



GOVERNMENT OF SAMOA

**SECOND SUPPLEMENTARY BUDGET ADDRESS
2019/2020**

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BUDGET ADDRESS ON THE SECOND SUPPLEMENTARY BUDGET
ESTIMATES 2019/20

Mr. Speaker and Honourable Memembers of Parliament,

On behalf of the Government, I would like to table the Second Supplementary Budget for the financial year 2019/20 for the consideration of the House.

Mr. Speaker,

First and foremost, we give thanks to our Heavenly Father for his blessings upon our nation which has made it possible for us to gather today so we may fulfill our duties whilst our nation remains protected from the pandemic that is currently claiming the lives of many across the globe.

This past December, the First Supplementary Estimates was laid before Parliament in response to the effects of the Measles Epidemic. For the past six months, the Government has effectively actioned and put into place the necessary policies to protect our nation from anymore epidemics to come as well as to try and revert our economy back to pre-epidemic levels.

These are unprecedented times that we live in as we bear witness to a global devastation never seen before since World War II. Not only has the Coronavirus affected the lives and livelihoods of people across the globe but it will undoubtedly also have a detrimental effect on the world's economy.

Mr. Speaker,

It was in January of this year, when the world were made aware of the Coronavirus epidemic that was affecting the Wuhan Province of China. Whilst the Chinese Government were working at containing the spread of the virus and trying to find a cure, no other country in the world – not even those with the expertise to create a vaccine, could have imagined that this virus would have such devastating effects on the rest of the world.

It has been 4 months now since the virus was made known to the world and since then it has undoubtedly brought great suffering to many countries across the globe. The pandemic has completely changed the environment within which the world now lives in particular in countries who have declared States of Emergency - like Samoa, in a bid to try and control the spread of this deadly virus.

The international organisations tasked with overseeing the compilation of economic statistics for the World have also publicized and revised all their

projections to reflect the devastating effects on the global economy. Earlier this year, projections were still optimistic anticipating a 3.3% growth for the global economy for 2020. However, this has now been revised down to 2.4% or less depending on how long the spread of the virus continues. The revising down of the global GDP is due primarily to the closing of many industrial companies which has affected international trade; global unemployment has increased; large enterprises have been forced to close particularly large airlines upon which much of the world's development rely on and money markets have been affected thus affecting foreign reserves for many countries.

Mr. Speaker,

Economic growth for Samoa in the current fiscal year was projected at 3.7% to be driven largely by regional meetings that were to be hosted locally as well as the anticipated growth in international market demands and the hospitality sector. Unfortunately, the travel bans across the globe have now put a halt to all travelers for fear of the spread of the Coronavirus. For Samoa alone, our Tourism industry has taken a huge hit as the Coronavirus comes immediately at the heels of the detrimental effects of the Measles epidemic. This means that many of the regional meetings and events proposed to be hosted within Samoa is now uncertain. Other effects on the economy include the disruptions to our usual trade markets especially in countries where Samoa's diaspora are common therefore affecting remittances.

Growth projections for Samoa has now been revised and it is anticipated that growth will be negative 2.2% for the current fiscal year. These revised projections are inline with the revisions for the global economy.

Mr. Speaker,

The Korona Virus pandemic has been likened by many as a "Social and Economic Tsunami". This is due to the devastating effects of the pandemic that is nondiscriminatory and affects any person therefore affecting Government operations, businesses and companies upon which the livelihoods and services of any nation rely on particularly the manufacturing industries overseas.

The social welfare and prosperous future of any nation therefore relies heavily on the policy actions and decisions to be made by its leaders. It is our belief that the solutions to ensuring the future of this nation lies within our borders and we have at our fingers the necessary tools to ensure smooth sailing for our economy that will secure a quality of life for every citizen.

The Government's commitment maintains that the priority will be the safety and security of Samoa from any disaster that could eventuate. It is therefore imperative that the economy must be strong and stable enough to sustain the security of the nation. The Government has therefore decided extend its support to the country during these uncertain times through the provision of a set of policy response actions. Our nation is a small island developing state and has little by way of resources. We also have a small economy that is easily threatened by any ensuing disaster. Therefore, our policy response must be matched against whatever resources are currently available along with the assistance provided by our development partners which are usually tagged to specific programs.

Mr. Speaker,

This Second Supplementary Estimates has been put together in urgency to ensure that resources can be mobilized immediately to areas that must be enforced so that protection and prevention can continue for the nation. Furthermore, there is a need to release the assistance to the private sector and citizens as soon as possible so they may cope with the effects of the pandemic.

Mr. Speaker,

At this point it is uncertain how long this pandemic will continue to effect the world. It is also uncertain as to when the trade and travel will normalize to effect development in our nation.

The Government's assistance laid before Parliament is an initial policy response to effect change in the next 3 – 6 months and targets specific areas of the economy as highlighted below:

- Health Response;
- Enabling the Private Sector;
- Securing the Purchasing Power of Citizens;
- Food Security in the Agricultural Sector;
- Multi-sectoral Response.

The aggregated value of this assistance is \$66.3million tala which is a considerable amount given the implementation within the next 3 – 6 months. This means that there is the possibility of another round of assistance by the Government to be announced in the Main Estimates for the fiscal year 2020/21.

Mr. Speaker,

This assistance or Stimulus Package is the result of close collaboration between the Ministries and Corporations of Government which I will now briefly highlight:

1) \$20.3million has been allocated for the the Health Sector Response which will cover the following:

- Preparedness and Prevention;
- Negative Pressure Rooms;
- Isolation Room;
- Quarantines;
- Testing, Tracing, Reporting and Treatment;
- COVID Medical and Consumables;

2) \$12.5million dedicated to policies targeting the enablement of the Private Sector;

Assistance from the National Provident Fund

- 6month moratorium for the Hospitality Sector;
- 2months rent free at any SNPF property;

Assistance from the Accident Compensation Corporation

- 6month moratorium for the Hospitality Sector;
- 2month moratorium for all other sectors;
- 2months rent free at any ACC property including the Fugalei market;
- SAT\$2million capital injection to assist in financing the Stimulus Package;

Assistance from the Samoa Ports Authority

- 3months rent free for all businesses operating on all wharves;
- 3months refund on all stevedoring licenses;
- 20% reduction on all wharfage fees for 3months;

Assistance from the Samoa Airport Authority

- 3months rent free for all businesses operating within the Faleolo Airport;

Assistance from the Electric Power Corporation

- 50% reduction in the hotels' Daily Fixed Rate for 3 months;

Assistance from the Land Transport Authority

- Registration fees for taxi's and buses waived for the months of June and September – vehicles will still need to be brought in for inspection;
- All late fees waived for vehicle inspections and registrations;

Government Assistance administered through the Ministry for Customs and Revenue

- 2 months extension on income tax due dates and all late fees for late filing to be waived;
- Expansion of the Code 121 to include all equipments and inputs required for agricultural and fisheries development regardless of “qualifying project” status;

Government Assistance administered through the Ministry of Finance

- Government to carry 3months of loan repayments for all small businesses under its Government Guarantee Schemes administered by the Samoa Business Hub;
- Government to provide interest relief for all loans with the Development Bank for 2months;
- Government to provide 3 months rent free for all businesses renting at the DBS Building;
- Government to provide 2months rent free at all Samoa Land Corporation markets at Savalalo, Vaitele and Salelologa;

\$1million tala Capital Injection to the Samoa Airways

- This assistance is provided so that the Samoa Airways can pay its dues to local businesses while the airline is grounded by the Government's travel ban;

3) \$27.5million dedicated to policies targeting the securing of the Purchasing Power of the citizens of Samoa:

Assistance from the National Provident Fund

- Refund to all contributors loan repayments made to personal loans for the whole month of March;
- Contributors made unemployed in the Hospitality sector by the COVID19 will be able to withdraw 20% of their contributors. This is usually implemented only for retired, migrated or deceased contributors;

Assistance from the Samoa Housing Corporation

- 3months moratorium on all loan repayments;
- 50% reduction in interest rates on all loans for 6months;

Assistance from the Land Transport Authority

- 10% reduction on all registrations for motor vehicles for the rest of the calendar year;

Government assistance administered through the Ministry of Customs and Revenue

- Duty concession on a specific food essentials identified by the Ministry of Finance;

Government assistance administered through the Ministry of Finance

- \$300 one-off special pension to be added to the next monthly pension of \$145tala;
- Government to carry 2% of total interest on all loans with every commercial bank for 3months namely NBS, BSP, SCB and ANZ;
- 10sene reduction in the price of electricity, the Ministry of Finance will carry 7sene and the Electric Power Corporation is to carry 3sene for 6months;
- 20sene reduction in water rates for 6months which will be covered by the Ministry of Finance;

4) Allocation for the Ministry of Agriculture to raise local produce;

\$3.5million has been allocated to the Ministry of Agriculture and Fisheries. It is Government's intention that local agricultural and fishing developments will be intensified to support food security. A portion of this assistance has been allocated for equipments and consumables required by the Scientific Research Organisation of Samoa in the commercialization of some of our local value added agricultural processes like breadfruit flour, coconut oil, avocado margarine and others to substitute imports.

