



Government of Samoa

Government Finance Statistics Report

Overview

The 2010/11 budget¹ anticipated an overall deficit of \$156.1 million, and a current balance deficit of \$33.2 million. At these levels, balances were equivalent to 10.1% and 2.2% of GDP respectively. These balances thus exceeds the fiscal targets stipulated in the SDS 2008—2012 of no more than 3.5% of the GDP. However the expansionary budget has been an exemption, in light of Governments commitment to provide fiscal stimulus for an early economic recovery in light of the global financial crisis as well as ensuring the provision of the utilities and services for the the tsunami affected areas as well as reconstruction.

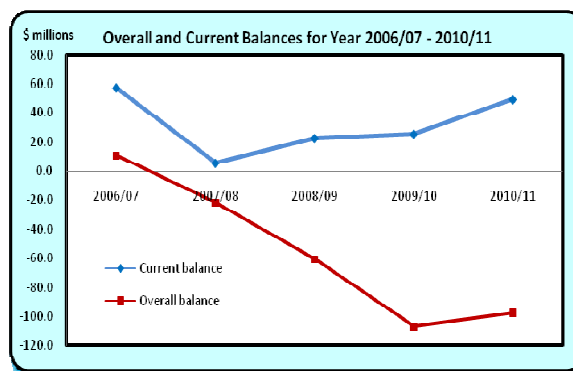
During the financial year 2010/11, the fiscal outturn was an overall deficit of \$97.4 million, (equivalent to 8.7% of GDP). This outturn is considered favourable, and when compared to the budget, overall balance was \$58.7 million (37.6%) lower than anticipated. The outturn was due to current expenditure being contained to save \$47.7 million and non tax revenue collecting \$34.5 million more than anticipated. These have more than offset the increase in development expenditure of \$22.9 million and a loss in tax revenues of \$11.9 million for the period.

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Current balance on the other hand recorded a surplus of \$49.0 million (4.4% of GDP). The outturn was attributed to current expenditure being contained during the fiscal year with a notable increase in non-tax revenue registering a surplus of 46.4 million.

Chart 1: Overall and Current Balance, FY 2006/07—2010/11



Illustrated in Chart 1, is the broadening gap between the overall balance and the current balance from 2008/09 to 2010/11. These results are apparent of the Governments commitment in providing stimulus to the economy in light of the global economic downturn and the enormous expenditure costs required for the re-construction and the provision services and utilities for the Tsunami affected areas. This pressure is expected to be lessened in the next 2—3 financial years.



“The outturn was due to current expenditure being contained to save \$47.7 million and non tax revenue collecting \$34.5 million more than anticipated.”

1: FY 2010/2011 budget including 1st Supplementary

Revenues:

Total Revenue and Grants exceeds the budget amount by 6.5% to register a notable \$34.5 million surplus. Total receipts were \$423.8 million (74.7%) and \$143.4 million (25.3%) of External Grants. The increase of \$51.4 million (13.8%) compared to the fiscal year 2009/2010 was a result of improvement to Non- Tax revenue collection which accumulated a total of \$77.8 million and was enough to offset the shortfall of \$11.9 million in Tax Revenues.

Tax Revenue collected for the fiscal year under review stood at \$346.0 million and was 3.3% (\$11.9 million) below the budget estimate. VAGST on imports was the main contributor to this shortfall, down by \$29.1 million (23.1%), followed by Import Duty registering a shortfall \$13.7 million (26.5%).

On the other hand, increases of \$12.7 million, \$7.5 million, \$6.0 million, \$4.7 million were recorded for company income taxes, domestic excise, VAGST and import excise tax respectively. Other taxes which recorded increases were Petroleum Levy, Stamp Duty and business license with a combined increase of \$0.8 million compared to the budget estimate.

When compared to the 2009/10 collections, tax revenue went up 6.5% (\$21.2 million).

