



Government of Samoa

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S C I T A T I S F O U A E R U B A O M A S

Government Finance Statistics Report

Overview

The budget for fiscal 2011/12 forecasts an overall deficit of \$140.5 million with a current-balance deficit of \$24.9 million. In GDP percentage terms, the current balance is forecast to be negative 1.5% with the overall balance at negative 8.6%. The forecast current budget balance at negative 1.5% is within the macroeconomic and fiscal target ranges of +/- 3.5% of GDP. However the overall balance at negative 8.6% is outside the target range for long-term macro-stability. This exceptional deficit has been allowed so as to support the five-year recovery plan following the 2009 tsunami, and the economic stimulus package following the impact of the global economic and financial crisis on the Samoan economy.

The first quarter of FY 2011/12 accumulated a total overall deficit of \$24.1 million, (equivalent to 6.3% of GDP). This was however \$11.1 million (31.5%) less than the pro-rata deficit for the July—September period. The favorable performance is partly attributed to the \$8.3 million savings in development expenditure. This more than enough to offset the \$5.7 million loss in Tax revenue

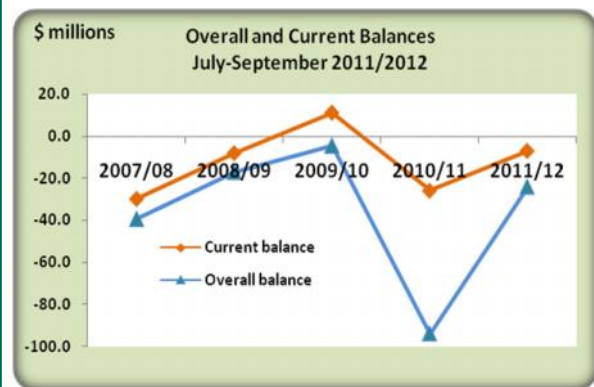
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collections for the first three months.

The deficit on the current balance was slightly higher than the pro-rata estimate by \$0.7 million, recording a deficit of \$7.0 million (1.8% of GDP) for the period under review. Contributing to this outturn, current expenditure was \$7.9 million lower than forecast offsetting a lower-than-budget collection of Non-tax revenue collection of \$2.9 million.

Chart 1: Overall and Current Balances, July– September Quarter 2007/08—2011/12



A comparison of the July-September outturns for current and overall balances for the years 2007/08 through 2011/12 is depicted in Chart 1. Both current and overall deficits in the first quarter of the current year were significantly less than the large deficits recorded for the same period of 2010/11. The relatively large deficits continue to reflect government’s efforts to recover from the financial crisis and to provide utilities for tsunami affected areas.

“Revenue collections for the period were relatively poor; a combined under-collection of \$8.6 million was recorded for both Tax and Non-Tax revenues. However, savings of \$16.2 million from Current (\$7.9 million) and Development Expenditure (\$8.3 million) were more than enough to offset the revenue shortfall .”

Revenues:

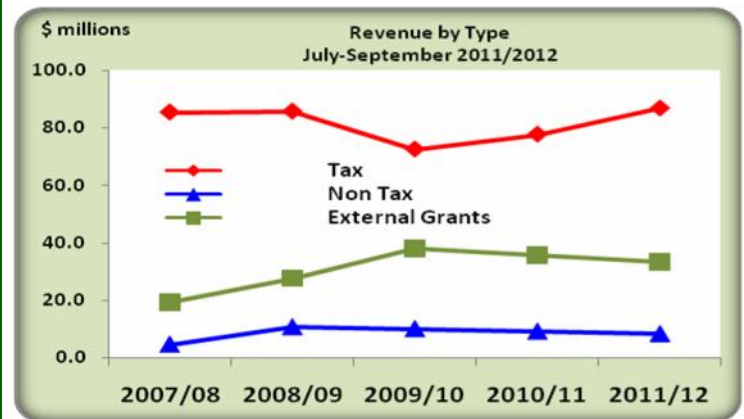
Total Revenue and Grants for the period under review was \$128.6 million. Of the amount, 74.1% (\$95.3 million) were revenues collected and the remainder was from grants. Although the overall revenue performance for the current period was relatively poor, it was however \$8.3 million above the comparable quarter of 2010/2011. Moreover, while total Tax revenue projected for the first quarter was \$92.6 million, actual revenues fell short by \$5.7 million (or 6.2%). Similarly, while Non Tax revenues anticipated for the period ending September amounted to \$11.3 million, only \$8.4 million was collected, a shortfall of 25.6%. Total grants were on par relative to the pro-rata estimate. Total grants received for the three months amounted to \$33.3 million.

