



GOVERNMENT OF SAMOA

2010/2011 BUDGET ADDRESS

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2010/2011 BUDGET ADDRESS

Mr Speaker

As required under Standing Order 124, I wish to present on behalf of Government, the statement on the Estimates for the 2010-2011 fiscal year.

I. Budget Setting

Fiscal year 2009-2010 is an unforgettable period when Samoa was hit by a tsunami with the worst human losses and substantial physical damage. The death toll was 143 and almost 5,300 people lost their homes. Beyond the human cost, the physical damage in terms of infrastructure rehabilitation, resettlement, and maintaining access to social services could well exceed 15 percent of GDP. The disaster also undercut the economy's resilience and prospects for a quick recovery from the global recession, in particular through the devastation on Samoa's growing tourism sector.

Fiscal 2009/2010 also saw the need for an expansionary budget with a deficit equivalent to 11% of GDP in view of the need to stimulate economic activity following the global financial crisis. The global economic downturn has adversely affected economic growth as demonstrated by the consecutive negative growth in 2008 of -3.2% and -1.8% in 2009 following strong growth over the 10-year period prior to 2008.

The tsunami has imposed another layer of cost in terms of reconstruction and rehabilitation as the Samoan economy is recovering from the crisis. The demand for reconstruction and provision of services present enormous costs. However, Samoa has been extremely fortunate that the response from the development partners towards financing the recovery plan has been extremely positive. This has the dual advantage of minimizing the stress on domestic financial resources as well as building foreign reserves to meet increased imports for reconstruction and recovery programs.

Over the medium term, growth is expected to rebound as a result of the reconstruction works and the substantial investment both in infrastructure and marketing to revamp tourism development. GDP is expected to get back to positive growth beginning in 2010/11 and beyond.

Whilst the outlook appears positive, we are reminded of the global economic environment and their impact on Samoa when things turn for the worse. Therefore we need to remain vigilant in putting in place appropriate measures to ensure the economy can be insulated from global economic downturns and continue to maintain macroeconomic stability.

This is the scenario against which the 2010/11 budget is framed. The domestic economic environment remains vulnerable. The 2010/11 budget parameters will remain expansionary as we strive to trigger economic growth as well as the implementing the tsunami reconstruction plan.

II. ACHIEVEMENTS IN THE PAST FIVE YEARS

Mr Speaker and Honorable Members

I will now provide a brief account of the developments that your government achieved during this parliamentary term, which forms the basis for sustainable economic and social progress for Samoa.

(i) Macroeconomic Performance

On the macroeconomic front, the economy performed well achieving an annual growth rate of over 4% in the 10-year period prior to 2008. That positive growth was reversed in 2008 when the financial crisis hit affecting every country. This was an event that was entirely out of Samoa's control. In response to the crisis, the government put in place a stimulus package intended to trigger economic activity. The 2009 tsunami imposed huge social and economic costs. It also undercut the prospects for a quick recovery.

Notwithstanding these shocks, the Government has been able to maintain economic stability and growth is expected to rebound next year. This demonstrates that the government has been able to maintain macroeconomic stability over the past five years. And even in times of great difficulty, it has been able to rebound as well as providing the critical service for the benefit of the community.

(ii) Education

The Social Sectors, Education and health, remain priority areas for government. I am pleased to announce major achievements made in the Education Sector in the last five years.

1. The Samoa Qualification Authority (SQA) has been established, to provide policy advice, coordination and quality assurance for post-secondary education and training activities in Samoa.
2. The National University of Samoa (NUS) and the Samoa Polytechnic were merged in 2006, as a means for an effective and efficient sharing of resources. The Australian Pacific Technical Center (APTC) started operations in late 2007, and has provided more opportunities for students to gain Australian certification for their trades of study.
3. More than twenty Primary School buildings have been built with assistance from JICA, EU and China. After last year's Tsunami, priority has been given to schools in the areas that were affected, with work on Falealili Secondary School due for completion early next year.
4. I am also pleased to announce that Samoa's first Mobile Computer Laboratory was launched last year, giving our students access to the fast growing technologies of our time. The lab is equipped with 6 laptops, a laser printer, a TV set with wide screen and the appropriate furniture and fittings.

