



Source of Funds:	TOP(M)
Recurrent	9.7
National Emergency Fund	3.8
Development Funds (Cash tagged to Health)	11.6
Budget Support (Cash)	34.9
<b>Total</b>	<b>60.0</b>

Acknowledgement of ongoing partnership of Government with Development Partners:

- Asia Development Bank
- World Bank
- Government of Australia
- Government of New Zealand
- Government of Japan
- People's Republic of China
- World Health Organization
- United Nations Organizations
- All Other Development Partners

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## Government of Tonga

# ECONOMIC AND SOCIAL STIMULUS PACKAGE TO COMBAT COVID-19

2<sup>nd</sup> April 2020

PREPARED BY MINISTRY OF FINANCE IN COORDINATION  
with the  
NATIONAL TASK FORCE for COVID19 & NATIONAL EMERGENCY  
MANAGEMENT COMMITTEE CLUSTERS

# \$60m

## Economic and Social Stimulus Package

Allocation by Cluster Systems to combat COVID-19

CLUSTER SYSTEM	TOP (M)	TOTAL (M)	REMARKS
<b>Economic and Social Recovery Cluster</b>		<b>22.4</b>	
• <b>Target Affected Businesses</b>			
✓ <b>Primary</b>	3.4		Agriculture, Fisheries, Forestry, Exporters
✓ <b>Secondary</b>	3.0		Construction, Manufacturing etc
✓ <b>Tertiary</b>	10.0		Tourism, Wholesale & Retail Trade, Transport (aviation, maritime, roads)
• <b>Employee Support</b>	5.0		Assistance to affected employees through NRBF
• <b>Community Livelihood</b>	1.0		Income Generating activities for Women Groups & NGOs
<b>Education Cluster</b>		<b>3.8</b>	
	3.8		Support to Government & Non-Government schools
<b>Emergency Telecommunication</b>		<b>0.3</b>	
	0.3		Preparedness & response
<b>Essential Services</b>		<b>1.0</b>	
	1.0		Border control activities
<b>Food Security and Livelihood</b>		<b>3.2</b>	
	3.2		Food preservation supplements & Food Security
<b>Health, Nutrition, Water Sanitation Hygiene (WASH)</b>		<b>22.5</b>	
• <b>Preparedness &amp; Protection</b>	11.7		Preparedness response including water tanks etc.
• <b>Medical Supplies</b>	6.0		
• <b>Implementation of the MOH Pandemic Plan</b>	4.8		
<b>Logistic &amp; Coordination</b>		<b>1.6</b>	
	1.6		NEMO/MOP/HMAF/TFES/TRS/PD/PSC etc.
<b>Safety and Protection Cluster</b>		<b>1.3</b>	
	1.3		Increase in welfare scheme for vulnerable people (elderly/disability/poor households) & Community Policing & Other activities
<b>Shelter Cluster</b>		<b>4.0</b>	
	4.0		Facility upgrade nationwide
<b>Grand Total</b>		<b>60.0</b>	

### Impact on our Vulnerable Economy

An initial assessment of the overall impact of COVID-19 on the Tongan Economy estimated loss to its gross domestic product at over \$60 million pa'anga for the FY 2020.

It is projected at least GDP loss of over \$200 million if the pandemic continues without a stop to the first two quarters of FY2021.

Domestic Revenue as a result is expected to be reduced by \$35 million therefore projected for a fiscal deficit in FY2020, and \$40m loss of revenue stream for FY2021 with a projected fiscal deficit of \$54m. Without a vaccine to stop the virus, it is projected that the revenue loss and fiscal deficit could be higher.

### Government Response

The Economic and Social Stimulus Package, a short-term assistance program with \$60 million was approved by Government of Tonga in response to the declaration of a State of Emergency in the Kingdom of Tonga to combat COVID-19 which has affected all sectors of the Tongan Economy.

Over 30 percent of the response is to step-up our health care capacity, the remainder earmarks increased commitments for essential services: transport, security, law and order, relief assistance for affected businesses. A provision of social support and assistance for our vulnerable population is also included.

### Other Forms of Assistance:

- ❖ Contribution from National Reserve Bank of Tonga (\$5m)
- ❖ Deferment of Loan and interest repayments (case by case):
  - Tonga Development Bank and Commercial Banks (BSP, ANZ, MBf)
- ❖ Government Development Loans & TC Gita Recovery Loan Fund 3-months moratorium
- ❖ Deferral of retirement contributions & Hardship Allowance for lay-off employees (up to 3 months):
  - National Retirement Benefits Fund
- ❖ Covid19 Pandemic Hardship Financial Assistance (needs basis):
  - Retirement Fund Board
- ❖ Tax and Duty Relief during Covid-19:
  - Ministry of Revenue and Customs
- ❖ Communication, Electricity and other Utilities Assistance:
  - Tonga Communication Cooperation, Tonga Power Ltd, Digicel Ltd, Tonga Water Board, Waste Authority Ltd, Tonga Cable Ltd and others