Tax Revenue collected during the quarter under review was \$86.9 million, an increase of \$9.1 million over the comparable quarter of 2010/11 fiscal year. However, actual revenues fell short of the anticipated amount by \$5.7 million. The under performance was largely due to decreases of \$3.0 million, \$4.1 million and \$2.9 million on Import Duty and VAGST on Domestic and Imports respectively. This combined \$10.1 million shortfall was more than enough to offset the better performance from Taxes on Income which recorded an increase of \$2.0 million over budget for the period under review. Within this increase, taxes collected from employees (PAYE) was \$0.98 million above the pro-rata level, taxes from company profits were also \$1.03 million better than the pro-rata forecast. However all other taxes fell \$0.6 million short of the forecast level, recording revenue of only \$0.3 million for the current period. The decline was primarily due to the shortfalls of \$0.2 million and \$0.5 million in business licenses and other licenses (comprises of Insur-

ance and Communication Licenses) respectively. The combined decrease of \$0.7 million from these two was partly offset by a \$0.1 million increase in stamp duty revenue.

Non-tax revenue on the other hand registered an aggregated amount of \$8.4 million. This was \$2.9 million short of the forecast amount. The significant under-performance was largely due a drop of \$5.0 million in revenue collected from properties & investment coupled with a shortfall of \$0.2 million from enterprises income. When compared to the comparable quarter of fiscal 2010/2011, non tax revenues were down by \$0.9 million compared to last year's amount as illustrated in Chart 2.

Chart 2: Revenue by Type July—September 2007/08—2011/12



As illustrated in the given chart, tax revenue continue to rise since the 2009/10 fiscal year, however Non Tax revenue continue to slipped further since the same year.

External Grants received in the quarter amounted to \$33.3 million. This was on par relative to the anticipated amount for the current quarter. As shown in the chart above and in table two (attached) this indicates an easing of pressure on Samoa's financial resources due to stimulus plans after the tsunami in 2009 and the global financial crisis in 2008.

Expenditure by type:

Total expenditure and Net Lending for the first quarter of the financial year 2011/2012 stood at \$152.7 million. This was \$19.7 million or 11.4% lower compared to the pro-rata estimate. The low level of total expenditure was due to current expenditure being \$7.9 million below the anticipated amount for the quarter, coupled with development expenditure being \$8.3 million below forecast.

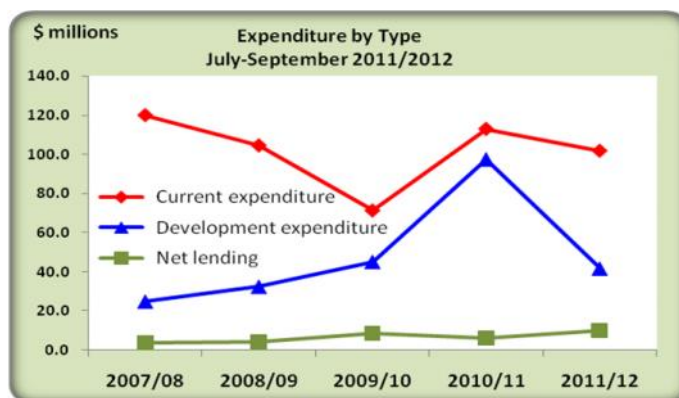
Total **Current Expenditure** for the first quarter of FY 2011/12 stood at \$102.3 million. This was \$7.9 million less than the pro-rata budget amount. Contributing factors were: a) the \$11.2 million under-expenditure in Salaries and Wages compared to the pro-rata amount; this outturn was consistent with the lower number of employees recorded for the September quarter; b) this saving was enough to offset the higher than forecast levels of spending (of \$0.3 million and \$2.9 million respectively) on Interest payments (domestic and external) and Other expenditures including expenditures on goods and services. Compared to the comparable quarter of last fiscal year current expenditure was \$10.8 million lower.