(iii) Health

Investment in the health sector has continued, reflecting Government's commitment to further improve health services. These include the following:

1. Legislation to separate the Ministry of Health and the National Health Services came into effect in 2006. This effectively split the former Ministry of Health into two separate bodies. The Ministry of Health under its Act took on a regulatory, monitoring, national policy and planning role, while the National Health Service took on the responsibilities for all publicly funded hospital based care.
2. Other legislation that came into effect during this period includes the Tobacco Control Act, the Mental Health Act, Nursing and Mid-wifery Act, Health Care Professions Registrations and Standards Act, Pharmacy Act, Dental Practitioners Act and the Medical Practitioners Act.
3. Health facilities and equipment at the National Hospital at Motoootua have been upgraded with World Bank assistance, and a CT scan now installed with assistance from the Government of the People's Republic of China. The Tuasivi hospital in Savaii has been renovated with assistance from JICA. The 3 District Hospitals at Poutasi, Lalomanu and Safotu were refurbished with World Bank assistance. Birthing units for Lufilufi and Fusi district hospitals have been upgraded, and the construction of the Nurses' home at Foalalo was completed in 2007 with assistance from EU.
4. Health promotion and prevention have been strengthened through ongoing programs under a Sector Wide Approach (SWAP). Other activities that both engaged the health sector and the public are Vegetable Garden Programme and Physical Activity funded by SWAP, which involved community based organizations such as women's committees, youth groups and the community as a whole.

(iv) Agriculture

Substantial investments have gone into agricultural developments in the past 5 years.

1. The "Talomua" project has been ongoing, providing a timely encouragement for our people to realize the importance of Food Security, putting emphasis on our traditional crops. A stimulus approach in that regard is now underway, through the re-planting of Coconut, Cocoa and Coffee, to improve food security. The Heat Treatment Forced Air facility has been in operation, with the objective to increase agricultural exports.
2. The Ministry of Agriculture and Fisheries continued to focus on several areas to improve the fisheries industry. The extension of the community-based fisheries management program has been an ongoing activity as well as the updating and implementing of the Tuna Management and Development Plan 2005-2009. The Ministry continued to deliver public sector support services for fisheries development. The implementation of tariff reductions on business inputs to support fisheries development was effective on the 1st

July 2008. The development of export markets in the European Union and New Zealand has been successful.

(v) Infrastructure

The provision of economic infrastructure was catered to improve transport, water and sanitation services, electricity and telecommunications.

1) ROAD TRANSPORT

- Samoa made headlines around the world early September last year, when the Road Switch was implemented. Despite all the criticisms, our country is now beginning to reap the benefits of this initiative.
- The Land Transport Authority (LTA) was established to ensure coordinated planning and regulation of land transport is adhered to. The rehabilitation work for the West Coast Road between Apia and Faleolo International Airport and the widening of roads and bridges and footpaths, are continuing. The Vaitele Street Widening Project is at its final stages, providing a remedial solution in easing traffic congestion during peak hours.
- After the tsunami, there was a need to relocate the affected villages inland. The Government was obligated to address these needs especially for the safety of the villages, and the roads to these areas have been approved for construction.
- To further protect these assets and the coastal environment, seawalls have been constructed along a number of villages.

2) WATER & SANITATION

Strengthening the sector governance as detailed in *Water for Life: Sector Plan and Framework for Action* has started and is an ongoing activity. The Ministry of Health is the leading agency in the Water Sector Support Program (WASSP) and focuses on “Sanitation & Wastewater improvement”. Other developments include:

- Sanitary risk assessments for water catchments have been conducted to assist in identification of risks and proposals for mitigating risks to help protect drinking water sources.
- The improvement of sanitation, drainage and wastewater disposal has been started and is anticipated to complete this year for those connected to Samoa Water Authority sewage system.
- The National Sanitation Program has been implemented, which includes 119 primary schools and three district hospitals.

- Thirteen new bathroom facilities have been constructed for thirteen primary schools in the pilot district of Aleipata. The Sanitation Program includes three components – new bathroom building with pan ratios that meet standards, water tanks to ensure there is always water to service bathroom facilities and septic tanks that meet building code standards.

3) *ELECTRICITY SUPPLY*

Developments on electricity generation and distribution, include the following:

- Providing electricity for Apolima-tai has been completed, with residents getting electricity on a 24 hour basis from Solar Power.
- Power has been restored to the areas affected by the tsunami, and electrification of new settlements has started.
- New Bill now with parliament, to open up electricity generation, and to set up a power and water Regulator.

