



Government of Samoa

Government Finance Statistics Report

Overview

The 2009/10 financial year anticipated an overall deficit of \$160.8 million (equivalent to 10.3% of GDP) and a current deficit of \$29.9 million (1.9% of GDP) (Government Finance Statistics format). The major difference between the overall and the current balances anticipated to arise from some of the major infrastructure projects proposed to be implemented during the fiscal year in particular, the Education Sector Project, the Samoa Infrastructure Asset Management, the PRC funded project explicitly the Government Office Building Complex and Sanitations and Drainages.

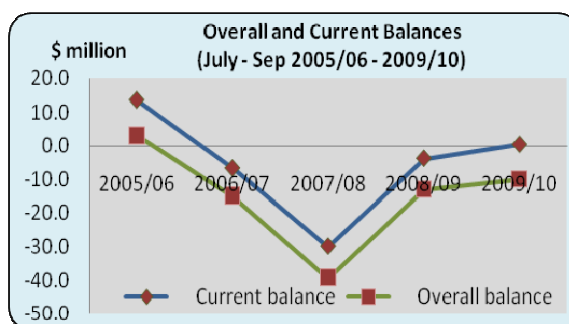
During the first quarter ending September 2009, government fiscal operations generated an overall deficit of \$10.0 million. This was considered a favourable outturn compared to the \$40.2 million deficit anticipated for the period. Current balance again was in contrast with the pro-rata estimate to record a surplus of \$0.5 million compared to the pro-rata, a deficit of \$7.5 million. This outturn was due primarily to expenditure being well retained for the period under review which provided to some extent a cushioning effect for the Government financial resources considering the very poor revenue collection.

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The loss in revenues and notable low expenditures during the period has been consistent with the slowdown in economic activities resulting in a negative quarterly GDP growth for the same period of 2.3%, hence a reflection of the continuous uncertainties caused by the global economic and financial crisis filtered down to impact on the vulnerable island countries like Samoa. This will consequently be a real threat to the achievement of the anticipated fiscal target of no more than 3.5% of GDP, stipulated in the SDS 2008-2012.

Chart 1: Overall and Current Balance, First three months 2005/06—2009/10



Illustrated in Chart 1 is the current balance for the September quarter under review recording a surplus for the first time since the September quarter of FY2005/06. The encouraging result was mainly due to current expenditures being down by \$14.8 million or 15.3% when compared to the pro-rata estimate. This more than offset the \$6.8 million (7.6%) shortfall in total revenue, which attributed to a loss of \$7.9 million (9.8%) in tax revenue.

The devastating tsunami that hit the country at the end of September 2009 proved to have negligible effect on the fiscal operations for the quarter under review but expecting to impact on the fiscal outturn through relief efforts in the quarters that followed.

Revenues:

Total Revenue and Grants for the first 3 months of the fiscal year 2009/10 stood at \$120.9 million, comprising of \$82.7 million (68.4%) of total revenue and \$38.2 million (31.6%) from external grants. This represented a shortfall of \$6.8 million relative to the pro-rata estimate. When compared to the same period of the fiscal year 2008/09, total revenue and grants again registered a decline of 2.7%.

Tax Revenue collected during the quarter under review was \$72.6 million, this was \$7.9 million below when compared to the pro-rata estimate and contributed 6.2 percentage points to the overall decline of 5.4%. When compared to the September quarter of FY 2008/09, tax revenue again dropped by \$13.3 million or 15.5%. The notable difference in the tax revenue and

the pro-rata estimate was due primarily to a loss of \$6.3 million in the VAGST on Imports. Other significant contributors to the overall decline were Import Duty and Domestic excise registering shortfalls of \$1.9 million and \$1.8 million respectively.

