



Government of Samoa

# Government Finance Statistics Report

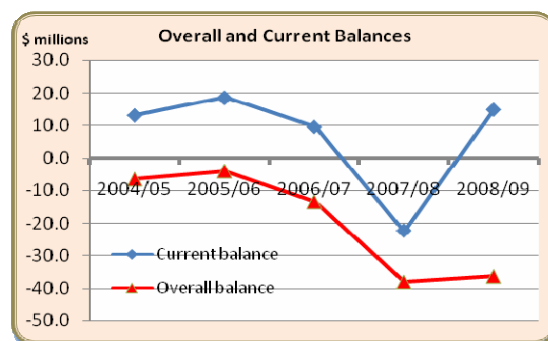
## Overview

The budget for the financial year 2008/2009 anticipated an overall deficit of \$83.9 million, equivalent to 6.1% of GDP and a current surplus of \$21.8 million (1.6% of GDP) (Government Finance Statistics format). The major difference between the overall deficit and the current surplus was expected to arise from the forecast expenditure on a number of major infrastructure projects in the current fiscal year, in particular the Parliamentary complex and MJCA Office and the Convention Centre, with significant appropriations for roads, drainage and sanitation developments.

During the first six months (July–December 2008) Government fiscal operations generated a current surplus of \$14.9 million (2.1% of GDP), \$4.9 million more than the pro-rata estimate. Overall balance on the other hand recorded a deficit of \$36.2 million, \$5.8 million below the pro-rata estimates and equivalent to 5.1% of GDP. At this level the overall balance exceeds the fiscal target of 3.5% stated in the SDS 2008–2012. Illustrated in Chart 1 below is the current balance showing a strong recovery following a deficit of \$22.37 million 2007/08. Consequently, overall balance showing a slight improvement after the notable deficit of \$37.9 million re-

corded in the same period last year.

**Chart 1: Overall and Current Balance, 2004/05–2008/09**



The improved overall fiscal outturn relative to the pro-rata estimate was primarily due to development expenditures recording a shortfall of \$9.7 million (18.5%) and current expenditure being retained 4.4% below the budget estimate. This was more than offset the \$4.2 million shortfall in total revenue, that was due to poor non tax revenue collection down by \$8.6 million despite improved tax revenue collection up by \$4.3 million.

The low development expenditure was attributed mainly to delays in the implementation of some of the loan funded projects like the Samoa Infrastructural Asset Management, Sanitation and Drainage, Petroleum Storage Facilities as well as the Education Sector and Postal and Communication sector projects funded by the ADB and World Bank.

Likewise government expenditure on General administration and Social services sectors recorded shortfalls of \$11.3 million and \$10.9 million respectively. It is apparent that the slowdown in Government spending during the period under review, has somewhat contributed to the downturn in the economy in the September and December quarter 2008, with negative growth rates of 8.0% and 7.3% respectively compared to the previous year.

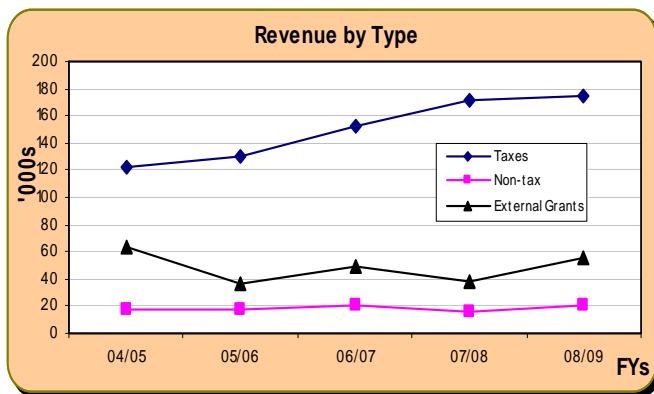
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## Revenues:

**Total Revenue and Grants** for the first half of the financial year 2008/09 amounted to \$251.2 million, comprised of \$195.8 million (78%) of total revenue and \$55.3 million (22%) from external grants. The aggregate amount was 1.7% lower than the pro-rata estimate of \$255.4 million. When compared to the previous year total revenue and grants registered an increase of 11.2%.

**Chart 2: Revenue by Type: July—Dec.**



**Tax Revenue** collected stood at \$174.6 million, an increase of 1.3% (\$4.3 million) compared to the pro-rata estimate and an increase of 2.2% (\$3.7 million) compared to the same period for the FY2007/08. The

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marginal increase in tax revenue relative to the pro-rata was source primarily from the collection of the VAGST both on imports and sales recording a total increase of \$13.9 million, and Excise tax with a significant increase of \$3.0 million. The increase in these taxes was in line with a marked increase of 56.8% in

the value of petroleum products imported to the country. Stamp duty and licenses also recorded a total increase of \$1.5 million.

This was more than offset the downturn in the collection of domestic excise, import duty and income tax all recorded shortfalls of \$6.8 million, \$2.9 million and \$2.1 respectively. The result is consistent with the trend illustrated in Chart 2, with tax revenue increasing at a slower rate (2.2%) during the period under review compared to notable increases of 11.9% and 16.7% recorded in 2007/08 and 2006/07 respectively. The lower than expected collection in total tax revenue is evident of the slowdown in economic activities during the last half of 2008 that recorded negative growth rates of 8.0% and 7.3% for the September and December quarters.

