

**STATEMENT ON THE FORWARD ESTIMATES
BUDGET 2014/2015 – 2016/2017**

As required under Section 18 of the Public Finance Management Act 2001, the Statement on the Forward Estimates budget for the budget 2014/2015 and two forward years focuses on the following key areas:

- (1) It provides an analysis of the economic impact of the interaction of the budget and forward estimates of revenues and expenses on the rest of the economy.
- (2) It summarizes the budget year's allocations and forward estimates expenditures proposed by the government for each ministry to meet planned key priorities, as well as the estimated receipts by each of these ministries.
- (3) Provides a reconciliation of the differences between estimates of total revenues and total expenses.

The government budget has been significantly constrained by the level of revenue collected over the past years and without major tax policy changes government spending at existing levels is not sustainable in the medium term. Therefore, to address revenue constraints, government has continued to reduce its recurrent spending and resorted to borrowings on concessionary terms to finance its development program. **Efforts have also been made to identify other revenue sources in Line Ministries as well as State Owned Enterprises through the Non-Taxation Revenue Project**

For the Forward Estimates period, the overall cash deficit is estimated at \$69.1 million for the year 2014/2015 with a further \$35.1 million deficit in 2015/2016 as external grants fall due to the winding down of the cyclone recovery program. The third year also showing improvement as government expenditure continues to fall. The revenue side reflects an increase in total ordinary receipts for 2014/2015 due to an increase in Non-Tax Revenue with receipts looking to be maintained for the two forward years. The external grants substantial decrease in 2014/2015 reflects an decrease in direct budget support funds expected from the World Bank and our development partners namely the European Union, and the Australian and New Zealand governments for financing sector programs (refer Table 1).

Table 1 - Summary Payments and Receipts (\$m)

	2012-13	2013-14	2014-15	2015-16	2016-17
RECEIPTS					
Ordinary Receipts	540.2	540.2	544.9	544.4	544.9
External Grants	244.7	244.7	178.1	79.7	72.6
Total Receipts and Grants	785.0	785.0	723.0	624.1	617.5
<i>less</i>					
CURRENT PAYMENTS					
Statutory Payments	85.7	85.7	88.3	88.3	88.3
Expenditure Programs	564.1	564.1	492.5	465.1	465.2
Ministry Outputs	192.6	192.6	198.0	198.0	198.0
Third Party Outputs	200.9	200.9	173.3	171.2	171.2
Transactions on behalf of the State	170.6	170.6	121.2	95.9	96.0
Unforeseen Payments	13.6	16.5	14.8	14.0	14.0
Total Current Payments	663.5	666.3	595.7	567.4	567.5
<i>less</i>					
DEVELOPMENT PAYMENTS					
Loan financed project payments	97.7	97.7	73.6	33.0	19.9
Grant financed project payments	91.8	91.8	122.8	58.8	52.4
Total Development Payments	189.5	189.5	196.4	91.8	72.3
Cash (Deficit)/Surplus	(68.0)	(70.8)	(69.1)	(35.1)	(22.2)
Financed by					
Soft Term Financing	120.3	97.7	73.6	33.0	19.9
Movement in Cash Balances	52.4	26.9	4.5	(2.1)	(2.3)

Overall Net Lending/Borrowing Requirement

The Forward Estimates classified in Government Finance Statistics (GFSM2001) format facilitates the analysis of government operations and its impact on the economy as a whole it also allows readily international comparison.

The net lending/borrowing requirement, contrary to last year's forecast has improved significantly to reflect a \$49.0 million net lending/borrowing position. The favorable net lending position is due to the increase in revenue expected from taxes and grants. The forward years net lending requirement is projected at \$36.7 million and \$23.7 million respectively.

