



GOVERNMENT OF SAMOA

BUDGET ADDRESS 2007/2008

HONOURABLE NIKO LEE HANG
MINSITER OF FINANCE

31 ME 2007





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**HON. NIKO LEE HANG
MINISTER OF FINANCE**

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2007/2008 BUDGET ADDRESS

Mr. Speaker,

Before I address Parliament, I wish to pay tribute to the late Head of State, His Highness Malietoa Tanumafili II, for his leadership and dedicated service to our people and country. His Highness will be sorely missed by our nation, however, the principles of statesmanship and good governance that he has laid down through his lifetime of service will remain as his legacy to us all.

May His Highness rest in peace.

Mr. Speaker,

It is my privilege and honour to present on behalf of the Government of Samoa, the statement on the budget for the fiscal year 2007/08, as required under Standing Order 124.

I. BUDGET SETTING

Mr. Speaker and Honourable Members,

This is the second budget of the Government for this Parliamentary term and the last in association with the implementation of the Strategy for the Development of Samoa (SDS) 2005-2007. This budget has been prepared to meet priority commitments and key sectoral developments in line with the SDS, while also ensuring fiscal responsibility to maintain macroeconomic stability.

Consistent with the issues raised in the current 2006/07 budget, the budget for 2007/08 has again been formulated to take into account the following situations:

1. The expansion in inflation rate attributed to the increase in VAGST and strong domestic pressures over the years associated with a growing economy.
2. The declining terms of trade due to the following situations:
 - i. insufficient exports and export capacities; and,
 - ii. the continuous volatile situation in global oil prices.

3. The slowdown in the pace of economic growth due mainly to declines in:
 - i. The performance of the Agriculture sector;
 - ii. Fishing as an outcome of the El Nino weather patterns and the migratory nature of the tuna species; and,
 - iii. The manufacturing industry due to some temporary or permanent closures in companies involved in coconut, garment and nonu productions.

Despite this mixed outcome in the economic variables mentioned above, the economy is still expected to grow in 2007/08 at around 3-4 percent in real GDP.

The Government relates this increase in overall growth to strong and wide-ranging growth in most industries in late 2006, including reversal to the previous declines in fishing and some segments of manufacturing.

As the effects of the economic recovery will have significant impact on the fiscal position, our Government will continue to implement sound economic and financial management in line with its mandate to ensure macroeconomic stability is maintained in the period ahead. The Government is adamant that its fiscal position for the 2007/08 financial year will be carefully monitored to accommodate this anticipated real GDP growth of 3-4 percent, and any changes to the global economy with likely impact on domestic conditions.

II. ECONOMIC PERFORMANCE IN 2006

The Samoan economy grew in real GDP in the last 5 years (in 2002 prices) by 1.8 percent in 2002, 3.1 percent in 2003, 3.4 percent in 2004, 5.2 percent in 2005, and 2.6 percent in 2006.

The commerce industry contributed the most to real GDP growth in 2006 with growth of 1.1 percent, coupled with a marginal growth of 0.8 percent in finance and business services.

The second highest contributor to real GDP growth was the public administration sector with 1.0 percent resulting from improved public service productivity set off by better financial benefits and improved working conditions.

Other contributing industries to real GDP growth were transport and communication, building and construction and hotels and restaurants with 0.4 percent, and 0.3 percent respectively for the latter two categories. Transport and communication was mainly driven by the introduction of investments undertaken by the new mobile telephone communication company Digicel Samoa Ltd. The slight increase in construction was mainly driven by construction works related to the Development Bank building; the proposed marina for fishing boats; the final works at Samoa Polytechnic to support the merging of the Institute and the National University of Samoa; the South Pacific Games facilities; selected roads and bridges; and the continuous construction of new churches, commercial and residential buildings. Hotels and restaurants were supported by the increases in social and cultural events including church openings, conferences and associated activities utilising these facilities and the services they provide.