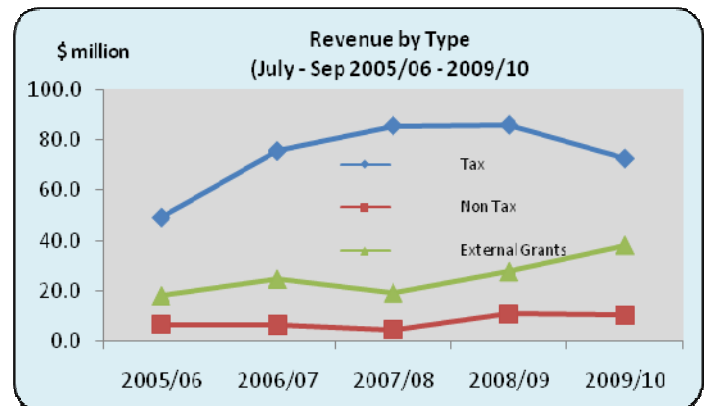
“Underpinning the notable loss in tax revenue is the substantial drop in imports for the period under review recording a decline of 39% compared to the same period last year. This was evident of the continuous slowdown in economic activities in the last 5 consecutive quarters following very strong growth in financial years 2006/07 and 2007/08.”

Other taxes like Petroleum Levy, Stamp duty, and business licenses also contributed to the decline recording a combined shortfall of \$0.6 million. Underpinning the notable loss in tax revenue is the substantial drop in imports for the period under review recording a decline of 39% compared to the same period last year. This was evident of the continuous slowdown in economic activities in the last 5 consecutive quarters following very strong growth in financial years 2006/07 and 2007/08.

Depicted in Chart 2 is the slump in tax revenue trend in the September 2009 period to record a drop of 15.4%

compared to the same period last year, albeit increases in the past 4 years recording an average quarterly growth of 21.3%. Domestic VAGST, Income tax, other licenses and import excise on the other hand recorded slight increases over the pro-rata level of \$1.8 million, \$0.2 million, \$0.6 million and \$0.1 million respectively.

Chart 2: Revenue by Type: July—Sep.



Non-tax revenue of \$10.1 million for the quarter under review was \$1.1 million above the pro-rata estimate. Cost Recoveries was promising to collect \$1.8 million more than the pro-rata estimate which more than offset the shortfall of \$0.8 million expected to receive from Property and Investment Income. When compared to FY08/09, non tax dropped by \$0.7 million.

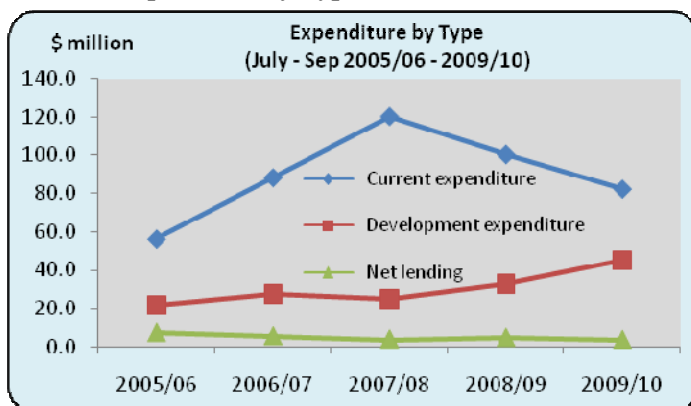
External Grant of \$38.2 million in the first three months of the financial year was on par relative to the pro-rata estimate but rose by 38.0% compared to FY08/09. As can be seen in Chart 2, external grant surged to record the highest compared to the past four comparable periods. The trend reflects the nature of external grants, that being dependent on incidences or the scale of public sector projects funded by our donor partners.

Expenditure:

Total expenditure and Net Lending for the first quarter of Fiscal year 2009/10 was \$130.9 million. This was 22.1% (\$37.0 million) below the pro-rata estimate. The substantial drop in the aggregated expenditure was attributed to development and current expenditures being well-retained to save \$22.6 million and \$14.8 million when compared to the pro-rata estimate respectively. The large proportion of the development expenditure saving was consequent to the continuous delays in the implementation of some of the major loan funded projects proposed for the period such as the Education Sector Project, the Samoa Infrastructure Asset Management, the PRC loan funded project — the Government Office Building Complex and Sanitations and Drainages.

Current Expenditure amounted to \$82.2 million for the period under review. Of the total current expenditure, 66% was spent on good and service, 32% on wages and salaries and the rest for debt servicing. At this level it was \$14.8 million or 15.3% below the pro-rata estimate. This marked reduction in expenditure was derived from an under-spending of \$8.2 million (13.1%) appropriated for the purchase of goods and services coupled with a saving of \$5.1 million (16.3%) in salaries and wages, compared to the pro-rata estimate. This was in part being a result of prudent measures put in place by the Ministry of Finance to control expenditure in light of the poor revenue collection.