4) *TELECOMMUNICATION*

Some of the developments in information, communication and technology services, include the following:

- The Telecommunication Regulator's Office was established in 2006, under the Telecommunications Act, with the role of regulating the telecommunication sector to foster competition and at the same time protecting the community from unfair trading.
- A second mobile operator, Digicel, entered our local market in 2006. It provided a healthy competition which enhanced service delivery to the customers.
- The structural separation of SamoaTel and Samoa Post was completed in December 2008. The privatization of SamoaTel is underway, and is due to be completed before the end of this year.
- International capacity has been improved with the completion of the American Samoa-Hawaii (ASH) submarine fibre cable networks.

5) *PORTS*

Major developments in ports and sea travel, are as follows:

- Aleipata wharf was completed in December 2008. Although it suffered substantial damages from the tsunami, rehabilitation works were carried out and the wharf is again operational.

- Inter-Island services received a boost, when the Samoa Shipping Corporation received the newest addition to their fleet, Lady Samoa III, earlier in the year. The project was funded by the Government of Japan, and is now servicing the Mulifanua – Salelologa route.

6) CIVIL AVIATION

The key developments undertaken in civil aviation were as follows:

- A new office for the Meteorological Division has been established at the Faleolo International Airport.
- Fagalii Airport was re-opened last year, to facilitate flights to American Samoa. It was important to re-open the airport, as it is more convenient for the travelling public, but also to boost visitor arrival numbers.
- The Fire & Emergency Services Authority was established in 2007, and has enhanced security aspects of the airports, through the acquisition of new fire tenders from Japan, Australia and Germany.

(vi) Tourism Development

1. Tourism remains the major foreign exchange earner in the past five years, with contributions of \$204million in 2005, \$236million in 2006, \$263million in 2007, \$288Million in 2008 and \$304million in 2009. Holiday tourists increased from 33,129 in 2005 to 48,782 in 2009 at an average annual increase rate of 11.6% per annum.
2. Investment in the hotel industry has been encouraged through the implementation of the Tourism and Hotel Development Incentive Act 2003 and Customs Amendment Act 2007. The relevant Government Ministries have been closely involved in administering the Duty Concession Scheme, which have benefitted a lot of tourism operations.
3. Since 2005, nine new hotels have been set up. These include Tanoa Tusitala, Le Alaimoana Hotel, Le Manumea Hotel, Le Vasa Resort, Jetover Motel, Le Lagoto Resort, Siufaga Beach Resort, Seabreeze Resort, and the Green Ridge Motel. Two other major hotels are in the pipeline for development in the near future.
4. Accommodation Standards have been developed and approved for the industry, and was implemented early this year. The objective of having accommodation standards, is to ensure the Samoa Tourism Accommodation sector adheres to truth in advertising and enable consumers to have clarity of expectation with specific reference to the tourists' expectation of Samoa's product and service.

5. Curriculum requirements for tourism courses have been established with close coordination between the Samoa Qualification Authority, NUS, APTC and the Tourism Industry, to ensure that sector needs and requirements are addressed.

(vii) Business Development

Leveling the playing field to provide the enabling environment for doing business has been improved immensely through the implementation of legal and regulatory reforms. The new Companies Amendment Act 2006 and accompanying regulations have been completed.

1) FINANCIAL SECTOR DEVELOPMENT

- The Private Sector Support Facility (PSSF) was established in 2008, to promote small and medium enterprise development. The scheme was used to channel much needed funding to assist with the rebuilding of operations that were damaged by the tsunami.
- Many small businesses have utilized the services provided by the Small Business Enterprise Centre (SBEC). The growing number of businesses accessing finance under the SBEC program has fully utilized SBEC's resources in administering the scheme.

2) TRADE POLICY

- Tariffs on specified business inputs of various industries were eliminated on the 1st of July 2008 pursuant to the Customs Tariff Amendment Act 2008.
- The application of preferential duty rates to PICTA members from 2008 has commenced, with the first reduction started on the 1st January 2008.