Inflation increased from 1.8 percent at end December 2005 to stand at an annual average rate of 3.8 percent by December 2006. This increase of 2.0 percent was driven primarily by the increase in prices of imported goods by 2.3 percent and local food prices by 1.5 percent, as supply to the Fugalei market declined due to unfavourable weather conditions. Food, clothing, footwear, alcohol, and tobacco prices also increased as a result of the increase in VAGST by 2.5 percent and excise tax on alcoholic beverages and tobacco products.

Money supply grew by 13.8 percent in 2006 almost entirely due to the rapid growth in domestic credit. This substantial growth in money supply reflected mainly the increase in credit to the private sector. The huge surge in imports by SAT\$88.31 million coupled with a drop in exports by SAT\$3.74 million led to an increase of the merchandise trade deficit by SAT\$92.05 million. Despite the increases in net services of SAT\$72.07 million and net transfers of SAT\$10.92 million, these were insufficient to offset the current account deficit which expanded by SAT\$9.06 million in 2006. Assisted by a decline in the capital account of \$11.82 million, the overall balance of payments resulted in a decline of \$20.88 million. Net foreign assets have declined from 5.1 months of imports cover in December 2005 to 4.0 months as of December 2006.

Over the course of 2006, the Tala's effective exchange rate against the currencies of Samoa's major trading partners remained relatively stable. The Samoan Tala appreciated slightly against the United States Dollar and Japanese Yen whilst it declined against all other foreign currencies.

Official government outstanding debt at end December 2006 was \$448.38 million Tala, a moderate decline of \$13.21 million Tala from end December 2005. Government's external debt is manageable considering this is on highly concessional terms. At present, debt servicing represents only 1.0 percent of tax revenue or 2.0 percent of total foreign exchange receipts according to the Government Finance Statistics classification.

Mr. Speaker,

From a regional perspective, average real GDP growth for the Pacific region in 2006 increased from 2.7 percent in 2005 to 3.8 percent. Our two major trading partners also experienced positive and similar growths in 2006, with New Zealand recording 1.9 percent whilst Australia registered a 2.5 percent increase in real GDP growth.

The global economy is expected to expand robustly in 2008 despite a slight deceleration in 2007 from a GDP growth of 5.4 percent experienced in 2006. This slowdown is a result of the reducing momentum in the United States of America's (USA) economic activities. In spite of this slowdown, it is still expected that emerging markets and other developing countries will continue to grow as a result of positive global financial conditions and high commodity prices, which will have an offsetting impact on the slowdown of the US economy.

This is reflected by real GDP growth for the United States decreasing slightly from 3.6 percent to 3.2 percent during this period. It is however commendable that even though our economy contracted slightly, we expect to conform to the global trend in 2007.

Global growth in 2006 has continued to be driven mainly by the phenomenal economic expansion recorded in China of 10.7 percent and in India of 8.3 percent, from strong growth in export-oriented industrial production.

III. OUTLOOK FOR 2007/2008 AND THE IMMEDIATE FUTURE

Economic growth for Samoa has been averaging 3.2 percent over the period 2002-2006, and is likely to continue to at least around this level in the near to medium term as the economy absorbs pressures built up during this sustained growth period, with real annual GDP growth conservatively estimated at 3-4 percent for 2007-2008.

This average rate of growth of 3.2 percent in the last five years was a result of the government's commitment to a number of large infrastructural developments involving extensive capital works, private sector investment in the hotel and restaurant industry as well as other ongoing community construction, huge capital investment in the telecommunications sector with the liberalisation of the sector to encourage competition, and overall increase in productivity of the public administration. All these exerted pressure on the balance of payments and government's liquidity position with domestic financial institutions. It is therefore imperative that we consolidate our efforts to maintain macroeconomic stability by applying responsible fiscal and monetary policies to meet the pressures from a steadily growing economy.