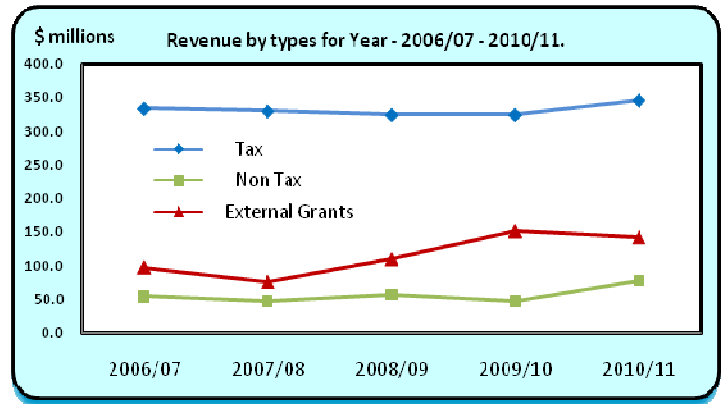
Non-tax revenue recorded a notable increase to stand at \$77.8 million, which increase was more than double compared to \$31.4 million budgeted for the 2010/11. Underpinning the notable increase was the payment made for the sale of the Samoa-Tel of \$25.2 million (Privatisation of SOE's) an extra \$13.0 million received from the Offshore Finance Centre and an increase of \$9.6 million from dividends. Without these payments, non tax

revenue would in adverse recorded a slight decline of \$1.6 million compared to the 2010/11 budget estimate.

Cost recoveries for the period under review recorded a slight increase of \$0.6 million, compared to the budgeted amount of \$15.4 million.

External Grants was of \$143.4 million.

Chart 2: Revenue by Type: FY 2006/07— FY 2010/11.



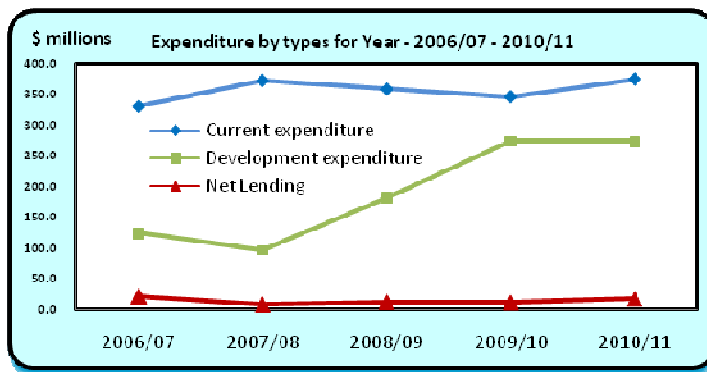
Illustrated in Chart 2 are the trends of revenue by type over the past 5 financial years, depicting the increase in tax revenue in 2010/11 following an average decline of 0.7% in the past 3 financial years. The outturn is encouraging in light of the high level of expenditure commitment by the Government. Non Tax revenue for the period under review was also promising, however payments attributing to the increase were considered one off, and non tax revenue level is expected to be maintained at an average of \$48.5 million in the coming years. External grant is expected to tailor off with the completion of the Tsunami reconstruction program.

Expenditure by type:

Total expenditure for the financial year 2010/2011 stood at \$664.6 million. This was \$24.3 million (3.5%) lower than the anticipated budget estimate of \$688.8 million. The under spending for the year under review was attributed mainly to the \$47.7 million saving in current expenditure, which more than offset the \$22.9 million increase in development expenditures.

Current Expenditure (refer to Table 3 attached) amounted to \$374.8 million, this was 11.3% lower than the budgeted expenditure estimate of \$422.5 million. Attributing to the large difference were \$36.9 million and \$18.9 million saved from the appropriations for Goods and Services and Salaries and Wages respectively, particularly the Education sector, Works and Infrastructure and the General Administration services sector. Implementation delays in some of the initiatives like salaries and wage increase proposed for the period under review contributed to the low expenditure. Current expenditure when compared to the previous year however recorded an increase of \$27.8 million. This is illustrated in Chart 3.