Chart 3: Expenditure by Type



Shown in Chart 3 is the trend of the current expenditure level for the comparable September quarters in the past 5 years, that saw a surge in current expenditure in FY07/08 for the South Pacific Games and then subsequently dropped to the levels as was in financial year 2006/07.

Development Expenditure for the period under review was \$45.2 million, this was \$22.6 million or 33.3% below the pro-rata estimate and contributed 13.4 percentage point to the total reduction in the overall expenditure. The marked reduction in development expenditure was primarily due to delays in the implementation of some of the public sector loan funded infrastructural projects proposed for the year. The delays was evident in imports of construction material fell by 38.6% compared to the same period last year. Illustrated in Chart 3, is the notable increase of 39.1% in development expenditure for the period compared to the same period last financial year, that being more than double the amount (\$21.4 million) in the year 2005/06.

Net Lending of \$3.5 million was \$0.4 million (12.2%) above the pro-rata estimate but slightly dropped relative to the FY2008/09.

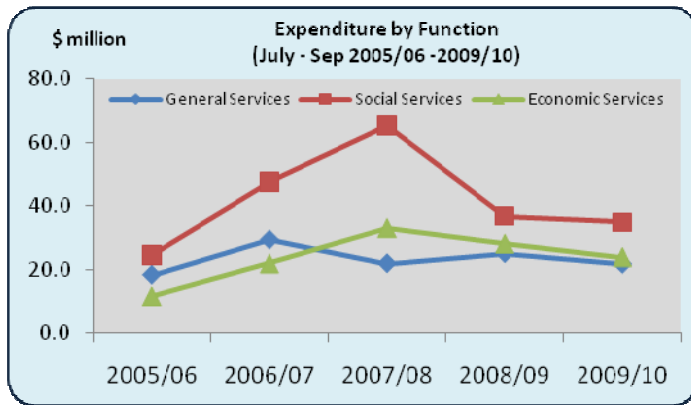
At the sector level, (Refer Annex Table 4) current expenditure have appropriated accordingly to follow the priority sectors stipulated in the SDS 2008-2012. Of the total \$88.2 million, Social Services Sector made up \$34.9 million (42.5%), the Economic Services sector comprised a \$23.9 million (29.1%), and General Services sector to contain a share of \$21.6 million (26.3%).

Expenditure related to the Social Services Sector was \$34.9 million and comprised the biggest share of the expenditure. This represented a slight drop of \$0.8 (2.3%) compared to the pro-rata estimate. Over the 5 years depicted in Chart 4, the only notable growth to be recorded was the 37.2% in FY07/08 then a huge drop in the financial years that followed. But this was evident of the Gov-

Expenditure by Function cont'd

ernment's commitment in hosting the South Pacific Games in that financial year. Consequent to the decline was the separation of the National Health Services from the Ministry of Health.

Chart 4: Expenditure by Function



Economic Sector expenditure was \$1.5 million (6%) below the pro-rata estimate. This decline underscore the delays in the implementation of infrastructural projects in which counterpart costs was appropriated under the Ministry of Works. When compared to the previous years, expenditure for the sector was well below the average expenditure level of \$27.7 million in the past three years.

The General Administration that includes Law and Order only spent \$8.9 million, that being 29.2% below the pro-rata estimate. It fluctuated throughout the 5 years as depicted in Chart 4 and recorded a shortfall of 14.2% when compared to the same period of FY08/09.

Financing

The overall deficit of \$10.0 million was financed by external concessional borrowing of \$3.4 million with the rest being drawdown from the Government resources available at the banking system.

Attached herewith is the set of tables:

Table 1: Financial Operations of Central Government, September Quarters 2005/06 - 2009/10

Table 2: Central Government Revenue by type, September Quarters 2005/06 - 2009/10

Table 3: Central Government Expenditure by Type, September Quarters 2005/06 - 2009/10

Table 4: Current Expenditure Classified by function, September Quarters 2005/06 - 2009/10



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 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 first quarter of the FY 2009/10. These estimates are subject to revisions and will be provided in the next edition for the December quarter.

Website:

www.sbs.gov.ws

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 used to compile financial year data for 2009/10, thus enabling detailed fiscal analysis for policy and planning for Government, Private Sector and the Public in general.