(viii) Sports Development

1. The Samoa Sports Facility Authority was established to maintain and operate all sporting facilities built by Government for the promotion of sports and recreational activities, locally and internationally.
2. Samoa successfully hosted the 2007 South Pacific Games. We now have world class sports facilities, and we have managed to host quite a number of world events. These include the World Championship in Weight Lifting, East Pacific Cricket tournament, the Oceania Boxing Championships, the Oceania Body Building tournament and the Oceania Judo World Cup that was held last year.
3. The International Judo Executive Committee announced last year that an Oceania Olympic Judo Training Centre will be built in Samoa. This is good news, as it will enhance the development of judo in our country.

Mr Speaker and Honorable Members,

I have spent a great deal of time highlighting the achievements in the last five years. The progress demonstrates that Samoa has improved on many fronts. The government believes this was made possible through working together of all the different sectors in our community, including church leaders, community leaders, private sector and civil society, and government.

However, we should not feel contented as a result of these achievements. The impact of the recent economic recession on our country is clearly being felt now. We have also witnessed how vulnerable we are to natural hazards. It is essential that we continue to pursue a response mechanism that would protect the provision of basic social services, and at the same time adopt responsible fiscal policies that will generate growth in the medium to longer term.

III. BUDGET STRATEGY

Mr Speaker and Honorable Members

The 2010/2011 budget remains expansionary. This is inevitable in view of the need for continued fiscal stimulus following the global financial crisis as well as the infrastructure reconstruction that is the key to resuscitating growth. The higher expenditure will result in a widening of the fiscal deficit to around 9% of GDP in 2010/11. The Government is under no illusion that the current level of deficit is unsustainable. The Government is therefore committed to reduce the fiscal deficit to around 3% of GDP once the tsunami reconstruction is completed by 2013.

The tsunami did set back our hopes for a swift recovery from the global recession. In particular the tourism sector was hit hard, with a quarter of hotel capacity destroyed in some of the most popular destinations. As a result, the economy experienced a contraction by 1.8% in 2009. This follows a contraction of 3 percent in real GDP in 2008 as the global recession severely hit the manufacturing sector.

To limit the adverse impact on the fiscal position and debt sustainability the tsunami-related financing gap is expected to be financed by external grants and highly concessional borrowing.

Over the medium term, GDP is expected to rebound in 2010/11 to achieve 3% as economic activity returns to normal with reconstruction spending providing a further boost. Inflation is expected to continue its downward trend and is expected to stay at the target rate of 3-4% pa in fiscal 2010/11. Tourism receipts will continue to fall as a result of the tsunami and strong competition from neighboring countries but is expected to rebound towards the end of 2010/11 as the results of the aggressive marketing takes hold. Private remittances are expected to rise in 2010/11 as the economies of the source markets like New Zealand and Australia strengthen.

IV. BUDGET MEASURES

Mr Speaker and Honorable Members

I would now like to summarize the main aggregates of the 2010/2011 budget as follows:

<u>Revenue</u>		\$596,247,276
Ordinary Revenues	\$472,400,569	
External Grants	\$123,846,708	
<u>Expenditures</u>		\$746,901,013
Statutory Expenditures	\$ 71,050,530	
Expenditure Programs	\$437,884,666	
Development Expenditures	\$224,829,277	
Unforeseen Expenditures	\$ 13,136,540	
<u>Overall Budget Deficit</u>		(\$150,653,737)
Financed by:		
Soft Term Financing	\$149,081,267	
<u>Cash Surplus/(Deficit) after Borrowing</u>		(\$ 1,572,469)

The projected overall budget deficit for the 2010/2011 fiscal year is estimated at \$150.6m which is equivalent to 9.3% of GDP when expressed in Government Finance Statistics format. The deficit is financed by highly concessional borrowings and grant funding from the development partners. Whilst seemingly large, the budget deficit is considered sustainable given the economy is still recovering from the aftershock of the global financial crisis and the recent tsunami. However in the medium term and given a large part of expenditure is investment focused we expect a gradual improvement in the overall fiscal deficit as a percentage of GDP.

V. REVENUE MEASURES

As expected, the tsunami has undercut Samoa's economic prospects for a quick recovery from the global recession. The ability of Government to raise revenues through tax increases is limited given the economy is expected to continue contracting over the medium term and the need to provide stimulus to boost economic activity.

In this respect, for the financial year 2010/2011 I have the pleasure of announcing that Government is not proposing any new revenue measures through increased taxes having carefully considered the implication such a policy stance may have on the business community and the general public.

However, the optimal policy option for bridging the revenue gap is to secure budget support from highly concessionary loans and grants to finance capital infrastructure developments.