The Government will be reviewing carefully sectors that will be the source of sustainable growth for the focus of the next Strategy for the Development of Samoa (SDS) in the period ahead. Reinvigoration of the agriculture and manufacturing sectors are two such sectors which the government will be focusing on to see what can be done to increase their contribution to GDP, especially agriculture, which has continued to decline over the years.

To maintain macroeconomic stability, the government is tabling a manageable budget deficit for 2007/08. The government's financial position with the banking system will be strengthened as a result to restore and strengthen liquidity in the banking system, allowing the banks to continue to finance private sector credit. This will be possible as most of the large-scale capital commitments are close to completion, which include the Development Bank building that was opened early this year, and the facilities for the South Pacific Games which will be fully completed by July.

On the external front, the overall balance of payments may come under pressure as a result of the widening merchandise trade deficit. The expected recovery in the fishing industry and some segments of manufacturing as shown by the trend in the last half of 2006, will somewhat assist with our merchandise trade deficit. This will also be supported by the expected offsetting increases in remittances and tourism revenues. Foreign reserves in terms of import cover are expected to remain at 4 months of import cover in 2008 and 2009. The tightening of monetary policy is expected to exert some pressure on the demand for domestic credit in 2007 as well as money supply.

Inflation is projected to be above 5 percent by end 2007 but should be contained within the 3 percent level by 2009. This will be the case as the effects of the last tranche of the general salary and wage increase, the 2.5

percent VAGST increase and the reduction of the highest tax from 29 percent to 27 percent are regularised in the period ahead. The other major drivers for the high inflation rate that may continue to pose a threat to price stability are the increasing oil prices and the low level of agriculture production. It is envisaged that world demand for fuel will continue to exceed supply driven by the fast growing Asian region. This will result in crude oil prices continuing to increase and posing a real threat to price stability. In addition, our level of exports continues to provide challenges to us all, given the abundance in our natural resources and their potential for diversification which we need to explore aggressively.

I have included the Economic Statement, which presents a comprehensive overview of our economic performance in 2006. I strongly urge Honourable Members to take the time to read the Economic Statement for it provides detailed analysis of our economic performance and forecasts for the immediate future, in compliance with the principles of fiscal transparency and accountability stipulated in the Public Finance Management Act 2001.

IV. BUDGET STRATEGY

Mr. Speaker, Honourable Members

As I have stated at the outset, the 2007/08 budget has been formulated to support macroeconomic stability, by ensuring that the stance of fiscal policy does not contribute to any further adverse impact. The budget strategy for 2007/2008 therefore aims to achieve a manageable budget deficit to maintain macroeconomic stability whilst ensuring adequate resources are available for private sector development. An overall deficit of no more than 3 percent of GDP will enable us to finance key investment projects that have been carefully evaluated and found to be viable. However, in view of the still fragile recovery in the external position, we aim to limit the deficit to at least 1-2 percent of GDP.

V. BUDGET MEASURES

Mr. Speaker, Honourable Members,

I would now like to briefly summarize the main aggregates of the 2007/08 budget.

	<u>Amounts</u>	<u>Total Amounts</u>
<u>Revenues</u>		<u>554,334,406</u>
Ordinary Revenues	477,406,128	
External Grants	76,928,278	
-		
<u>Expenditures</u>		<u>\$584,636,416</u>
Statutory Expenditures	51,539,462	
Expenditure Programs	420,713,590	
Development Expenditure	108,176,228	
Unforeseen Expenditures	4,207,136	
-		
<u>Overall Budget Deficit</u>		<u>\$ 30,302,010</u>
-		
<u>Financed by:</u>		
Soft Term Financing	31,247,950	
-		
<u>Cash Surplus after borrowing</u>		<u>\$ 945,940</u>

The 2007/08 budget is projected to achieve an overall deficit of **\$30.30 million** which is being financed from soft term loans of \$31.2 million Tala. When expressed in government finance statistics, the overall deficit is equivalent to 1.1 percent of GDP. The deficit is well below the 3 percent of GDP target and is considered sustainable given that a large part of the budget outlays is for the financing of priority investment projects.