Budget GFS Reporting Table

Table 2 Statement of Government Operations (\$m)

TRANSACTIONS AFFECTING NET WORTH	2012-13	2013-14	2014-15	2015-16	2016-17
REVENUE	654.1	737.9	685.9	592.3	585.7
Taxes	402.5	414.8	427.2	432.0	431.9
Taxes on income, profits, and capital gains	90.3	107.0	113.4	113.4	113.4
Taxes on property	0.3	0.3	0.5	0.5	0.5
Taxes on goods and services	268.4	265.0	265.9	270.6	270.6
<i>VAGST</i>	161.7	157.8	154.3	159.1	159.1
<i>Excises</i>	102.3	102.7	107.1	107.1	107.1
<i>Taxes on specific services</i>	4.0	4.0	4.0	4.0	4.0
<i>Taxes on use of goods, permission to use goods</i>	0.4	0.44	0.44	0.4	0.4
Taxes on international trade and transactions	43.5	42.6	47.4	47.4	47.4
Grants	177.9	258.3	190.3	91.9	84.8
Other revenue	73.6	64.8	68.4	68.4	68.9
Property income	4.8	4.4	3.5	3.5	3.5
Sales of goods and services	16.4	16.7	15.5	15.5	15.5
Fines, penalties, and forfeits	27.1	17.3	18.5	18.5	18.6
Miscellaneous and unidentified receipts	25.4	26.4	30.8	30.9	31.3
EXPENSE	455.6	570.6	510.2	480.9	479.0
Compensation of employees	209.4	214.7	223.9	222.9	222.9
Use of goods and services	150.2	257.0	187.8	157.6	155.8
Interest	15.9	13.5	15.0	15.0	15.0
Subsidies	20.2	19.8	18.1	20.1	20.1
Grants	10.7	14.7	16.8	16.8	16.8
Social benefits	30.7	32.4	32.5	32.5	32.5
Other expense	18.5	18.5	16.1	15.9	15.9
GROSS OPERATING BALANCE	198.5	167.3	175.7	111.3	106.6
NET ACQUISITION OF NONFINANCIAL ASSETS	206.3	206.3	203.5	106.6	89.0
Fixed assets	203.1	203.1	200.3	103.4	85.8
Nonproduced assets	3.2	3.2	3.2	3.2	3.2
NET LENDING/BORROWING REQUIREMENT	-7.8	-39.0	-27.9	4.7	17.6
NET ACQUISITION OF FINANCIAL ASSETS AND LIABILITIES (FINANCING)	-39.0	-39.0	-27.9	4.7	17.6
NET ACQUISITION OF FINANCIAL ASSETS	48.1	48.1	3.5	-4.5	-4.7
Domestic	47.8	47.8	3.2	-4.8	-5.0
Foreign	0.3	0.3	0.3	0.3	0.3
NET INCURRENCE OF LIABILITIES	87.1	87.1	31.4	-9.3	-22.4
Domestic	-3.7	-3.7	-8.0	-8.0	-8.0
Foreign	90.8	90.8	39.4	-1.2	-14.3

Revenue

In 2013/2014 estimates, total government revenue (refer Table 3) has increased by 11% compared to the previous year. This increase is due to increased taxes and grants for 2013/2014. Further increases in taxes follow thereafter for financial years 2014/2015 and 2015/2016 whilst grant receipts fall for the same period due to several ongoing externally funded programs winding down.

Tax Revenue

Tax revenue projected for 2013/2014 is expected to grow by 3% with significant increases anticipated from (i) taxes on income, profits and capital gains and (ii) taxes on goods and services as the national aggregate demand increases due to a boost in the level of economic activity and the continuing economic recovery.

Table 3 GFS REVENUE (\$m)

