



GOVERNMENT OF SAMOA

**2009/2010 FIRST SUPPLEMENTARY
BUDGET ADDRESS**

HON. NIKO LEE HANG

Minister of Finance

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2009/2010 FIRST SUPPLEMENTARY BUDGET ADDRESS

Mr Speaker and Honourable Members,

On behalf of the Government, I would like to table the First Supplementary estimates for the financial year 2009/2010 for the consideration of the House.

Mr Speaker and Honourable Members,

The tsunami that hit Samoa on September 29, 2009, has been the worst natural disaster since independence. We lost 143 lives and over 5000 people lost their homes and other properties. Beyond the human suffering, the fiscal cost of infrastructure rehabilitation, resettlement, and maintaining access to social services represents a substantial cost to the economy. The onset of the tsunami and its devastating impact could not come at a worst time when the economy is already under stress from the global financial crisis.

Mr Speaker and Honourable Members

You will recall the 2009/10 main estimates was framed against an environment of great uncertainty and the main estimates reflected the need to ground a framework that will stimulate economic activity and trigger growth. The tsunami however has added another layer of trouble to our economic woes.

This supplementary budget therefore is framed against a background of economic strife. The tsunami has undercut Samoa's economic resilience and prospects for a quick recovery from the global recession. But we cannot afford to lose sight of our longer term objectives as we deal with short term solutions to address these shocks. Even in these difficult times we need to strive for macroeconomic stability in the medium term. That is what this budget aims to achieve.

Mr Speaker and Honorable Members

The supplementary budget is for those who were affected by the tsunami. It is intended to clear all the emergency relief expenses and the reconstruction

costs. It also provides the opportunity to declare all monetary donations received from governments, multilateral and regional organizations, non government organizations, Samoans living abroad and many individuals in line with best practice.

Mr Speaker and Honourable Members

I am pleased to announce the supplementary budget does not involve any reallocation of resources. That means its financing comes from grant and concessional borrowing which are additional and new resources. This is important as any reallocation of resources would seriously compromise the achievement of outcomes especially the delivery of social services pursued under the main estimates.

The supplementary budget allocations is drawn from what was spent on the emergency and relief works and more importantly from the assessment jointly conducted by the ADB, World Bank, UNDP and government agencies. It is therefore well grounded on a plan that takes into account the emergency and relief needs, the financing available as well as the absorptive capacity of government ministries and corporations in the next six months.

In line with its objective of achieving macroeconomic stability, this budget and the next three fiscal years are expected to continue to be expansionary due to reconstruction works and then slowly get back to the SDS targets over the medium term. As a consequence the debt levels will rise to over 40% of GDP and then gradually subside to the target level in 2012/13. GDP growth will continue to slow down this fiscal year but is expected to recover to a sustainable growth level in 2010/11 and beyond.

Supplementary Budget

I will now turn to the details of the First Supplementary Estimates for fiscal year 2009/2010:

Receipts

Mr Speaker , Honourable members

The First Supplementary estimates for FY09/10 are being financed mainly from new and additional project grants from our bilateral and multilateral

donors as well as from concessional borrowing extended to the government in response to the devastation by the tsunami. The total grant is \$69.9m and additional concessional financing amounts to \$25.0m.

In this regard I wish to acknowledge with appreciation the contributions from the governments of Australia, New Zealand, United States of America, Japan, and China as well as the World Bank, Asian Development Bank, European Union and the United Nations whose support, has facilitated the early implementation of the recovery plan. As well I would like to make mention of the contributions of the international community and in particular the publics' contributions, locally and abroad to the Tsunami Relief Fund which forms a significant part of the financing package.

These grants and their utilization are being channeled through budget support for all sectors that were involved with relief, transitional arrangements and reconstruction activities in the recovery phase as well as through increased existing project funding facilities. A 5.8 million tala grant funded by the Governments of Australia and New Zealand is for a targeted school fee relief scheme which was originally planned as a response mechanism to cushion the impacts of the global recession; the tsunami has triggered the fast tracking of the scheme which now encompasses the needs arising therefrom. The unprecedented response by our development partners and their willingness to forego their systems and procedures in order to facilitate delivery and disbursement reflects the strength and maturity in the partnership arrangements that we have with our partners.