VI. REVENUE MEASURES

Mr. Speaker, Honourable Members,

On the revenue side of the budget, the new measures that were introduced last year should see a continuing improvement overall in the receipts of Government. This will be enhanced further by the introduction of improved procedures and processes to raise efficiency in collection.

Receipts from the South Pacific Games will be added to the overall revenues of the Government given the substantial outlays to finance the Games. Additional receipts will also be paid into the Treasury Fund from disposal under supervision of the Government Tenders Board of all assets used for accommodation of the athletes in the sports villages and other equipment

that will not be needed after the event. A proper audit will be undertaken of these assets for sale prior to their disposal.

Mr. Speaker,

The Government has always maintained that a well educated labour force and a healthy population is the key to achieving overall sustained economic development. The continuing increase in investment levels in these sectors should therefore come as no surprise to us all given their relative importance. As a result, Health expenditure has increased dramatically over the years and in this respect, the Government will be reviewing the cost of provision of health services, especially the cost of our overseas medical treatment scheme, with a view to introducing appropriate measures that would allow for a greater number of our people to benefit. This may involve some proportionate cost sharing of these services given their continued escalation, or even other alternative measures such as inviting medical groups for consultation and treatment in Samoa on a more sustainable basis to ensure there is greater access to these vital skills by our people.

The provision of education services and the necessary infrastructure in an evolving modern society have both increased albeit at a faster pace than growth in Governments' receipts. The demands of the social sectors will be an ongoing challenge as we struggle to attain high standards of service and increasing expectations against rising costs, whilst maintaining a sound fiscal position.

In this regard, we cannot continue to accumulate budgetary deficits and keep on borrowing as it would jeopardize our ability to borrow in the future as well as the value of our currency, with long term effects that would undermine the huge progress we have achieved this far. Given this untenable situation, we will also be reviewing current policies that will allow for a more equitable sharing of the fiscal burden which Government will determine from time to time.

VII. EXPENDITURE PRIORITIES

Mr. Speaker, Honourable Members

I would now like to highlight key expenditure priorities the Government will implement during 2007-2008.

The proposed total expenditure amounts to **\$584.64 million** Tala representing an increase of 4.34 percent over the 2006/07 financial year. The increase in expenditure reflects Government's commitment to ensure that the South Pacific Games in 2007 will be a successful and memorable event as well as implementing strategies in the key priority sectors that will continue to support the Strategy for the Development of Samoa. Provision has also been made in the budget for the final phase in the increase in salaries of the public service and those on the civil list.

Education

Total budget for the Ministry excluding grants for sporting events is \$64.99 million representing an increase of 7.6 percent over this year's allocation of \$60.4 million.

Investment in education remains a priority area, and the following provisions reflect the Government's commitment to this vital sector:

- (i) \$2.5m for village schools stationery supply;
- (ii) \$2.43m represents counterpart costs to the jointly funded Education Development Project Phase II (EDP II), by Australia, New Zealand, the ADB and the Government;
- (iii) \$5.6m to cover the costs of the Government scholarships scheme as well as provision for NUS sponsored students;
- (iv) \$4.0m to assist private and mission schools under the Government's grant scheme to schools;
- (v) \$8.0m to the National University of Samoa;
- (vi) \$1.1m towards the Samoa Qualifications Authority;

As well, the incorporation of the school net project under grant financing from the ADB into the second phase of the Education Development Project will integrate further the use of modern systems of learning with the establishment of computerised networks. These will facilitate distance learning as well as access to information in a timely manner by both students and teachers. Other programs currently under the National Information Communications Committee (NICT) assisted by donors such as the UNDP and others, will further support equitable access by schools, including rural areas, to modern systems of information technology.

Included also in the amount of \$64.99 million under the Ministry of Education are provisions in support of language and cultural development as well as historical preservation such as the following:

- \$50,000 for establishment of the Samoa Language Commission
- \$116,129 for Samoa’s participation in the 10th Pacific Arts Festival in American Samoa
- \$185,000 for a much needed upgrade of the Museum at the old Prime Minister’s building,
- \$100,000 for Architectural consultancy design services for a new Museum and Archives Building.

