



SAMOA'S

SMOOTH TRANSITION

STRATEGY REPORT

31 DECEMBER 2015

OVERALL ASSESSMENT OF THE TRANSITION PROCESS

Background:

Samoa graduated out of LDC status on 1st January 2014. The Government decided that the best transition strategy following graduation would be to ensure that it was able to fully implement the national development strategy namely the Strategy for the Development of Samoa through the sector programming framework with subsequent sectoral resource allocation.

As determined by the various impact studies that had been conducted pre graduation, it was apparent that there would be minimal impact on the development of the country. Beside these minimal risks associated with the loss of LDC benefits, there are challenges inherent in the current circumstances of Samoa as a small island developing state that also need to be addressed and form part of the “smooth transition strategy”, and where the continued cooperation of development partners is necessary as the country aims towards greater self reliance. These challenges include the recent, lasting global economic crisis, notably with regard to fuel and food prices and shortfalls and the country’s vulnerability to natural disasters.

The following are lines of action that might require external support Samoa may continue to be in need of. **Samoa’s smooth transition strategy** consolidates the gains already made through this support, and have been taken into consideration toward smooth transition modalities as outlined as follows:

Develop and formulate a coherent national development strategy – the new national development strategy for 2016-2020 is under preparation – public consultations will begin in January 2016.

Designing an economic stabilization framework- ongoing and will be reviewed at every IMF Article IV consultation, the next one to be in 2016.

Addressing institutional capacity constraints- being done at national level as well as at sector level through avenues such as targeted scholarships schemes for priority sectors, addressing thin capacities for implementation and reviewing options that would ensure building and retaining skills and capacities within agencies. the education and health sectors on top of the general scholarships program in order and experience and knowledge sharing through south-south cooperation arrangements.

Improving aid coordination and management- regular review of Effective Development cooperation policy and implementation of targets

The commitment of the Government towards the implementation of the principles of effective development cooperation has changed the relationships with its development partners and enhanced donor confidence in the use of country systems as evident through increasing use of budget support. Budget support is extended to Samoa upon demonstration of compliance with the Joint Policy Action Matrix.

Creating an enabling environment for foreign direct investment and private sector development

Foreign investments will continue to elude Samoa given the unique development challenges faced due to economic geography similar to other small island developing states particularly those in the Pacific region.

Achieving further structural progress in the context of graduation implies creating an enabling environment for sound foreign direct investment (FDI) and private sector development. Given the fiscal constraint and the relatively low level of domestic savings, promoting the necessary knowledge and technology transfers requires attracting FDI, a strategically important source of financing. Key elements of an enabling business climate achieved to date include (i) a fiscal and monetary policy geared toward macroeconomic stability; (ii) the provision of sound infrastructure and relevant public utilities; electricity is considered costly (iii) an efficient public administration that has been undergoing extensive reforms and (iv) a trade policy involving concessions that are commensurate with the constraints faced by the economy, and a newly instituted competitiveness policy.

Mainstreaming post-disaster rehabilitation agenda

Post-disaster rehabilitation is part of the smooth transition strategy as much as it was, at an earlier stage, recognized by the UN as justifying a freeze in the graduation countdown following the tsunami of 2009. Mainstreaming is a key focus of two major projects on enhancing resilience.

Maintaining credibility for international support

As a small island developing State (SIDS) and facing severe, permanent economic and environmental challenges is as consequential, for a SIDS, as graduating from LDC status. Samoa's active engagement in the quest for a fair recognition of SIDS-specific issues at recent global dialogue processes and also during the successful hosting of the Third International SIDS Conference held in Apia in August 2014, contributed to the country's credibility in its dialogue with development partners. By recognizing SIDS as well as

LDCs, the United Nations offers policy space to countries that have graduated such as Samoa.

The National Development Strategy: the basis of the smooth transition strategy

The Strategy for the Development of Samoa 2012-2016 is focused on the long term Vision for an: ***“Improved Quality of Life for All”*** which is supported by the Theme: *“Boosting Productivity for Sustainable Development”*.

The current SDS identified fourteen (14) key national outcomes from the four priority areas and key pillars of sustainable development that would collectively contribute to the achievement of the Vision. These four sectors with fourteen (14) key outcomes are outlined as follows:

Priority Area 1: Economic Sector

- Key Outcome 1: Macroeconomic Stability
- Key Outcome 2: Re-invigorated Agriculture
- Key Outcome 3: Revitalized Exports
- Key Outcome 4: Sustainable Tourism
- Key Outcome 5: Enabling Environment for Business Development

Priority Area 2: Social Sector

- Key Outcome 6: A Healthy Samoa
- Key Outcome 7: Improved Focus on Access to Quality Education, Training and Learning Outcomes
- Key Outcome 8: Social Cohesion

Priority Area 3: Infrastructure Sector

- Key Outcome 9: Sustainable Access to Safe Drinking Water and Basic Sanitation
- Key Outcome 10: Efficient, Safe and Sustainable Transport System and Networks
- Key Outcome 11: Universal Access to Reliable and Affordable ICT Services
- Key Outcome 12: Sustainability Energy Supply

Priority Area 4: Environment Sector

- Key Outcome 13: Environment Sustainability
- Key Outcome 14: Climate and Disaster Resilience

Midterm review of the SDS

The Midterm review of the SDS in 2015 indicated that there has been progress across all the four priority areas despite the challenges. Since 2008, Samoa has not been able to achieve rising growth rates pre financial crisis. While there has been recovery following the food fuel and financial crises, and also from the impacts of the 2009 tsunami and 2012 cyclone, growth remains subdued at around 2% per annum. