-98%	5,771,693	7%
Budget Support	0	0	0	0%	5,810,000	0%
Budget support	0	0	0	0%	5,810,000	0%
Total Revenue	167,696,177	147,082,768	20,613,409	14%	406,516,903	41%

*Red Font: Fiscal deficit recorded for the reporting period

3.1 Total Revenue

Total revenue increased by 14% compared to the same period last year, reflecting improvements in both tax and non-tax revenue performance, despite the absence of budget support inflows during the period.

3.2 Tax Revenue

The overall growth in tax revenue was largely underpinned by stronger indirect tax collections and improvements in other revenue components, which compensated for significant shortfalls in key direct tax categories:

- Personal Income Tax declined by \$2.32 million (-30%),
- Company Tax recorded a substantial decrease of \$5.3 million (-89%).

Value Added Taxes: In June 2024, VAT revenue stood at \$21 million, reflecting a 168% increase compared to the same period last year. This significant growth indicates improved VAT compliance, stronger enforcement, and better recording of VAT collections. The increase in VAT revenue has contributed positively to the domestic economy by boosting government revenue and enhancing fiscal capacity.

Compared to the budget forecast, VAT receipts reached 58% of the total annual revenue target by mid-year. This outcome is 8 percentage points above the 50% pro-rated benchmark for the first half of the year, suggesting improved compliance, stronger domestic consumption, and enhanced administrative efficiency in VAT collection. These trends point to structural shifts in the tax composition and signal areas requiring closer examination, particularly the underlying causes of the sharp contraction in direct taxes. A detailed breakdown of each tax category's performance is provided in the subsequent sections.

Total tax revenue registered significant improvement during the first half of 2024, driven by increases in both direct and indirect tax collections:

- VAT collections: \$21.0 million (up 168% compared to 2023), reflecting stronger compliance, enforcement, and improved recording. VAT performance, however, reached 58% of the full-year budget target.
- Personal income tax collections for the first half of 2024 totalled \$5.5 million, reflecting a decline of \$2.3 million compared to the same period in 2023. This represents an approximate 30% year-on-year decrease.
- Company tax collections recorded a significant decline of \$5.3 million, representing an 89% reduction compared to the same period in June 2023. This sharp downturn is one of the most notable revenue contractions observed in the first half of 2024
- Excise tax receipts registered a substantial increase of approximately \$8.3 million, representing a 1,041% rise compared to the same period in 2023. This marks one of the strongest gains across all revenue categories for the first half of 2024.

3.3 Non-Tax Revenue

Non-tax revenue constitutes a wide range of domestic revenue sources other than taxes or budget support from donors. It includes proceeds from fishing licenses – government's largest revenue source – and incomes from other sources like interest, dividends, RERF dividends, and proceeds from various fees, fines and charges levied by government ministries. The ensuing paragraphs discuss the performance of these non-tax revenue items:

- Fishing license revenue – as of end of June 2024 totalled \$129.4 million. Collections in the same period last year stood at around \$103.1 million, or \$6.9 million lower than 2024's outturn. The upbeat performance for fishing license revenues is attributed to a resurgence in global market demand as well as supportive weather patterns, which is driving demand for fishing license days amongst vessel operators.

- Transshipment fees - amounted to \$0.02 million during the first half, reflecting a decrease of \$0.86 million compared to June 2023. Transshipment revenues are expected to rise sharply in the coming six months as this period marks the time most vessels usually return to shore to offload their seasonal catch.
- Other fishing revenues declined significantly in the first half of 2024, falling by \$0.04 million, which represents a 93% decrease compared to the same period in 2023.
- Other ministry revenues – amounted to \$0.4 million in June 2024, representing a substantial decline of approximately 98% compared to the same period in 2023. This sharp drop warrants further review to identify whether it reflects a one-off reduction, timing issue, or structural decline in ministry-generated revenue sources.
- Dividends from SOEs – increased significantly to \$1.7 million as of June 2024, representing a 773% spike compared to the same period in 2023. However, full-year projections remain unchanged at \$3.5 million, subject to year-end profit declarations and dividend payments.
- Interest income – represents a very low outcome compared to the 2023 reporting period, with only \$0.001 million recorded in June 2024, marking an 85% year-on-year decline.
- RERF withdrawals - withdrawal from the RERF of \$80 million was conducted late June 2024, and therefore is not reflected in the fiscal outcomes for the first half of the year. This transaction will be captured in the second half reporting and may significantly affect the full-year fiscal balance depending on the level of execution of planned programs and projects.

