



**GOVERNMENT OF SAMOA**

**BUDGET ADDRESS  
2014 / 2015**

**HON. TUILAEPA LUPESOLIAI SAILELE  
MALIELEGAOI**

**MINISTER OF FINANCE  
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# 2014/2015 BUDGET ADDRESS

## *“Consolidating Growth”*

Mr. Speaker

As required under Standing Order 124, it is with great pleasure that I present on behalf of the Government, the Statement on the Estimates for the 2014/2015 fiscal year.

### **I. Budget Setting**

The 2014/15 budget aims to consolidate economic growth. Recovery following the reconstruction over the last sixteen months forms the setting to the 2014/15 budget year. We are now seeing recovery taking hold and we expect economic growth to stabilize at around 2.5% over the medium term. This is a pleasing outcome following the slowdown post cyclone. There is also optimism that global activity is expected to improve further in 2014/15, with much of the impetus for growth coming from advanced economies.

### **II. Budget Strategy**

The expected recovery and the winding down of cyclone related reconstruction works form the basis for a less expansionary 2014/15 budget compared to 2013/14. The fiscal deficit is expected to be around 4.2% of GDP relative to 4.8% in 2013/14. This reflects government’s commitment to gradually claw back to its medium term goal of 3.5% of GDP.

On the revenue side, there is no intention to adjust taxes or tariff. Instead the rebasing of fees and charges will be extended to include the remaining Ministries and SOEs. This exercise is expected to raise the standard of public service delivery as it will reflect the true cost of providing that service.

As well, Government will continue to closely monitor the debt situation so that any new loans are in line with the medium term debt management strategy and the loan funded projects will contribute positively to economic growth.

### **III. BUDGET SUMMARY**

Mr. Speaker,

I would now like to highlight the key components of the 2014/2015 budget as follows:

<b><u>Revenue</u></b>		<b>\$722,962,208</b>
Ordinary Revenues	\$544,910,258	
External Grants	\$178,051,950	

<b><u>Expenditures</u></b>		<b>\$792,089,820</b>
Statutory Expenditures	\$ 88,339,342	
Expenditure Programs	\$492,542,095	
Development Expenditures	\$196,432,120	
Unforeseen Expenditures	\$ 14,776,263	

**Overall Budget Deficit** **(\$ 69,127,613)**

Financed by:		
Soft Term Financing	\$ 73,613,155	

**Cash Surplus after Borrowing** **\$ 4,485,542**

The 2014/15 budget is expected to record a deficit of \$69.1 million tala which is equivalent to 4.2% of GDP. This reflects the commitment to national priorities stated in the Strategy for the Development of Samoa as well as the preparations for the SIDS conference later this year and the Commonwealth Youth Games in 2015.

The reduction in the budget deficit from 4.8% in 2013/2014 to 4.2% next year is a reflection of the government's commitment to meeting its medium term fiscal deficit of 3.5% of GDP.

The 2014/15 budget deficit is expected to be fully funded by highly concessional borrowings from our multilateral development partners.

**IV. REVENUE MEASURES**

Mr. Speaker,

Total Ordinary Receipts is expected to increase marginally by less than 1% in 2014/15. On the other hand External Grants will drop by 27% reflecting the winding down of cyclone related works.

The rebasing of fees and charges for Ministries and SOEs is a key policy initiative intended to ensure that public service delivery is made efficient and effective. The public demands the best possible service from government agencies and that cannot be achieved if the true cost of delivering that service is not taken into account. This exercise was implemented with due consideration to the impact on the public and businesses and that access to essential services is not restricted.

## V. EXPENDITURE PRIORITIES

Mr Speaker and Honourable Members,

The proposed total expenditure budget amounts to **\$792 million tala** which is \$49 million tala lower than the previous year. This is largely the result of one off cyclone related expenditures that are now completed.

I will now highlight the key expenditure priorities the Government will implement during 2014/2015.