5) Multi-sectoral Response

\$2.5million has also been allocated to assist in the response of other sectors that will be affected by the Coronavirus initiative. These sectors will work in close collaboration with the Ministry of Finance in the identification of key areas where resources will be required and they include:

- FESA EMT/Ministry of Police;
- Education;
- Communication;
- Community Outreach.

In addition to the above specific assistances, there are other areas where the Government is intervening that includes:

- All public servants will remain employed;
- All recruitment and selection of the public service will be fast tracked to ensure that all those seeking employment will be hired as soon as possible;
- All Government projects including developments for roads, airport and water to continue to ensure income generation opportunities for those involved;
- All Government accounts with the private sector to be cleared as soon as possible;
- Government will consider support to small businesses through assistance via the Development Bank within the next 3months;
- Continued free healthcare for senior citizens, maternal health and children below 15years old;
- Activation of the Price Control Board.

Mr. Speaker,

I am happy to report that the Government has conducted dialogues through the Ministry of Finance with the Central Bank and other commercial banks of the country. The ANZ, BSP, NBS and SCB have completed their internal reviews and have announced their own separate assistance to the nation for the next 3 months. Their terms and conditions vary not only from bank to bank but also from individuals, businesses and their partners alike. It is therefore heartwarming to note that there exists a willingness within the banking community to help our nation through these trialling times. I am confident that the above banks continue to review their relief packages so that more assistance can be extended to their valued clients and should be made available within the next 6 months.

Mr. Speaker and Honourable Members of Parliament, on behalf of the Government I would like to thank all the stakeholders and partners of Government who have contributed in any way to try and assist our nation at this time. We also acknowledge our State Owned Entreprises and Corporations who have lent their unwaivering support for the stimulus package now before Parliament to assist our citizens. Thank you kindly.

Mr. Speaker,

As already stated, the total value of the stimulus package before Parliament totals \$66.3million tala. \$18.2million of this will be financed directly by Government Corporations already announce. \$9.8million of these policies are revenues to be foregone by Government due to waivers allowed and duty concessions. The

\$38.3million remaining is being submitted under this Second Supplementary Budget Estimates in addition to some new development projects.

It is anticipated that the implementation of the Government's assistance will push economic growth from an anticipated -2.2% growth to a -1.6% which will be the first steps towards ensuring socially and economic secure environment for our citizens.

SECOND SUPPLEMENTARY BUDGET ESTIMATES:

Mr. Speaker,

The aggregated total expenditures proposed under this Second Supplementary Budget Estimates is \$47.3million tala of which \$8.9million are direct development projects financed by our donor partners. The remaining \$38.4million additional pertains directly to the Coronavirus Response Plan.

The aggregated additional Revenues proposed total \$48.8million tala. Of this amount \$40.8million are financed by our development partners, \$2million by the ACC's capital injection and \$6million in excess collections on onlending repayments from Corporations being declared.

The stated aggregate expenditures and revenues do no include revenues and expenditures that will be reprioritized or reduced.

REVENUES

Overview on Additional Revenues:

As previously mentioned, additional revenues for this Supplementary budget is \$48.8million however \$12.5million will be deducted to reflect border taxes which are anticipated to be greatly affected by the coronavirus. Net Revenues therefore within this Second Supplementary budget is aggregated at \$36.3million tala.

I will now outline the key paramters of revenue items added under the Second Supplementary Estimates as follows:

1) \$40.8million additional Grants received from Development Partners:

World Bank

- CatDDO – \$14,443,301.90:
This reflects the balance remaining from the original amount that was disbursed for the Measles Epidemic in the First Supplementary in December 2019.
- IPF-COVID19 – \$7,084,762:
This programme is specific to the procurement of goods and services required to combat the COVID19 to ensure poverty reduction and sustainable development.

Asian Development Bank

- Contingency Disaster Facility – \$8,218,324:
This Facility is similar to the World Bank’s CatDDO and was established to assist member countries’ immediate response to natural disasters. However, due to the catastrophic effects of the Coronavirus this has now been opened to include the pandemic and released to assist in preparatory and preventative measures of all member countries including Samoa.