	2012-13	2013-14	2014-15	2015-16	2016-17
REVENUE	654.1	737.9	685.9	592.3	585.7
Taxes	402.5	414.8	427.2	432.0	431.9
Taxes on income, profits, and capital gains	90.3	107.0	113.4	113.4	113.4
Payable by individuals	57.1	61.4	61.4	61.4	61.4
Payable by corporations and other enterprises*	33.2	45.5	52.0	52.0	52.0
Taxes on property	0.3	0.3	0.5	0.5	0.5
Taxes on financial and capital transactions	0.3	0.3	0.5	0.5	0.5
Taxes on goods and services	268.4	265.0	265.9	270.6	270.6
General taxes on goods and services*	161.7	157.8	154.3	159.1	159.1
VAGST	161.7	157.8	154.3	159.1	159.1
Excises	102.3	102.7	107.1	107.1	107.1
Taxes on specific services	4.0	4.0	4.0	4.0	4.0
Taxes on use of goods, permission to use goods	0.44	0.44	0.44	0.4	0.4
Taxes on international trade and transactions	43.5	42.6	47.4	47.4	47.4
Customs and other import duties	43.5	42.6	47.4	47.4	47.4
Grants	177.9	258.3	190.3	91.9	84.8
From foreign governments	153.3	244.7	178.1	79.7	72.6
Current	49.4	151.9	65.0	25.8	24.6
Capital	103.9	92.9	113.0	53.9	48.0
From international organizations	24.6	13.6	12.2	12.2	12.2
Current	0.0	0.0	0.0	0.0	0.0
Capital	24.6	13.6	12.2	12.2	12.2
Other revenue	73.6	64.8	68.4	68.4	68.9
Property income	4.8	4.4	3.5	3.5	3.5
Interest	1.5	1.7	1.7	1.7	1.7
Dividends*	4.6	4.1	3.2	3.2	3.2
Rent*	-1.3	-1.4	-1.4	-1.4	-1.4
Sales of goods and services	16.4	16.7	15.5	15.5	15.5
Administrative fees	14.9	15.1	13.7	13.7	13.7
Incidental sales by nonmarket establishments	1.5	1.7	1.9	1.9	1.9
Fines, penalties, and forfeits	27.1	17.3	18.5	18.5	18.6
Miscellaneous and unidentified receipts	25.4	26.4	30.8	30.9	31.3

Grants

Over the forward estimates period, grants from our development partners is expected to increase by 32% in 2013/2014 due to major investment programs to be implemented that are mostly financed from direct budget support funds.

Expenses

As indicated in Table 4, total government expenditure presented in GFS format is expected to increase slightly by 18% in 2013/2014. The forward estimates period show a reducing trend as government drives to bring budget deficit down to 3.5% of GDP to be in line with the fiscal target of less than 3.5% of GDP in the medium term.

Table 4 GFS EXPENSE (\$m)

GFS EXPENSE (\$m)	2012-13	2013-14	2014-15	2015-16	2015-16
EXPENSE	455.6	570.6	510.2	480.9	479.0
Compensation of employees	209.4	214.7	223.9	222.9	222.9
Wages and salaries	198.6	203.9	212.3	211.4	211.4
Wages and salaries in cash	198.6	203.8	212.2	211.3	211.3
Wages and salaries in kind	0.06	0.10	0.10	0.10	0.10
Social contributions	10.8	10.9	11.5	11.5	11.5
Use of goods and services	150.2	257.0	187.8	157.6	155.8
Interest	15.9	13.5	15.0	15.0	15.0
To nonresidents	11.5	12.7	13.0	13.0	13.0
To residents other than general government	4.3	0.9	2.0	2.0	2.0
Subsidies	20.2	19.8	18.1	20.1	20.1
To public corporations	17.9	16.0	16.4	18.4	18.4
To private enterprises	2.3	3.7	1.7	1.7	1.7
Grants	10.7	14.7	16.8	16.8	16.8
To international organizations	2.2	1.6	1.6	1.6	1.6
Current	2.2	1.6	1.6	1.6	1.6
To other general government units*	8.5	13.0	15.2	15.2	15.2
Social benefits	30.7	32.4	32.5	32.5	32.5
Social security benefits	16.9	17.6	17.6	17.6	17.6
Social assistance benefits in kind	10.6	11.6	11.1	11.1	11.1
Social assistance benefits	3.0	3.0	3.0	3.0	3.0
Employer social benefits	0.3	0.3	0.8	0.8	0.8
Other expense	18.5	18.5	16.1	15.9	15.9

The change in net worth of government as indicated in Table 5 is expected to increase in 2013/2014 and subsequent forward years. Despite the expected weak economic conditions due to the continuing financial turmoil in the Euro zone, US and across the world, government will continue to invest heavily in infrastructure development to stimulate growth in the medium term.