In respect of the latter, we would like to acknowledge with great appreciation the contribution of the Government of the People’s Republic of China through grant financing of the construction and fit out costs of a new Archives Building of about US\$2 million.

Health

Total budget for the health sector is **\$59.84 million** representing a substantive increase of 25.9 percent over this year’s appropriation.

In the last budget, the Government announced the separation of the regulatory and administrative role of the Ministry from the provision of health services. This budget reflects in its entirety this major restructuring with the Ministry’s role confined to policy advice and regulatory matters including all primary health care; the National Health Services to clinical operations and medical services; and the Samoa Kidney Foundation focusing on renal dialysis and kidney treatment. These institutions are independently mandated to ensure their roles and responsibilities are clearly defined for improved transparency and accountability on the delivery of these vital services to our people. There has been a lot of work done with our development partners as well to develop a sector wide approach (SWAP) that will also assist in identifying quickly gaps that need to be addressed to ensure our people’s needs are met in a timely manner.

The allocations for these institutions are as follows:

<u>Ministry</u>	<u>\$ 5.68 million</u>
<u>Samoa National Health Services (hospitals)</u>	<u>\$49.59 million</u>

Agriculture

Total appropriation for Agriculture is \$11.7 million.

We continue to see agriculture as a major sector whose potential is still unrealised, and will require a lot of attention in the period ahead, to help rural incomes as well as lift our level of exports from their current state. The work started under the Institute of Research and Development will also be an important part of this entire review to help strengthen our agriculture sector, particularly options for agro-processing which in turn will also assist the manufacturing and enterprises sector. Government is also looking at further investment in another heat treatment plant to meet the growing demand for greater volumes of agricultural produce that can be treated which are intended for export as well as for normal consumption by our people residing overseas.

The gradual recovery in our fisheries will need to be carefully monitored, to ensure there is adequate protection of our limited fishery resources, especially from early harvesting and over fishing. May we also acknowledge yet again the excellent wharf facilities financed by the Japanese government including rehabilitation of the fish market and office facilities. These have made a difference to the work of the Ministry.

Institute of Research and Development

The Institute of Research and Development has a very critical role in the period ahead. Research into viable options for diversification of our agricultural output into agro-processing to limit our dependency on primary produce, will be one of the major outcomes the Government will be looking for. As well, the potential for some agricultural crops to produce ethanol as a fuel substitute is another new development we need to explore further, given the huge dividends this could have not only in reducing our reliance on fossil fuel, but also as a future safeguard against the acceleration in world demand for oil. I am convinced that the initiative by the Government to establish the Institute is a timely one to attract back and retain our scientists at this critical stage of our development, where much scientific research and development is necessary to set the basis for any future expansion in manufacturing and industry.

Infrastructure

Priority infrastructural developments for 2007/08 include the following, which are critical for the continuous support of other sectors:

Electricity

The Government will be finalising with some of our development partners, namely the ADB, Japan and AusAID, priority needs in the energy sector over the next eight years, under a combination of borrowing and grant assistance. This will be a critical project to ensure the generation capacity of our Electric Power Corporation is adequate to meet the growing demand of our people and an economy that is continuing to grow and expand very rapidly, pushed by the increasing growth in tourism and services. To assist EPC, we have provided the following amounts which total **\$17.96 million** in the budget to cover community service obligations undertaken by the corporation, as well as a subsidy to the VAGST it pays on diesel fuel for its generators. It is important to note that community service obligations have been incorporated by the Government as a means of assisting the disadvantaged members of our community and rural areas, where capital costs for extension of the services of EPC and the Samoa Water Authority are paid for by the Government and not sought to be recovered from them.