Government of New Zealand

- Budget Support COVID19 – \$9,080,553:
This assistance is from the Government of New Zealand injected directly into the Budget to assist in any sectoral response to the Coronavirus.

Government of Japan

- Measles/Health Equipments – \$1,822,374:
This is a direct assistance from the Government of Japan to assist in the procurement of medical equipment for the hospital.

2) \$8million tala additional revenues for the Government of Samoa;

Ministry of Finance

- \$6million in excess onlending collected fro the current fiscal year on Corporation loans covered by the Ministry of Finance to be declared;
- \$2million tala capital injection from the Accident Compensation Corporation to assist the Coronavirus Response Plan.

Revenue Items to be reduced:

\$12.5million reduction in border taxes under the Ministry for Customs and Revenus

- These taxes include:
 - \$3.2million or 5% reduction in Import Duty;

- \$3.6million or 5% reduction in Imported Excises;
- \$2.4million or 5% reduction in Domestic Excises;
- \$3.2million or 2% reduction in imported VAGST;

EXPENDITURES

Overview on Additional Expenditures

Total additional expenditures under this Second Supplementary Budget stands at \$47.3million however \$2.9million are expenditure reductions and reprioritizations to assist in the Coronavirus Response Plan. Total net expenditures under this Second Supplementary Budget Estimates therefore totals \$44.4million

1) \$8.9million tala additional grant development projects:

World Bank IPF COVID19 –\$7.1million

Japanese Government Measles/Health Equipment - SAT\$1.8million

2) \$38.3million additional under Expenditure Programmes of Government:

- **\$972,410 will be added under the Ministry of Agriculture and Fisheries**

This appropriation is relative to their response programme to for increasing their support to the development of agriculture, livestock and fisheries in the country;

- **\$37.3million will be added under the Ministry of Finance for the implementation of the Koronavirus Stimulus Package or the COVID19 Response Plan**

This appropriation is in directi correlation to the implementation of the policies already stated;

Overview of Expenditures to be reduced/reprioritized

1) \$321,816 will be reduced and reprioritied from the Ministry of Agriculture’s Budget as follows:

- There are provisions and programs of the Ministry of Agriculture and Fisheries which have now been cancelled as well as funds remaining from other programs which will now be reshuffled to finance additional expenditures as follows:

- FAO Subregional Office	\$111,835
- Open Day	\$20,902
- Agriculture Show	\$100,067
- Replanting of Coconuts	\$30,081
- Breadfruit Propagation	\$30,000
- ACP Ministerial Meeting	\$28,931

2) \$500,000 to be reduced from under the Budget of the Ministry of Education:

- These funds were provided for the Pacific Festival of Arts which has now been postponed to 2021;

3) \$2million to be reduced from under the Budget of the Office of the Electoral Commissioner's Office

- This is part of the provision allocated for the new Electoral Building which has been delayed by usual processes and it is envisaged that actual construction will not require payment until the new fiscal year;

4) \$100,000 to be reduced from the Budget of the Ministry of Foreign Affairs:

- These funds were allocated for the hosting of the Pacific Ocean Conference proposed for May 2020 which will now not eventuate;

Budget Deficit:

The overall effects of this Supplementary Budget sees an additional \$8million added onto the original deficit expanding the budget deficit to 1.7% of GDP. This means that the Second Supplementary Budget Estimates has expanded the deficit by 0.5% compared to the 1.2% estimated at the beginning of the current fiscal year.

Despite the detrimental effects anticipated for the economy, I would like to emphasize the significant role that the Government's assistance will play not only in the protection of our nation from the Coronavirus but it will also act as a trigger to help stimulate economic growth through reprioritization of Government spending as well as extending the assistance to the citizens and the private sector through these times of uncertainty.

As previously mentioned, this is only the early response of the Government and there will be a longer term plan to be publicized in the near future. What is certain, Mr. Speaker – it now falls on the Government and its increase spending to ensure the continued growth of the economy within the next 3-6months.

Conclusion

Mr. Speaker and Honourable Members of Parliament

Due to the challenges currently faced by the world and our country, it is our belief that the policies and programmes laid before Parliament today will undoubtedly ease some of the burdens faced by our people.

Our country is one that has faced many challenges over the course of the past few years and we are still reeling from the tragedy brought about recently by the Measles epidemic which claimed the lives of our young ones in addition to the devastations of many a natural disaster that has come our way. It is my guarantee that the Government is committed to continuing to work in close collaboration with our development partners to secure the health and social welfare of our nation as well as to sustain economic growth today and in the future years to come.