Development expenditure for the period under review registered a total of \$40.4 million, this was \$8.3 million or 17.1% below the pro-rata estimate. When compared to the same period of last financial year, development expenditure was down by \$57.3 million. Illustrated in Chart 3 is the shift in development expenditure since 2007/08. The low level of grants available for this quarter compared to the same quarter of last year last year appears to have been the main cause of the quarterly year-on-year decline in development expenditure.

Net Lending amounted to \$10.1 million, \$3.5 million or 25.5% higher than the pro-rata estimate. The level of net lending was higher than the \$3.9 million in same quarter of financial year 2010/11.

Expenditure by Function

Chart 3: Expenditure by Type 2007/08—2011/12

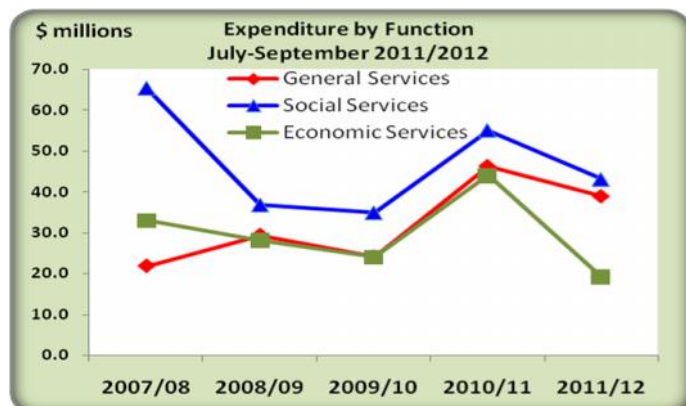


Current Expenditure by Function (Table 4) shows the distribution of funds allocated for each sector. Social Services sectors like, Education and Health, received the largest share of resources 42.1% (\$43.1 million). Within the amount, money spent on Education amounted to \$22.0 million. Health expenditure was \$17.3 million, with \$4.2 million spent on the Senior citizens pension. Overall Total expenditure for the sector fell short of the pro-rata (\$43.2 million) by \$0.1 million.

Second on rank is the General Services sector. For the period under review, the sector received 38.0% (\$37.7 million) of total expenditure. The addition of the Law Reform commission as a new entity is reflected in the increase of \$1.3 million compared to the pro-rata estimate.

Expenditure on Economic Services was \$5.3 million short of the pro-rata level. This was primarily due to the completion of most of the infrastructural developments due within the last fiscal year. Total Expenditure accumulated stood at \$24.4 million, a share of 18.6% received.

Chart 4: Expenditure by Function July—September 2011/2012



Shown in Chart 4, Social services continued to dominate the shares as to be consistent with priorities outlined in the current SDS.

The overall deficit of \$24.1 million was financed from external borrowings of \$13.7 million (3.6% of GDP), with the remaining \$10.4 million being financed from the Government's financial resources available within the banking system

Attached tables:

Table 1: Financial Operations of Central Government, FY 2007/08 - 2011/12

Table 2: Central Government Revenue by type, FY 2007/08 - 2011/12

Table 3: Central Government Expenditure by Type, FY 2007/08 - 2011/12

Table 4: Current Expenditure Classified by function, FY 2007/08 - 2011/12



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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 and pro-rata estimates for the FY 2011/12 relative to the budget estimates, and also comparisons with 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 Financial Technical Assistance Centre 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 to be put into use this year, thus enabling detailed fiscal analysis for policy and planning for Government, Private Sector and the Public in general.