The strong non-tax revenue performance—particularly from fisheries—continues to underpin fiscal stability, while highlighting the Government's exposure to external factors influencing fishing sector receipts.

3.4 Budget Support

Budget support amounting to \$5.8 million has been allocated for 2024; however, no disbursements have been received as of June. The release of these funds remains contingent on the satisfactory achievement of agreed policy reform milestones under the ERT framework.

4. Expenditure Performance

Total government expenditure for the first half of 2024 amounted to \$149.3 million, marking a 34.2% increase compared to the same period in 2023. This notable rise reflects improved budget execution across both operational and development expenditures during the reporting period.

Table 3: Cumulative Government Expenditure up to 30th June 2024

Expenditure Component	June 2024 (Provisional)	June 2023 (Actual)	Difference	% change	2024 Budget Expenditure	Proportion of Budget
Departmental expenditure	78,648,312	75,574,096	3,074,216	4.07%	190,975,914	52.40%
<i>Personal Emoluments</i>	46,999,492	54,943,920	-7,944,428	-14.46%	149,145,929	52.40%
<i>Operational Cost</i>	31,648,821	20,630,176	11,018,645	53.41%	41,829,985	52.60%
Other government expenditure	67,268,473	38,054,491	13,614,907	35.78%	71,986,502	59.90%
<i>Subsidies</i>	21,109,820	14,556,197	6,553,623	45.02%	30,353,396	59.40%
<i>Grants</i>	14,707,048	14,032,025	675,023	4.81%	30,133,749	51.10%
<i>Contributions</i>	549,668	1,607,006	-1,057,338	-65.80%	2,000,000	80.40%
<i>Other Commitments</i>	27,522,126	7,859,263	19,662,863	250.19%	9,499,357	82.00%
Debt servicing	3,379,811	2,070,544	375,696	18.14%	3,421,693	51.10%
Local Contribution to Development Fund	0	53,083,396	25,254,803	47.58%	140,132,793	49.90%
<i>Copra Subsidy</i>	0	19,404,180	4,247,740	21.89%	29,824,791	69.30%
<i>Unemployment Benefit</i>	0	12,422,861	2,400,220	19.32%	28,000,000	41.30%
<i>Projects and grants</i>	0	21,256,355	18,606,843	87.54%	82,308,002	44.10%
Total Expenditure	149,296,596	125,787,859	42,994,668	34.18%	406,516,903	53.10%

*Red Font: Expenditures for June 2024 have exceeded expenditures for June 2023.

4.1 Departmental Expenditures

- Personnel emoluments amounted to \$47 million, representing a decline of \$7.9 million or 14.6% drop compared to the same period in the June 2023 report. The decline primarily reflects incomplete or delayed recording of expenditures related to leave grants, salaries, and allowances, particularly for outer island transactions and those not yet captured in the IFMIS
- Operational costs totaled \$31.6 million in the first half of 2024, up from \$20.6 million in the same period of 2023. This increase reflects higher expenditure on goods and services, likely associated with the implementation of priority programs and increased administrative activities across ministries.

4.2 Other Government Expenditures

- Subsidies amounted to \$14.6 million, reflecting an increase of \$6.6 million or 45.0% compared to the June 2023 period. This growth was driven by expenditures on freight subsidies, education assistance, housing support, Community Services Obligations (CSOs) for SOEs, and various other support schemes
- Grants totaled \$14.7 million during the reporting period, broadly consistent with the same period in 2023. Expenditures under this category included the Senior

Citizens Benefit Scheme, disability programs, island councils, and voluntary organizations.

- Contribution payments as of June 2024 stood at \$0.5 million, representing a 65.8% decline compared to the same period in 2023. This decrease is primarily attributed to the timing of membership fee payments to regional and international organizations, many of which are scheduled for later in the year.
- Other commitments amounted to \$27.5 million, representing an increase of \$19.7 million or 250% compared to the same period in 2023. This significant rise was primarily driven by land rent settlements and expenditures related to preparations for the upcoming elections.
- Debt service payments totalled \$3.4 million, an increase of \$0.38 million or 18% compared to 2023. The rise is partially attributed to foreign exchange fluctuations

4.3 Local Contribution to Development Fund (LCDF)

During the first half of 2024, the Government allocated significant funding to priority social and development programs, reflecting its continued commitment to inclusive growth and welfare support. Notable disbursements include:

- **Development Projects and Grants:** A total of \$40.4 million was disbursed to finance a range of development initiatives. These included scholarship programs, overseas medical referrals, infrastructure maintenance, the upgrade of the Financial Management Information System (FMIS), and contributions to the Social Stability Fund.
- **Copra Price Subsidy:** Disbursements under the copra price support scheme amounted to \$15.4 million, equivalent to 70% of the annual budget allocation. This support is a critical component of the Government's commitment to sustaining livelihoods in rural and outer island communities, where copra remains a primary source of household income. While the upward trend demonstrates the program's strong demand and its positive socioeconomic impact, it also highlights the need for continued efficiency improvements in subsidy delivery and a review of price-setting mechanisms to ensure long-term fiscal sustainability.
- **Unemployment Benefit Scheme:** A total of \$9.7 million was released under this scheme, year increase in funding reflects the Government's continued prioritization of social protection amid ongoing economic challenges and limited employment opportunities, particularly in outer island communities. The expansion of the program in 2024 was primarily targeted at maintaining income security for vulnerable households, with a notable emphasis on supporting women, who made up the majority of recipients in both years.

It should be noted that the figures reported for the LCDF are derived from actuals based on Payment Vouchers, rather than from the IFMIS, as these transactions were not reflected in the system during the reporting period. This discrepancy is due to delays in the posting of financial data from some implementing line ministries and departments, which continue to process LCDF-related payments manually. Efforts are

ongoing to improve the timeliness and completeness of data entry into IFMIS to ensure more accurate and comprehensive financial reporting.

5. Net Financial Position

This indicates a fiscal imbalance in the first half of the year, with expenditure outpacing revenue by a significant margin. Such a gap may place pressure on cash flow management and underscores the importance of timely external financing, including the release of budget support tied to the ERT milestones, to maintain budget execution and service delivery without disruption.

6. Fiscal Outlook and Risks

Revenue Risks:

Underperformance in Personal Income Tax and Company Tax collections may warrant downward revisions to revenue forecasts should current trends continue. Additionally, ongoing delays in budget support disbursements are contributing to near-term cash flow pressures, potentially affecting the timely implementation of priority programs

Expenditure Risks:

Spending pressures remain elevated, particularly in the areas of operational costs, subsidies, and other existing commitments, and may escalate further if not effectively managed. This is compounded by the underreporting of expenditures, which continues to pose challenges for accurate fiscal monitoring and may obscure the Government's true financial position.

Risk Mitigation Measures Under Consideration

To address the emerging fiscal risks and ensure continued budget credibility and stability, the following mitigation measures are currently under consideration:

- **Enhanced Expenditure Controls:** Strengthen commitment controls and enforce stricter compliance with procurement and payment procedures to contain spending within approved limits, especially in high-risk areas such as operational costs and subsidies.
- **Improved Reporting and Reconciliation:** Expedite the timely and accurate recording of expenditures in IFMIS, particularly for outer island transactions and non-automated components, to improve the reliability of fiscal reporting.
- **Revenue Forecast Adjustments:** Review and revise revenue forecasts in light of underperformance in key tax categories (e.g., Personal Income Tax and Company Tax), and identify alternative revenue mobilization strategies if needed.
- **Engagement with Development Partners:** Strengthen coordination with development partners to fast-track the release of budget support linked to ERT milestones, and ensure timely provision of required documentation and progress reports.
- **Cash Flow Management Enhancements:** Prioritize spending commitments and implement short-term cash flow planning to mitigate the impact of revenue shortfalls and delayed disbursements on service delivery.

- Expenditure Reprioritization: Reassess non-essential spending and consider reallocating resources toward critical programs to maintain fiscal discipline while safeguarding social and economic priorities.

7. Conclusion

The first-half fiscal performance demonstrates encouraging progress, marked by stronger domestic revenue collections and improved budget execution. However, emerging risks—particularly from weaker-than-expected tax collections and rising expenditure pressures—highlight the need for continued fiscal vigilance.

To improve the accuracy and reliability of fiscal reporting, it is recommended that targeted efforts be made to strengthen the functionality and utilization of the IFMIS. Strengthening the IFMIS is essential to ensure that all financial transactions, particularly those currently processed manually, are fully captured in the system. This will support the production of credible and accurate fiscal data in future reporting cycles, enhance transparency, and reinforce overall public financial management practices.

Sustained growth in fisheries revenues, coupled with the timely achievement of agreed policy reform milestones to unlock budget support, will be essential to achieving overall revenue targets. At the same time, enhanced expenditure controls may be required to contain budgetary pressures and preserve fiscal sustainability.

The Government remains fully committed to prudent fiscal management, while ensuring the uninterrupted delivery of essential public services and the advancement of national development priorities for the benefit of all I-Kiribati.