Expenditure

This supplementary budget as stated earlier largely encompasses priority tsunami relief and recovery expenditures totaling \$78.0 million Tala including VAGST. These include:

- Additional \$2.5 million Tala to finance the rehabilitation program of the Agriculture and Fisheries sector.
- Additional \$3.5 million Tala to support the recovery of the Commerce and Tourism sector.
- Additional \$2.0 million Tala to support the recovery of the public communication sector particularly to relocate public communication

assets and to ensure greater coverage and enhanced resilience to natural hazards.

- Additional \$11.3 million Tala appropriated for the Ministry of Education of which \$5.0 million will be set aside for the reconstruction of government schools damaged by the tsunami. The financial assistance from the Australian and New Zealand governments of \$5.8 million Tala is appropriated to fund the targeted school fee relief scheme.
- Additional \$8.0 million provided under the Ministry of Health's budget of which \$6.5 million will be set aside for the recovery program of the Health Sector. Furthermore, \$1.4 million will be disbursed directly to the National Health Services to cover cost overruns incurred as a result of the tsunami relief program and the post event treatment of those in affected areas.
- Additional \$6.3 million Tala is appropriated under the Ministry of Natural, Resources and Environment's budget for its recovery program which in the short term would be solid waste removal and ecosystem restoration in general. Of this amount \$1.6 million Tala will go directly towards the improvement of the national capacity of the disaster risk management sector to ensure preparedness of the communities in the event of any disaster occurring in the future is addressed.
- Additional \$39.7 million tala is reflected under the Ministry of Works, Transport and Infrastructure's budget to support the tsunami recovery efforts of the sector. I would like to provide the details of this allocation as follows:
 - \$9.0 million Tala will go towards government's housing scheme which is targeted at supporting private housing in the affected areas.
 - \$5.5 million Tala is provided to the Samoa Water Authority for its reconstruction work to ensure the water supply reaches the affected areas.
 - \$7.4 million Tala is appropriated for the Electricity sector rehabilitation costs which mainly involves the restoration of

- services and the immediate provision of power to new locations.
- \$15.6 million Tala is provided to the Land Transport Authority to cover cost overruns associated with the immediate clearance of roads. This allocation will see the construction of new roads and the restoration of bridges and seawalls at the affected areas.
 - \$2.0 million Tala is appropriated to assist the Samoa Ports Authority in restoring the wharf at Satitua, Aleipata
- An additional \$0.92 million Tala is provided under the Ministry of Women, Community and Social Development which includes cost overruns associated with the immediate tsunami response efforts and the funding of its anticipated community livelihood restoration and development program.

Conclusion

Mr Speaker and Honourable members, I have outlined above the key features of the first supplementary budget for fiscal year 2009/2010.

It is a responsible budget premised on the need for emergency and relief works, reconstruction needs, available financing and the absorptive capacity of the government to implement these within the next six months. 2009/10 is an extremely difficult year and the path we have taken will place the economy on a sustainable footing over the medium term.

Mr Speaker, Honorable members,

In closing I would like to again acknowledge the overwhelming support of the international community, our development partners, partner governments, international and local NGOs, Samoans living abroad, friends of Samoa and many many individuals. We cannot manage without your support. I would also like to take this opportunity to honour those who lost their lives and those who survived the tsunami.

Last but not least I would like to applaud the tremendous support by our own people and communities in response to the disaster. To the National Disaster Council, Disaster Advisory Committee, Disaster Management Office and the Operations Centre, and all those who work tirelessly in ensuring help is delivered on time, we say thank you very much.

On behalf of the government, I wish you all an enjoyable Christmas and a great start for 2010.

Soifua