The total ordinary revenues projected for 2010/2011 is \$472.4m representing an 18.4% increase compared to the financial year 2009/2010.

VI. EXPENDITURE PRIORITIES

The proposed total expenditure program for the 2010/2011 budget amounts to **\$746.9 million**, which represents an increase of 0.8% over the 2009/2010 financial year without the one off tsunami recovery allocation of \$70.0m. Despite the changing economic circumstances as a result of the economic crisis and the tsunami devastations, Government continues to support the key priority sectors identified in the 2008 – 2012 Strategy for the Development of Samoa.

Mr Speaker,

I would now like to highlight the key priority initiatives the Government will implement in 2010/2011:

NEW POLICY INITIATIVES

1. SALARY ADJUSTMENT AND COST OF LIVING ADJUSTMENT.

The last time a salary increase was implemented was in 2006. Within the last three years, the economy was subjected to the commodity price crisis and the global financial crisis. These external shocks clearly imposed financial hardship on the Samoan people as a result of increased prices. The tsunami added another layer of hardship not only in terms of loss of life but also loss of homes and reduced access to many services. In that context the Government has decided it is appropriate to provide some form of relief in terms of salary and cost of living adjustments. The adjustments were designed to ensure minimum adverse impact on the private sector as well as ensuring those at the lower salary brackets benefit the most.

The proposed adjustments will see all the salary earners from the Principal Officer level down, receiving 9.7% increase in their salaries. The others covering the Assistant CEO level upward will receive a 2% cost of living adjustment. These new salary levels will take effect from 1 July 2010.

The salary adjustments have taken into account the anomalies that have existed for teachers and the police which were prepared internally by the Police and Education Departments. The adjustments address the anomalies that exist in the current structure in relation to the length of service, competence and qualification of each staff and relativity between positions.

The adjustment of anomalies in the Nurses structure is currently being reviewed and will be implemented once the review is completed. It was initially intended to implement the Nurses' salary adjustments together with the teachers. Unfortunately there was insufficient time as there were a number of sensitive issues involved that required a much closer review before a final decision can be made. The adjustment of Nurses' salaries will be actioned once the review is completed. Notwithstanding that, the Nurses' will still benefit from the 9.7% increase as their salary levels fall below the Principal Officer level.

2. INCREASED PENSION

The Pension scheme will increase to \$130 a month which represents a 4% increase. This is a lot higher than the 2% for those in the higher salary bracket. This demonstrates that the Government is concerned with the welfare of the Senior Citizens.

3. TOURISM MARKETING

Tourism is the highest foreign exchange earner, yet it was severely damaged as a result of the tsunami. In order to provide the confidence to overseas tourists that Samoa is still safe, a substantial allocation of \$2.54m is earmarked to market Samoa in the Australian market. This demonstrates the priority government has placed on tourism development.

4. CONTRIBUTION TO THE PRIVATE SECTOR

Contribution to the Private Sector and SBEC will increase substantially. SBEC will receive an allocation of \$0.40m, reflecting a 100% increase from last year, and the private sector contribution to increase from \$0.04m to \$0.10m representing, an increase of 150% over the last budget allocation.

SECTOR EXPENDITURE PRIORITIES

(i) EDUCATION SECTOR

Government's investment in education continues to be a priority. The total budget for Education amounts to **\$85.42m** representing an increase of 25% compared to the FY2009/2010 allocation without the tsunami recovery costs. In support of government's ongoing commitment to education development, the following key provisions have been incorporated in the 2010/2011 budget:

- \$47.3m provided to the Ministry of Education, Sports and Culture for their daily operations.
- \$5.0m provided as grants to non-government schools.
- \$1.65m has been provided to support the Samoa Qualifications Authority
- \$11.42m grant for the National University of Samoa (NUS).
- \$2.40m is earmarked to meet the cost of stationery for all village schools
- \$1.41m allocated to meet the cost of in-service training and students attending the Faculty of education at the NUS.
- \$5.60m is provided for the implementation of the second year of the School Fee Relief Scheme under the joint financial assistance of the Australian and New Zealand.
- \$0.14m to support the introduction of Christian Education in schools.
- \$3.0m is earmarked for the education sector's ongoing tsunami recovery program