Table 5 Transactions in Assets and Liabilities (\$m)

TRANSACTIONS IN ASSETS AND LIABILITIES	2012-13	2013-14	2014-15	2015-16	2016-17
CHANGE IN NET WORTH: TRANSACTIONS	167.3	167.3	175.7	111.3	106.6
Net acquisition of nonfinancial assets	206.3	206.3	203.5	106.6	89.0
Fixed assets	203.1	203.1	200.3	103.4	85.8
Buildings and structures	199.8	199.8	196.9	99.9	82.3
<i>Acquisitions: buildings and structures</i>	199.8	199.8	196.9	99.9	82.3
<i>Disposals: buildings and structures</i>	0.0	0.0	0.0	0.0	0.0
<i>CFC: buildings and structures</i>	0.0	0.0	0.0	0.0	0.0
Machinery and equipment	3.0	3.0	3.2	3.2	3.2
Other fixed assets	0.3	0.3	0.3	0.3	0.3
Nonproduced assets	3.2	3.2	3.2	3.2	3.2
Land	3.2	3.2	3.2	3.2	3.2
Net acquisition of financial assets	48.1	48.1	3.5	-4.5	-4.7
Currency and deposits	49.5	49.5	4.5	-2.1	-2.3
Loans	-4.7	-4.7	-4.7	-4.7	-4.7
Shares and other equity	3.3	3.3	3.7	2.3	2.3
Domestic	47.8	47.8	3.2	-4.8	-5.0
Currency and deposits	49.5	49.5	4.5	-2.1	-2.3
Loans	-4.7	-4.7	-4.7	-4.7	-4.7
Shares and other equity	3.0	3.0	3.4	2.0	2.0
Foreign	0.3	0.3	0.3	0.3	0.3
Shares and other equity	0.3	0.3	0.3	0.3	0.3
Net incurrence of liabilities	87.1	87.1	31.4	-9.3	-22.4
Loans	88.1	88.1	32.4	-8.3	-21.4
Other accounts payable	-1.0	-1.0	-1.0	-1.0	-1.0
Domestic	-3.7	-3.7	-8.0	-8.0	-8.0
Foreign	90.8	90.8	39.4	-1.2	-14.3

The following table (Table 6) provides reconciliation between the cash inflow estimates of the government and the estimates of revenues classified on a GFS basis. The major difference of receipts in Table 6 and Table 3 is the netting out of transfer payments made by one agency of Government to another as shown in Table 6 under Payments Classified as Offsets to Revenue.

Table 6 - Reconciliation between Total Government Receipts and GFS Revenues (\$m)

	2012-13	2013-14	2014-15	2015-16	2016-17
Receipts					
Ordinary Receipts	529.8	540.2	544.9	544.4	544.9
External Grants	153.3	244.7	178.1	79.7	72.6
Total Receipts and Grants (as per Tables 1)	683.1	785.0	723.0	624.1	617.5
<i>Less</i>					
Receipts Classified as Offsets to Expenses					
Rent Paid by the Ministries to the Government	3.7	3.8	3.4	3.4	3.4
Incidental sales by nonmarket establishments	0.2	0.2	0.2	0.2	0.2
	3.9	4.0	3.7	3.7	3.7
Payments Classified as Offsets to Revenue					
Income Tax Refunds	6.0	8.0	6.0	6.0	6.0
Duty Refunds and Duty Paid by Government Agencies	6.5	8.4	7.5	7.5	7.5
VAGST Refunds and VAGST Paid by Government Agencies	37.0	43.4	40.6	35.9	35.9
	49.5	59.7	54.1	49.4	49.4
Receipts Classified as the Net Acquisition of Financial Assets					
Loans - On-lending Repayments	4.7	4.7	4.7	4.7	4.7
Shares and Other Equity - Privatisation Proceeds	2.4	0.5	0.5	0.0	0.0
	7.1	5.2	5.2	4.7	4.7
<i>Plus</i>					
GFS Revenues not Included in Total Receipts					
SOE Own Source Revenues	1.3	1.4	1.6	1.6	1.6
SOE Cost Recoveries	30.1	20.5	24.3	24.3	24.3
	31.4	21.9	25.9	25.9	25.9
TOTAL ESTIMATED GFSM2001 REVENUE (as per Table 3)	654.1	737.9	685.9	592.3	585.7

The table below (table 7) provides reconciliation between the appropriation of the government outflows and the estimates of expenditure classified on a GFS basis. The significant difference in Government expenses is due to the netting out of transfer payments by factoring out payments classified as offsets to revenue, receipts classified as offsets to expenses and the net acquisition of non financial assets.