Community Service Obligations (CSOs)	\$12.96 million
VAGST Subsidy	\$ 5.00 million

Water

A total of **\$3.0m** has been included in the budget to meet community service obligations. A further provision of \$0.89m has been included to meet counterpart costs of the ADB funded Sanitation and Drainage project.

Roads and Bridges

During 2006/2007, physical works focused on the construction and improvement of roads and transportation routes to support the South Pacific Games 2007, to ensure traffic flows smoothly during the Games.

A provision of \$4.0 million is allocated towards further improvements in this respect. Resources are also provided for the continued maintenance and construction of roads and bridges to ensure accessibility across the country. For both Upolu and Savaii a total provision of \$17.0m is earmarked for

routine and general maintenance, while \$4.5m is earmarked for capital works in both islands, and \$0.5 million towards schools access roads.

A total amount of \$4.5m has been allocated as counterpart costs for the ongoing Infrastructure Asset Management Project Phase II. The Government has just recently secured a Supplementary Credit of US\$8.27 million to finance additional road works and critical bridges within the town area, and also in response to disaster management.

A total of \$0.5 million is allocated towards the establishment costs of the new Land Transport Authority, which will be solely responsible for land transport planning and management including road user and road asset management.

Telecommunications

There is notable impact on prices and services with the introduction of the new liberalised environment for the telecommunications sector, following the issuance of a mobile telephone license to Samoa Digicel Ltd in October last year, and a second one to SamoaTel in early January this year. The early establishment of the Regulator's office has also assisted the process in regulating prices with Samoan customers now enjoying competitively low prices and improved local and international services as both service providers work to improve their range of products and services for our people. To this extent a provision of **\$2.17m** has been included for the Ministry while **\$1.26m** has been included to cover costs of the Regulator's office.

This year will also see the privatisation of the state-owned Samoa Broadcasting Corporation (SBC). It is anticipated that this will take place in the first half of the new financial year. The intention is for the government to maintain its policy and regulatory role in this vital sector. Given the success of the private sector in operating two television stations and a number of radio stations, it is the Government's intention that competition in this sub-sector of communication will contribute to raising standards and provide opportunities for our entrepreneurs in this genre without the presence of the Government as a competitor.

Tourism Development

This year sees the biggest increase to be allocated towards tourism development. As a priority sector identified in the SDS and given the

continued positive growth in tourism numbers and earnings over the last couple of years, the Government has decided to capitalize further on this growth industry to drive growth in other sectors of the economy. A total of **\$7.3 million** is allocated to the Samoa Tourism Authority, an increase of 80 percent over this year's budget. The bulk of this amount is earmarked for marketing of Samoa jointly by the Authority and its private sector partners to ensure Samoa becomes an increasingly attractive destination for holiday-makers.

The Joint Venture between the Government and Virgin Blue has had considerable impact on our tourism since it was launched in October 2005. The first year alone of operation saw an increase in visitors which was reflected in the increase in tourism receipts, and a profit of \$2.22 million Tala. This success is attributed to the penetration of the Australian and New Zealand markets by our national airline, Polynesian Blue, where these markets have grown by 33.2 percent and 18.8 percent respectively in 2006. In the current Tourism Plan, it is estimated that tourism receipts will reach ST \$1.0 billion approximately during the life of the Plan, and at the current rate of growth, we are likely to achieve this well within the duration of the Plan.

Polynesian Airlines Limited

The operations of our domestic airline has not mirrored the same success as our Joint Venture and to this end, the Government is working to restructure the airline to ensure it can operate profitably. Of the **\$6.0m** provided in the budget, \$1.5m represents the cost of returning the Dash-8 plane which has been found inappropriate for the size of the market in view of existing competition and limited opportunities. This amount will cover the final certification checks of the plane and costs for early return before the expiry of its lease in November 2009. The balance of the funds will go towards transaction costs and financial obligations incurred by the former airline during the transitional period while the joint venture was being established.

Provision has also been made of **\$6.45m** for servicing the former airline debts with ANZ Bank for a spare parts operating lease facility for the two 767-800 Boeing planes the company leased, as well as a loan from the National Provident Fund. Both were under Government guarantees.