Mr. Speaker and Honourable Members of Parliament,

Samoa is a nation that is founded on God and we must therefore continue to seek His guidance and protection during these trialling times. As we prepare to celebrate Easter and commemorate the passion and resurrection of Christ, we must stand together not only a congregation of our hearts and souls in preparation to receive the Easter Gospel but also to receive blessings of a healthy and socially secure nation.

On behalf of Cabinet and the Government of Samoa, I wish to thank the citizens of our nation for their continued support as well as your prayers for the health and safety of our people during these challenging times while we are faced with this global pandemic.

May you all have a Blessed Easter and may God be with us all.

Soifua ma ia manuia.

COVID19 RESPONSE PLAN

SECOND SUPPLEMENTARY POLICIES

Health Response			
Preparedness and Prevention	\$3,468,978.00		
Negative Pressure Room	\$4,000,000.00		
Isolation 1	\$1,500,000.00		
Quarantine	\$1,500,000.00		
Testing, Tracing, Reporting, Treatment	\$2,797,310.00		
COVID Medical and Consumables	\$7,000,000.00	\$20,266,288.00	
Enable the Private Sector			
Guarantee for small businesses(\$355k x 3 months)	\$1,065,000.00		
DBS Interest Relief 2mnths (everyone)	\$1,900,000.00		
Samoa Airways (ACC)	\$1,000,000.00		
3mnths rent free for businesses at the Airport	\$ 31,799.89		
2month rent free for businesses at SLC markets	\$ 275,000.00		
3months free rent for private businesses at DBS	\$ 100,000.00	\$ 4,371,799.89	
Secure the Purchasing Power of the Citizen			
Special Pension (one-off \$300per)	\$3,000,000.00		
3mnths 2% interest relief for h/hold loans	\$2,405,380.00		
EPC electricity rate reduction	\$1,000,000.00		
SWA water rate reduction (20sene reduction)	\$1,327,174.86	\$ 7,732,554.86	
Food Security			
PPE	\$ 20,338.00		
Awareness	\$ 5,959.51		
Livestock	\$ 124,825.19		
Crops	\$ 821,288.00		
SROS Commercial Arm	\$2,500,000.00	\$ 3,472,410.70	
Multisectoral			
FESA/EMT and Police	\$1,000,000.00		
Education (ACC)	\$ 500,000.00		
Communication	\$ 500,000.00		
Community Outreach (ACC)	\$ 500,000.00	\$ 2,500,000.00	
			\$ 38,343,053.45
<u>DIRECT ASSISTANCE FROM CORPORATIONS</u>			
NATIONAL PROVIDENT FUND			
SNPF 6month moratorium - Tourism	\$2,600,000.00		
2month Free Rent at SNPF Facilities	\$ 604,000.00		
NPF Loan Repayment Refund	\$5,500,000.00	\$ 8,704,000.00	
ACCIDENT COMPENSATION CORPORATION			
ACC moratorium - (6mnths Tourism+2mnths others)	\$1,000,000.00		
2month Free Rent at ACC Facilities	\$ 500,000.00		
Capital Injection		\$ 1,500,000.00	
SAMOA PORTS AUTHORITY			
20% discount on wharfage fees for 3months	\$ 352,524.00		
3month license refund for Stevedoring	\$ 18,112.50		
3mnths lease suspension for businesses at wharves	\$ 158,514.00	\$ 529,150.50	
SAMOA AIRPORT AUTHORITY			
3mnths lease suspension for businesses at the Airport	\$ 193,160.47	\$ 193,160.47	
ELECTRIC POWER CORPORATION			
Usage charge reductions for h/hold	\$2,400,000.00		
Daily Fixed Rate reduction for hotels	\$ 273,000.00	\$ 2,673,000.00	
SAMOA HOUSING CORPORATION			
3month moratorium on all Samoa Housing loan repayments	\$3,100,000.00		
50% reduction in loan interest rates for 6months	\$1,500,000.00	\$ 4,600,000.00	\$ 18,199,310.97
<u>REVENUES FOREGONE</u>			
Code 121 (MCR - Duties foregone)	\$ 339,328.00		
LTA waiver (Registration Fees foregone)	\$2,135,160.15		
Free up Trade (MCR - Duties foregone)	\$2,401,865.90		
Onlending (Revenues to State foregone - 7sene)	\$4,900,000.00	\$ 9,776,354.05	\$ 9,776,354.05