Table 7 - Reconciliation between Total Government Payments and GFS Expenses (\$m)

	2012-13	2013-14	2014-15	2015-16	2016-17
Current Payments					
Statutory Payments	76.4	85.7	88.3	88.3	88.3
Expenditure Programs					
Ministry Outputs	187.8	192.6	198.0	198.0	198.0
Third Party Outputs	158.8	200.9	173.3	171.2	171.2
Transactions on behalf of the State	108.6	170.6	121.2	95.9	96.0
Unforeseen Payments	13.6	16.5	14.8	14.0	14.0
Total Current Payments (as per Table 1)	545.2	666.3	595.7	567.4	567.5
Development Payments					
Loan financed project payments	118.1	97.7	73.6	33.0	19.9
Grant financed project payments	65.5	91.8	122.8	58.8	52.4
Total Development Payments (as per Table 1)	183.6	189.5	196.4	91.8	72.3
AGGREGATE PAYMENTS	728.8	855.8	792.1	659.3	639.8
<i>Less</i>					
Payments Classified as Offsets to Revenue					
Income Tax Refunds	6.0	8.0	6.0	6.0	6.0
Duty Refunds and Duty Paid by Government Agencies	6.5	8.4	7.5	7.5	7.5
VAGST Refunds and VAGST Paid by Government Agencies	37.0	43.4	40.6	35.9	35.9
	49.5	59.7	54.1	49.4	49.4
Receipts Classified as Offsets to Expenses					
Rent Paid by the Ministries to the Government	3.7	3.8	3.4	3.4	3.4
Incidental sales by nonmarket establishments	0.2	0.2	0.2	0.2	0.2
	3.9	4.0	3.7	3.7	3.7
Payments Classified as Net Acquisition of Nonfinancial Assets					
Fixed Assets					
Buildings and structures	209.8	199.8	196.9	99.9	82.3
Machinery and equipment	3.2	3.0	3.2	3.2	3.2
Other fixed assets	0.3	0.3	0.3	0.3	0.3
	213.3	203.1	200.3	103.4	85.8
Nonproduced assets					
Land	3.7	3.2	3.2	3.2	3.2
	217.1	206.3	203.5	106.6	89.0
Payments Classified as the Acquisition of Financial Assets and Liabilities					
Net Acquisition of Financial Assets					
Domestic					
Transactions Shares and other equity assets	4.1	3.5	3.9	2.0	2.0
Foreign					
Transactions Shares and other equity assets	0.3	0.3	0.3	0.3	0.3
	4.4	3.8	4.2	2.3	2.3
Net incurrence of liabilities					
Domestic Loan Repayments	4.8	2.7	7.0	7.0	7.0
Foreign Loan Repayments	24.6	29.5	34.2	34.2	34.2
<i>Plus</i>	30.2	33.2	42.3	42.3	42.3
GFS Revenues Not Included in Total Receipts					
SOE Own Source Revenues	1.3	1.4	1.6	1.6	1.6
SOE Cost Recoveries	30.1	20.5	24.3	24.3	24.3
	31.4	21.9	25.9	25.9	25.9
TOTAL ESTIMATED GFS EXPENSES (as per Table 4)	455.1	570.6	510.2	480.9	479.0

Table 8 reflects total revenues and expenditure programs appropriated for Government Ministries and Public Beneficial Bodies in FY 2014/2015 as well as two outer years' budget estimates.