Business Development

The Government will continue to support the creation of an enabling environment for businesses to develop and prosper. A recent joint review by the Government and the private sector of current tariffs and taxes has been endorsed by the Government. This review involves selective application of revised rates to encourage certain growth areas of the economy as in agriculture, manufacturing and industry. Their implementation will be gradually phased in once appropriate regulatory and administrative mechanisms have been put in place. The National Revenue Board will continue to monitor carefully the impact of these measures to ensure the financial position of the Government is not exposed or compromised in any way.

In support of small business development, the annual grant for the Small Business Enterprise Centre (SBEC) of \$150,000 is included to assist with its operations; as well as a total of \$700,000 allocated as a government counterpart contribution to the Small Business Development Project. This ADB financed project has assisted 557 small businesses with funds of \$8.47 million, of which \$6.73 million are guaranteed amounts under the small loan guarantee scheme operated through SBEC in conjunction with a number of participating banks. Total number of people who have undergone small business training since inception of the project is about 3,000. For the Microfinance facility, 45 people have received assistance equivalent to \$0.2 million, while close to 500 members are under the Women in Business Development Incorporated (WIBDI) savings program. The number of women that have undergone training under various programs of WIBDI is over 1,000. The ADB funded project will be completed at the end of 2008.

An amount of \$40,000 is again earmarked as financial assistance to private sector organisations.

Sports Development

Over the past three to four years, the Government has provided substantial financial commitments to prepare the country to host the 2007 South Pacific Games in a manner that we can be proud of. We will be hosting these Games in a few months from now, and so this year's provision marks the final contribution towards our preparations for those Games. A total of **\$48.05 million** is allocated toward the South Pacific Games this year.

Whilst the major provision towards sports development is allocated to the South Pacific Games, the Government recognizes that sports is an economic opportunity that must be nurtured to enhance income earning opportunities for our young people. In this regard the following allocations are also earmarked in support of the specific sporting events and activities:

- \$200,000 - for international sporting events
- \$500,000 - for the Manu Samoa preparations for the World Cup
- \$300,000 - towards costs for hosting an international weightlifting championship which will also include the Commonwealth weightlifting championship to be held here in November/December 2007
- \$100,000 - for the Samoa Games
- \$100,000 - for development of rural sports fields
- \$40,000 - for purchase of sports equipment for schools
- \$376,000 - grant to the Apia Park Board to assist with its operations

I understand that both weightlifting competitions are important as they will decide the standings for selection of the qualifiers for the Olympics in China next year. The World Congress for weightlifting will be meeting in Samoa at the end of these competitions.

The Government, through the TAB, will also be providing support for sports development through its “bonus scheme” recently announced, as an incentive for young people to excel in their chosen sports fields.

National Security

In recognition of the need to ensure the South Pacific Games are secure and safe for our overseas athletes and visitors, an amount of \$0.6 million is provided under the Ministry of Police and Prisons for this purpose.

The Government however recognizes that issues of national security and safety are becoming increasingly important for citizens and visitors alike with the rising exposure to the influence of drugs and sophisticated crimes. In this respect, the Ministry of Police & Prisons enjoys a 10.6 percent increase in its budget net of the provision for the Games and the Fire Services Authority. A major component in this budget is an allocation of \$0.46 million as counterpart costs for the Ministry’s Institutional Strengthening Project.

An amount of \$160,000 is again earmarked for overseas peacekeeping missions as Government's obligation to the United Nations.

An amount of **\$2.0 million** is earmarked for the Samoa Fire Services Authority which has now been separated and established as an autonomous body by Act of Parliament.