### 1. Education Sector

The total budget for the sector is \$84 million tala (representing 17.1% of the total expenditure program) and the following provisions reflect the Government's commitment to this priority sector:

- \$52.3 million to the Ministry of Education, Sports and Culture for normal operations
- \$6.0 million grant for Private and Mission Schools.
- \$11.9m is being allocated to support the NUS. Of that amount, \$1.4 million is earmarked for the Oceania University of Medicine management of which is now under NUS control. The change from the previous arrangement means the government now takes full control of OUM and therefore the full benefits of the university will be enjoyed by Samoa without any more outside interference.
- \$1.5 million to fund stationeries for all Government Schools
- \$3.8 million government contribution towards the School Fee Relief Scheme which is jointly funded by the Australian and New Zealand governments with funds to be channeled through budget support.

### 2. Health Sector

The total budget allocation for the health sector is \$81.9 million tala (16.6% of total expenditure program) indicating a decrease relative to the current financial year. The drop is the result of post cyclone recovery works that have been fully implemented. The following provisions are provided to support the ongoing initiatives of this priority sector:

- \$7 million is provided towards the Ministry of Health's operations.
- \$67.1 million is earmarked for the National Health Services.
- \$5.6 million grant is earmarked for the National Kidney Foundation.
- \$11 million has been provided to cover the cost of the overseas medical treatment scheme.
- the Diabetes Association Clinic will receive \$50,000 grant for its operations.
- the Samoa Aids Foundation will get \$30,000; and
- the Samoa Cancer Society will receive a grant of \$40,000.

### **3. Agriculture Sector**

The appropriation for Agriculture is \$13.8 million tala.

- \$11.32 million is provided to support the Ministry's daily operations.
- \$150,000 is provided for the continuation of the Agriculture stimulus program.
- \$550,000 is earmarked for the Agriculture Show.

### **4. Infrastructure**

#### ***Electricity:***

A total of \$11.25 million is allocated to EPC to support ongoing developments. Of this amount, \$7 million is provided to compensate EPC for VAGST payments on fuel with the balance of \$4.25 million earmarked for community service obligations (CSO).

#### ***Water:***

The Samoa Water Authority will receive a budget allocation of \$20.11 million. Of this amount, \$5.11 million will go towards community service obligations (CSO) with \$15 million financing for key water investment priorities under the EU budget support.

#### ***Roads and Bridges:***

Total Government grant to the Land Transport Authority (LTA) in the 2014/2015 budget is \$23.9 million representing a decrease compared to the previous year's allocation, because of Cyclone Evan one off costs.

#### ***Telecommunications:***

Telecommunication is another key priority sector to Government. To reinforce this commitment to the telecommunication sector, the following budget allocations have been confirmed for 2014/2015.

- A \$2.1 million budget is allocated to meet the Ministry of Communication's operations.
- \$1.56 million is allocated to fund the operations of the Office of the Regulator.
- \$1.2 million has been earmarked as government contribution to the National Broadband Highway (NBH) annual fees. The NBH is a major investment which is expected to significantly increase the speed of internal internet communications. It has the capacity to facilitate tele-medicine and education that will benefit the rural communities around the country.

### **5. Small Island Developing States Conference (SIDS 2014)**

\$10 million tala is provided to finalise Samoa's preparation for hosting the Small Island Developing States meeting later this year. This is a major investment which will place Samoa on the world map and expose our country to global opportunities. The meeting is expected to attract more than 3,000 visitors to our shores bringing unlimited opportunities to our business community. At the global level, this is an important meeting as its outcomes will form the basis for sustainable development post 2015.

## 6. Commonwealth Youth Games 2015

An allocation of \$5 million is provided to fund the preparations for hosting the Commonwealth Youth Games in 2015. These games will provide a unique opportunity for many of our youth to get exposed to international competition and therefore lift their performance. The Games is also expected to generate numerous opportunities for the business community.