Table 8 Summary of Ministry Receipts and Payments (\$m)

Ministry/Department	2012-13		2013-14		2014-15		2015-16		2016-17	
	Receipts	Payments	Receipts	Payments	Receipts	Payments	Receipts	Payments	Receipts	Payments
Ministry of Agriculture and Fisheries	0.66	12.97	0.66	19.44	1.25	13.84	1.25	13.63	1.25	13.63
Ministry of Commerce, Industry and Labour	0.35	18.52	0.35	26.54	0.42	16.94	0.42	16.63	0.42	16.63
Samoa Tourism Authority	-	11.68	-	19.48	-	10.19	-	9.89	-	9.89
Ministry of Communication & Information Technology	3.10	5.85	3.23	4.93	2.90	5.46	2.90	5.45	2.90	5.45
Office of the Regulator	-	1.86	-	1.25	2.65	1.57	2.65	1.57	2.65	1.57
Ministry of Education, Sports & Culture	0.21	85.42	0.21	97.39	1.14	84.00	1.17	85.25	1.56	85.31
Samoa Qualification Authority	-	2.10	-	2.45	-	2.91	-	3.04	-	3.05
Samoa Sport Facility Authority	-	2.37	-	2.32	-	1.51	-	1.51	-	1.51
National University of Samoa	-	11.57	-	11.19	-	11.89	-	11.89	-	11.89
Ministry of Finance	62.31	66.71	49.93	95.21	49.15	85.50	48.65	63.34	48.65	63.35
Ministry of Foreign Affairs & Trade	0.77	21.48	0.77	20.93	0.77	21.26	0.77	20.49	0.77	20.49
Ministry of Health	0.03	73.30	0.03	89.24	0.06	81.88	0.06	81.20	0.06	81.20
Samoa National Health Services	-	60.21	-	74.33	-	67.06	-	67.06	-	67.06
Samoa Kidney Foundation	-	5.10	-	5.02	-	5.61	-	5.61	-	5.61
Ministry of Justice & Courts Administration	0.71	9.31	0.71	9.23	0.96	9.73	0.96	9.73	0.96	9.73
Ministry of Natural Resources & Environment	4.56	32.75	4.57	32.09	3.11	28.57	3.11	28.68	3.11	28.68
Scientific Research Organization of Samoa	-	3.59	-	3.43	-	3.27	-	3.25	-	3.25
Ministry of Police and Prisons	0.20	25.69	0.14	27.43	0.26	25.67	0.26	25.67	0.31	25.67
Samoa Fire & Emergency Services Authority	-	3.29	-	3.69	-	3.84	-	3.84	-	3.84
Ministry of the Prime Minister	4.37	7.74	4.37	7.95	4.37	7.99	4.37	7.86	4.37	7.86
Ministry for Revenue	449.36	11.31	471.55	11.99	476.79	11.42	476.79	9.82	476.79	9.82
Ministry of Women, Community and Social Development	0.78	10.79	0.78	10.82	0.78	10.44	0.78	10.20	0.78	10.20
Ministry of Works, Transport & Infrastructure	1.39	51.34	1.77	86.73	1.77	59.13	1.77	57.23	1.77	57.23
Land Transport Authority	-	22.34	-	39.27	-	23.96	-	22.06	-	22.06
Office of the Attorney General	0.03	3.57	0.03	3.70	0.05	4.02	0.05	4.02	0.05	4.02
Controller and Auditor General	0.50	3.21	0.60	3.17	0.33	3.34	0.33	3.19	0.33	3.20
Office of the Electoral Commissioner	0.00	1.48	0.00	1.67	0.01	3.32	0.01	3.17	0.07	3.17
Legislative Assembly	0.07	4.68	0.07	5.44	0.14	6.68	0.14	6.64	0.14	6.64
Ombudsman's Office	-	0.64	-	0.56	-	0.79	-	0.79	-	0.79
Public Service Commission	0.02	3.62	0.01	3.84	0.01	4.40	0.01	4.42	0.01	4.43
Bureau of Statistics	0.42	3.89	0.42	4.56	0.66	4.11	0.66	3.65	0.66	3.65
Law Reform Commission	-	0.85	0.04	1.26	-	1.09	-	1.09	-	0.93
Prisoners & Corrections Services	-	-	-	-	-	2.95	-	2.95	-	2.95
Total	529.83	455.12	540.22	564.13	544.91	492.54	544.44	465.13	544.94	465.21