**Non-tax revenue** for the first six months was \$21.2 million, \$8.6 million below the pro-rata estimate. Property and Investment Income attributed mainly to the low non-tax collection, with a loss of \$28.8 million compared to the pro-rata estimate. Cost recovery was slightly lower \$1.1 million than the pro-rata level. However, in comparison to the same period of FY 2007/08, non-tax revenues improved by 28.6% (\$4.7 million) as shown in Chart 2.

**External Grants** of \$55.3 million in the first half of the financial year was on par compared to the pro-rata estimate. Depicted in chart 2 is the relatively dependency of grants to incidences like the Aquatic centre in the financial year 2004/05.

## Total Expenditure

**Total expenditure and Net Lending** for the first six months of 2008/09 stood at \$287.3 million, this was 3.4% (\$10.1 million) below the pro-rata estimate. The lower level of expenditure recorded for the period under review was due to the delay in the implementation of some of the loan funded projects proposed for the period and current expenditure being well retained recording shortfalls of \$9.7 million and \$8.3 million respectively. On the other hand net lending exceeds the pro-rata estimate by \$7.9 million.

Delays in the implementation of some of the major developments, the Samoa Infrastructural Asset Management, Sanitation and Drainage, Petroleum Storage Facilities as well as the Education Sector and Postal and Communication sector projects funded by the ADB and World Bank was evident in the low development expenditures.

Government current expenditure stood at \$180.9 million for the period under review, was 4.4% below the pro-rata estimate. The outturn has resulted from shortfall in the compensation of employees down by \$5.9 million mainly due to vacant positions not being filled, coupled with very low spending on good and services short by \$2.3 million compared to the pro-rata estimate. Despite being low relative to the pro-rata, it was 15% higher when compared to the average current expenditure over the past four years, as shown in Table 1.

Table 1: Government Expenditure by type, Jul—Dec

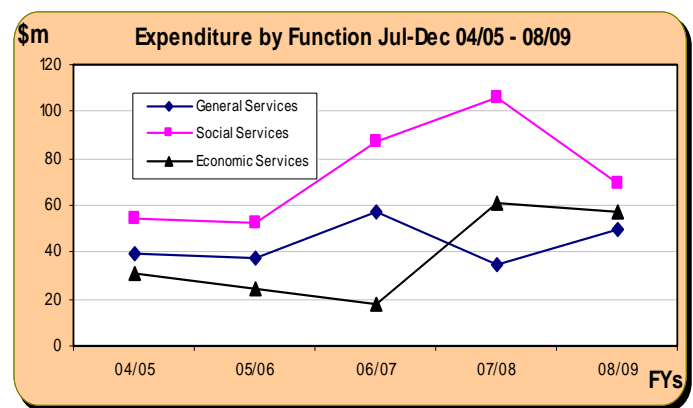
\$ millions	July/Dec 04/05	July/Dec 05/06	July/Dec 06/07	July/Dec 07/08	Jul/Dec 08/09
Current Expenditure	126.2	129.3	163.9	209.8	180.9
Development Expenditure	72.9	42.4	58.1	48.6	98.3
Net Lending	9.4	16.1	14.0	5.4	8.1

## Expenditure by Function

At the sector level (refer to Annex Table 3) expenditure was on the lower end (down by \$11.3 million) for General Services sector with a total spending of \$49.5 million. Likewise, Social Services Sector, also recorded a decline of \$10.9 million as shown chart 3. The shortfalls in both sectors were somewhat reflects the personnel cost down by \$2.7 million (General services) and \$2.5 million (Social Services).

The Economic Sector on the other hand recorded an increase of \$6.0 million compared to the pro-rata estimate. This was consistent with the implementation of some infrastructural developments like access roads that were constructed during the period under review. Hence, Ministry of Works expenditure exceeded the pro-rata estimate by \$6.6 million.

Chart 3: Expenditure by Function.



## Financing

The overall deficit of \$36.2 million was totally financed from external borrowings of \$39.5 million (5.5% of GDP) disbursed during the period.



## What is Government Finance Statistics?

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#### ***Vision:***

***To Strengthen Statistical Services  
for the Development of Samoa***

*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 net 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.*

*Compilation of the Government Finance Statistics was one of the core functions of the Ministry of Finance, under the Economic Policy and Planning Division. As part of Government's reform programme,, Statistical Services Division of the Ministry of Finance was again re-established as a Bureau on the 1st July 2008, hence the transfer of this GFS compilation function as one of the core activities of the Bureau. This report is the first published by the Samoa Bureau of Statistics.*

Website:

[www.sbs.gov.ws](http://www.sbs.gov.ws)

## GFS New Developments

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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, in developing an improved framework to compile 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 used to compile financial year data for 2008/09, thus enabling detailed fiscal analysis for policy and planning for Government, Private Sector and the Public in general.