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CARE TAKER PRIME MINISTER



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Public Statement in Relation Economic and Financial
Stimulus Package for COVID 19

- The global spread of COVID-19 pandemic presents a potentially catastrophic outlook for both public health and the economy;
- With the economies of Vanuatu's major trading partners effectively 'locked down', substantial restrictions on crossing international borders, and the prospect of a global contraction, we are now looking at much lower economic growth in 2020 than we have forecasted at budget time.
- The official economic growth forecast for 2020 has now been revised from 3.8% to 1.9%, and, given the highly uncertain nature of this emergency, we must be prepared for a scenario where growth may fall even further;
- While the Government has responded rapidly to the health aspects of the crisis, we are also addressing the economic impacts;
- Today I am announcing a major economic stimulus package to support the economy through these difficult times, which I hope will bring some comfort to many of you who are already struggling;
- The stimulus package is a co-ordinated response involving government agencies, the Reserve Bank, development partners, and the private sector, and has been designed to boost economic growth through the combination of mix fiscal and monetary policy actions.
- The overall objectives of the package are to keep people safe, keep them employed, and keep businesses open.
- The package will be released in stages as economic developments unfold. The value of the first stage stimulus that I announce today amounts to approximately VT 4 billion or around 4% of GDP.
- On the revenue side, the key elements of the first stage include:
 - *Supporting businesses by deferring of a number of taxes and charges in 2020.* This includes Road Tax, Work Permits fees, Business Licences fees (except for commercial banks), Residence Permit charges and Rent Tax;
 - In addition, *a range of other fees and charges will be cancelled.* These measures will help to provide much needed cash flow to businesses and reduce costs;
 - Another key initiative relates to *Business licence reform* which includes reducing the turnover tax of commercial banks from 7% to 5%. This will support more efficient banking and encourage lower interest rates, fees and charges;

- Furthermore, the requirement to pay turnover tax on zero rated or exempt VAT sales will be removed. This will assist financial institutions, insurance entities, and professionals become better equipped to supply international services in an increasingly competitive international market;
- The business licence reform measures will be backdated to begin on 1 January 2020, and for those businesses who have already paid these taxes, licence fees, and charges, you will be refunded;
- I also wish to announce additional expenditure measures in the form of employment and business subsidies as part of the stimulus package. These include:
 - Supporting jobs through the *Employment Stabilization Payment*, which will reimburse employers up to VT 30,000 per employee on their payroll each month for a period of four months;
 - Employers will also receive a payment of 15 per cent of the amount they are reimbursed for wages under this payment as an added incentive to keep their staff employed;
 - Additionally, small to medium businesses with a turnover of less than VT 200 million will have access to an additional payment equal to the value of the fees of a full year business licence.
 - To be clear, this is a direct payment in addition to the business licence cancellation or refund mentioned as part of the revenue initiatives. Again, this will provide much needed cash flow to struggling businesses.
 - We will also support productive sector, in particular, copra, kava cocoa and other commodities that provide income to our citizens.
- In addition to these stimulus measures, we still plan to fully implement the 2020 Budget, although obviously many programs will now be reallocated to policies directed at addressing COVID-19. As a reminder, the 2020 Budget included VT 8.2 billion of infrastructure spending which will go a long way to expanding our economic capacity and support jobs.
- On this last point, the Government realises that with a downturn in tourism, government procurement will need to play a greater role in supporting the private sector. To this end, we have decided to temporarily suspend many of the regulations for procurements below VT 10 million to ensure contracts can be signed quickly and to enable projects to begin immediately.

- Of course, implementing the stimulus package is a matter of extreme urgency. Further announcements will be made over the next few days advising as to how these payments can be accessed and details of the eligibility requirements.
- I can assure you, government officials will be working around the clock to develop implementation plans to ensure the necessary payment arrangements will be in place quickly.
- Whilst this package is solely focusing on economic sector, we are not forgetting the social sector such as health and education. As part of stepping up our measures and plans health is already getting a greater attention in terms of resources.
- In education sector, government will grant school fee exemption in 2020 in addition to other packages such as increasing internet capacity to schools for students to study on line.
- Thanks to many years of sound fiscal management, this package can be afforded without significant increases in debt, and the Government will continue to reduce its exposure to external debt through advance repayments.
- Our strong financial position couldn't have been possible without the current reserves that comes from the citizenship program and government development budget.
- It is critical that government review its tax regime to introduce other sources of revenue to assist government to address business continuity and wellbeing of its citizens in future crisis.
- Our bi-lateral and multi-lateral development have also pledged generous support should it be needed.
- At this juncture, I wanted to acknowledge those who already committed generously to support government in its effort to prevent the spread of COVID 19.
- I wanted to reemphasise our strong commitment to maintain a strong relationship and strategic partnership with all our development partners, both bilaterally and multilaterally.
- To our cynics and to those who use social media to generate baseless and irrelevant critics against our development partners, I encourage you to get your facts right and report a fact in the media.

- This is an unprecedented situation globally and while we all pray for a speedy end to this emergency; it is a highly uncertain outlook. We must also prepare for a scenario where the crisis continues beyond the four months of the initial stage of the stimulus package.
- Once again, I can assure you the Government has already designed potential future stages into the stimulus package and they will be announced as they are required. Let us pray they won't be needed.
- I am confident that together we can weather this storm and that the economic stimulus package I announce today will provide significant support to businesses and to help ensure people stay employed and can continue to support their families and communities.