Chart 3: Expenditure by Type, July—June 2006/07—2010/11.



Development expenditure for the 2010/11 stood at \$272.9 million, was slightly lower than the \$273.8 million in 2009/10, and when compared to the budget 2010/11, expenditure was \$22.9 million more. Illustrated in Chart 3 is the shift in development expenditure between 2007/08 and 2010/11. The result was expected in light of Governments commitment in building the infrastructure and utilities like

Expenditure by Function

the Samoa Power Sector expansion, Sanitation and Drainage, Education and Health Sector projects as well as related expenditure commitments for economic recovery.

Consistent with the shift in development expenditure between 2007/08 and 2010/11 shown in chart 3, Government external debt stock recorded as the end of June 2011 was \$737.7 million, an increase of \$245.1 million compared to the external debt stock of \$492.5 as at the end of June 2007/08. The increase was largely driven by the concessional loans both bilateral and multilateral in particular with the Chinese Government, mainly for the Ministry of Justice and Courts Administration premise, New Government building, Ministry of Health building and the Power Sector project with the Government of Japan. (see table attached—Government External Debt). Total Government external debt is comprised of loans with multilateral institutions of \$523.8 million (71.0%) and bilateral institutions holding \$213.9 million (29%).

Current Expenditure by Function (refer Table 4) provides the distribution of funds allocated for each sector. Social Services that comprised of the Education and Health has the largest share of 42% (\$157.3 million). Expenditure on Education was \$74.3 million. Health expenditure was \$67.1 million, with \$15.9 million spent on the Senior citizens pension. Total Expenditure for the Sector was below the budget estimate by \$9.6 million

Second largest was the expenditure for Government operation, the General Services with a total of \$123.7 million.

Expenditure on Economic Services was \$15.3 million lower compared to the budgeted estimate. This was primarily due delays in the implementation of some of the infrastructure developments proposed for the period under review, resulting in MWTI expenditure down by \$8.1 million.

Financing

The overall deficit of \$97.4 million was financed from external borrowings of \$82.7 million (7.4% of GDP), with the remaining \$14.7 million being financed from the Government financial resources available within the banking system

Attached tables:

Table 1: Financial Operations of Central Government, FY 2006/07 - 2010/11

Table 2: Central Government Revenue by type, FY 2006/07 - 2010/11

Table 3: Central Government Expenditure by Type, FY 2006/07 - 2010/11

Table 4: Current Expenditure Classified by function, FY 2006/07 - 2010/11



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What is Government Finance Statistics?

Government Finance Statistics provide statistics that enable policymakers and analysts to study developments in the financial operations, financial position and liquidity situation of the government sector in a consistent and systematic manner. Balancing items have been created to provide summary information such as current balance and overall balance (surplus /deficit). The detailed data can also be used to examine specific areas of government operations, example: particular forms of taxation, level of expense and the amount of government borrowing etc. The harmonization of this system with other macroeconomic statistical systems like System of national Accounts means that data from the GFS can be combined with data from NA to assess government performance in relation to the rest of the economy. Similarly, it can also be used for cross country analysis of government operations, such as comparisons of ratios of taxes or expense to gross domestic product.

This publication provides provisional estimates for the FY 2000/11 relative to the budget estimate, and also comparisons with the previous years . The estimates provided in this publication are provisional and are subject to revisions.

GFS New Developments

The analysis provided in this report is based on the 1986 GFS Manual. The Bureau of Statistics is currently working in close collaboration with the Ministry of Finance and the Pacific Centre for Technical Assistance of the IMF, in developing an improved framework to upgrade GFS using the GFS Manual 2001. This initiative is considered one of the major developments in the Bureau of Statistics. It is planned to be completed and be used, thus enabling detailed fiscal analysis for policy and planning for Government, Private Sector and the Public in general.