(ii) HEALTH SECTOR

The Health Sector is another priority sector. To reinforce this commitment the total health sector budget for 2010/2011 is \$64.89m, an increase of 10% compared to the FY2009/2010 allocation of \$59.0m without the tsunami recovery costs. The key provisions included in support of the health sector for 2010/2011 are provided as follows:

- \$5.3m is provided for the Ministry of Health operations.
- \$54.13 grant is provided to support the National Health Services, an increase of 10% compared to the FY2009/2010 allocation.
- \$4.52m is provided to support the National Kidney Foundation.
- \$0.02m has been allocated for the Diabetes Association Clinic.
- \$0.10m is provided as a grant to support the Oceania University of Medicine.
- \$9.30m is allocated to cover the cost of the overseas medical treatment scheme, an increase of \$1.30m compared to FY2009/2010.

(iii) AGRICULTURE SECTOR

The total budget allocated for the Agriculture Sector is **\$12.33m**, representing an increase of 10% compared to the FY2009/2010 net tsunami costs allocation. With Government's efforts now focused on revitalizing this important sector, the following provisions have been included to kick start this initiative.

- \$0.15m provided to support the initial preparatory phase of the Stimulus Program for Cocoa, Coconut and Coffee intended to improve food security and generate income for rural communities.
- \$0.30m provided to support the Talomua program.

(iv) INFRASTRUCTURE

a) Electricity

A total of \$9.76m is provided to support electricity related developments. Of this amount a total of \$3.17m is earmarked to meet the cost of Community Service Obligations carried out by EPC. The balance of \$6.59m is provided to compensate EPC for the VAGST payments on fuel.

An additional \$5.0m is provided to support EPC with its tsunami recovery program for 2010/2011.

b) Water and Sanitation

In support of Government's objective to ensure community access to good quality water, a total of \$8.91m has been allocated to SWA. Of this amount, \$3.41m is provided to meet the Community Service Obligations performed by the Authority.

With the European Union's grants now being channeled through budget support targeting the Water and Sanitation Sector, an allocation of \$5.49m is made available to meet SWA's objectives under the Water Sector investment plan. In addition \$1.43m is provided for investments in independent water schemes channeled through MWCSO and \$2.0m for widening of the Mulivai channel as a flood control measure by LTA. There will also be smaller investments in water resource management and sanitation.

c) *Roads & Bridges*

Government's investment in the improvement of roads and bridges will continue under the Land Transport Authority with the Ministry of Works, Transport and Infrastructure implementing its regulatory role.

The total grant to LTA for 2010/2011 amounts to \$40.95m. Of that total \$14.90m will go towards new capital infrastructure with \$13.06m provided for road routine maintenance for both Upolu and Savaii.

d) *Airlines*

A provision of \$1.0m is allocated to Polynesian Airlines as part of Government's capital injection to the Airline.

e) *Telecommunications*

An allocation of \$4.16m is provided for the normal operations of the Ministry of Communications and Information Technology.

f) *Tourism Sector*

As a key priority sector, government has opted in the new financial year to undertake the following measures as part of its ongoing support to the development of the Tourism Industry.

- A total of \$10.22m has been allocated to STA, representing an increase of 34% compared to the FY2009/2010. Of that amount, \$2.54m will go towards marketing Samoa in the Australian market.
- \$0.15m is provided for the Shanghai Trade Expo preparation.
- \$0.50m is provided as Government's contribution to continue the Air New Zealand flights.

(v) *BUSINESS DEVELOPMENT*

The following provisions are included in the budget as part of Government's ongoing support for small businesses:

- The annual grant of \$0.4m is provided to assist the Small Business Enterprise Centre (SBEC) with its operations.

- The increase in the allocation provided as Government's contribution to the Private Sector from \$0.04m to \$0.10m in financial year 2010/2011 indicates its support for this sector.

(vi) SPORTS DEVELOPMENT

To further improve on the development of sports in Samoa, the Government has always been supportive of regional and international sporting events and activities. The following allocations are included:

- \$0.5m to support the hosting by Samoa of the Judo Championships for the second time later this year.
- \$0.15m for team Samoa to attend the Commonwealth Games in India.
- \$0.10m to support the Special Needs Schools Sports
- \$0.35m provided to the Samoa Rugby Union for the development of rugby.

VII. UNFORESEEN EXPENDITURES

A provision of \$13.14m has been provided to cover unforeseen expenditures that may arise during the course of the fiscal year.