Senior Citizens Pension Scheme

The provision for the Senior Citizens Pension Scheme has been increased to \$15.2 million, to meet the additional cost of new members, as well as absorbing increasing administration costs to ensure members receive their net \$125 a month. The provision for the Senior Citizens Pension Scheme has increased on average by 6.6 percent over the last four years. Because of the increasing number of beneficiaries which has now reached 8,800, and the increase in the length of time pensioners stay on the Scheme from longevity as life expectancy rises, the Government has decided to streamline further the costs of operating the scheme by excluding the subsidy to boat travel between Apia and PagoPago.

Additional Assistance

I would like to record our deep appreciation to the Chinese Government for their generosity towards the provision of concessional financing for the construction of an office complex for members of Parliament, as well as a judicial and court administration building which altogether cost about US\$20 million. The Chinese Government have also approved financing of another office complex and conference centre. The office complex will accommodate the Ministry of Works, the utilities which are EPC and the Water Authority, the Ministries of Agriculture, Natural Resources and Environment, and Commerce and Industries. The accommodation in one building complex of a number of these government agencies will enable the public to access them more easily as they are currently scattered over Apia. This assistance is in addition to grant financing which I have mentioned previously towards a new Archives Building, renovations towards the Tooa Salamasina Hall and upgrading one of the Lefaga Primary Schools. We are grateful to the Chinese Government and all our development partners for their continued assistance to the ongoing development of our country.

Unforeseen Expenditures

In line with the provision of Section 29 of the Public Finance Management Act 2001, an allocation of **\$4.2 million** has been provided to cover unforeseen expenditures that may arise during the course of the financial year.

VIII. SECOND SUPPLEMENTARY ESTIMATES 2006/2007

Mr Speaker and Honourable Members,

The Government is also proposing to table together with the Main Estimates 2007/2008 a Second Supplementary Budget for this financial year. This supplementary budget includes a total of \$4.0 million Tala of additional expenditures for additional commitments and unauthorized expenditures. These are financed by reallocation of resources within and between Ministries' budgets of \$1.79 million and additional declared revenue of \$1.25 million from income tax, \$1.8 million of Public Trust receipts and a gift of \$270,000 from the Government of the People's Republic of China for the funeral of the Head of State. With the additional revenue posted, we have been able to contain the overall budget deficit at \$33.1 million and post a small but slightly better cash surplus of \$199,597 than the \$130,798 cash surplus after the first supplementary.

IX. CONCLUSION

Mr. Speaker and Honourable Members,

The recent passing away of our late Head of State marks an era of great statesmanship, from the early preparation of our nation for independence to the many years of dedicated service and commitment right up to his death. It is only fitting therefore that as we prepare to celebrate forty five years of independence as a sovereign nation this week, we remember His Highness, Malietoa Tanumafili II and our forefathers who willingly gave of themselves to pass on to us the legacy of a free nation founded on God. May God be praised for His Highness our late Head of State and the legacy that has been left to us. We give thanks and praise to the almighty Lord for his protection and guiding hand over us in these forty five years of independence. May His saving grace and wisdom continue to be on all of us as we go forward to a challenging future with hope, strengthened by our faith in Christ and a commitment to serve our people well.

The budget for the new financial year focuses on our preparations for the South Pacific Games. It has absorbed substantial investment which we know augurs well for the future of our young people and country as we work to attain standards of excellence in sports. The economic benefits as well as overall well being of our people remain at heart the driving force of your government's focus on sports development. We have struggled for many years to achieve success in sports despite the limited resources we have to develop the skills of our sports men and women, given their natural flair and strength. The recent successes we have seen in regional competitions from some of these sports such as weightlifting and boxing, as well as the continuing improved performance of the Manu Samoa and our netball team, tennis players and other sporting bodies, vindicate the efforts made to build sporting facilities to nurture and develop further the natural talents of our people for competition in regional and international sports.

By hosting this important regional event, we also ask that the generous spirit and genuine hospitality that is so much an integral part of our culture and the faa-samoa for which we are well known, be reflected in our preparations as host for this year's South Pacific Games, to make it a memorable occasion for all.

Mr Speaker,

I commend the 2007/2008 Budget to the House.

May God bless Samoa.

Soifua.