## VI. SECOND SUPPLEMENTARY ESTIMATES 2013/2014

A Second Supplementary Budget for the financial year 2013/2014 is being tabled as well. It does not involve any additional expenditure but reallocation of existing resources to the tune of \$1.9 million tala.

## VII. CONCLUSION

Mr. Speaker and Honourable Members,

This budget has been framed with the theme “Consolidating Growth” in mind. The positive signs of economic recovery we now see provide the platform to consolidate the fiscal space to support a stronger and more resilient economy going forward.

Looking back, I am pleased to inform you Mr Speaker and Honourable Members that a lot has been achieved over the past 12 months. I would like to mention a few key milestones.

In January this year, Samoa graduated from the Least Developed country category. This is a major achievement and it demonstrates the degree to which Samoa’s development has progressed over the years. It is a product of hard work and commitment to put in place appropriate policies to cement positive development.

The government has invested heavily in developing education and health. We now have improved school buildings around the country. As well, there are a number of health centers with improved facilities around the country. Phase I of the national hospital has been completed and I am pleased to say the quality of these facilities is comparable to any hospital overseas.

On agriculture, I am pleased to inform you Mr Speaker and Honourable Members that Samoa has been awarded the award for being one of the first countries to achieve the Millennium Development Goal 1 which is eradication of poverty. This is a major achievement as most countries around the world are struggling to deal with the problem of poverty. Moreover, discussions are underway with American Samoa concerning the setting up of a fish loining process here in Apia which is expected to provide additional employment as well as boosting export receipts.

On tourism, Samoa has scored a first winning the prestigious award; the Gourmand Cook Book Award for the **“Best TV Chef Cook Book”** for the cook book that promotes “Meaai Samoa” and Samoan recipes that incorporates the right mix of nutritious and high quality local produce. Completion of this book is timely as Samoa prepares to host the SIDS meeting

later in the year. The cookbook will become a valuable reference document for training of caterers as they prepare to cater for those attending the SIDS meeting.

A few weeks ago, we signed the agreement formalizing the joint venture partnership between the government and the Neptune Shipping group. This is a major step forward in our shipping engagement and a continuation of the move by the government to acquire the Pacific Forum Line. The joint venture will significantly improve shipping links to Samoa facilitating trade with the outside world as well as guaranteeing employment opportunities for our sailors graduating from the national Marine School.

The National Broadband Highway project is complete and will be launched soon. This is a major infrastructure development which will have a catalytic effect on other sectors such as education and health. It will eliminate the digital divide between Apia and the rural areas. As well, the government will soon finalize the option for the submarine cable that is expected to significantly elevate internet connection with the outside world. The project is expected to realize low internet connection costs as well as top quality service.

On the energy front, the government will continue to examine the renewable options that will generate the least cost electricity. Going forward, the government is committed to being self sufficient in renewable energy by 2017.

On Judiciary, we have now established a Family Court dedicated to dealing with all family related cases. This is a huge step forward in recognizing the importance of family matters and the need to be handled in a special manner. Having the Family Court is expected to ease the pressure on the judiciary to deal with other court cases lending itself to a speedier timeframe to settle court cases overall.

Going forward the government will continue to look at implementing major developments to generate economic activity, create employment and improve service delivery. These include the Vaiusu port and the Faleolo airport upgrade.

As you will note Mr Speaker, we have achieved a lot in the past. As a responsible government, we are committed to implementing appropriate policies in the course of 2014/15 to ensure macroeconomic stability is maintained for the benefit of our people.

Mr. Speaker,

In closing, I would like on behalf of the Government and the people of Samoa, to express our sincere gratitude to our development partners for their continuous support towards our development.

I would also like to acknowledge everyone's support to the development of our country. We thank you and may God continue to bless you all as we prepare to celebrate our 52nd Independence Anniversary.

Mr. Speaker,

I commend the 2014/2015 Budget to the House.

Soifua.