VIII. SECOND SUPPLEMENTARY ESTIMATES 2009/2010

The Government is proposing to table the Second Supplementary Estimates 2009/2010 with the Main Estimates 2010/2011. This supplementary budget includes a total of \$5.2m of additional expenditures. Majority of these expenditures are funded from additional revenues of \$5.7m with \$0.69m funded from reallocated resources within the current year. With the Second Supplementary Estimates incorporated, the overall movement in cash balances improves from an estimated \$0.22m cash surplus to \$1.34m.

IX. FORWARD ESTIMATES

Mr Speaker and Honorable Members

The Forward Estimates presented in last year's budget was developed based on the uncertainty of the global economy that was still looming, the depressed economic and social conditions then and of which is still being felt by our economy worsened when the recent tsunami hit parts of the country. These unforeseen events had an impact on the forward estimates to a great extent given a lot have changed in terms of policy setting to ensure government's recovery program is implemented without compromising efforts to maintain macroeconomic stability.

The Forward Estimates for the next three years show that the projected increases in debt and decline in the State's net worth are outside of the range considered prudent in the medium term. However, it is worth noting that Government in the medium term will have to be rigorous in monitoring warily the fiscal risks associated with the mix of policy actions it decides upon to

continue its tsunami recovery program for villages who were affected by the tsunami at the same time strengthen the economy by promoting efficiency and limiting government spending.

X. PERFORMANCE FRAMEWORK

Mr Speaker and Honorable Members

From early 2009 Government has been implementing a Public Finance Management Reform Program, aimed to improve the quality and efficiency of public finance management systems through a coherent and holistic approach agreed and developed by the relevant line ministries and stakeholders. One component of this programme is a new “Performance Framework”, which has been designed to improve the linkage between funding of services in the Approved Estimates and the desired outcomes agreed in the Sector Plans and the 2008-2012 Strategy for the Development Samoa.

This new performance framework will replace the output definitions and performance measures in the budget document. However to ensure this initiative is successful when rolled out to all line ministries, Government has identified eight (8) line ministries for piloting the new approach in the FY2010/2011, namely, the Ministry of Health, MESC, MNRE, MWCSO, MJCA, MPP, PSC and the Office of the Attorney General. It is intended that all non-piloted ministries will adopt this new “Performance Framework” in future years, capitalizing on any lessons learned from these eight (8) pilot ministries.

XI. CONCLUSION

As I highlighted earlier, this government has been very responsible in the management of the economy in the past five years. This is demonstrated by the strong economic performance until the global financial crisis hit in 2008. The tsunami placed further stress as the economy was trying to recover from the crisis.

On the social side, access to health and education has improved compared to five years ago. Infrastructural development has seen significant improvement not only in support of private sector growth but also to raise the quality of life of the community at large.

The global financial crisis and the tsunami remind us that we live in an environment of great uncertainty. Against this background of uncertainty, the government believes the framework on which the 2010/11 budget is based, is a sound one that is necessary to help recover from the effects of the economic downturn and rebound to achieve positive growth in 2010/11.

Despite the expansionary nature of the budget, we have not resorted to any increased taxes to finance the fiscal stimulus and the tsunami reconstruction. Instead we have solicited the support of the external community as well as highly concessional borrowings to help us. The government believes this is the optimal policy option in the context of these difficult times.

In addition, the government believes that an adjustment of salaries for those on the lower salary brackets and cost of living adjustment for everyone else are appropriate at this point in time. We have weathered the adverse impact of the high commodity prices and financial crisis. We have

also endured the sad reality of the tsunami. It is therefore an appropriate time to provide some form of relief in terms of increased salaries.

The salary increase was structured taking into account the impact on the private sector so as it does not impose undue burden on them. That is why the emphasis is concentrated on the lower salary grouping. Additionally the increased pension for the senior citizens is intended to provide some relief for them in meeting their financial obligations.

Mr Speaker and Honorable members, this government will continue to implement responsible fiscal policies to ensure sustainable development that forms the basis for an improved quality of life for everyone. The road ahead in the context of uncertainties will be difficult as we have seen in the recent past. Your government calls for the support and understanding of the community as we rebuild our economy.

Together, nothing is impossible and with the gifts of God, we will rise and succeed over the adversities brought about by external and internal shocks.

Mr Speaker,

I commend the 2010/2011 Budget to the House.

May God bless Samoa and her people.

Soifua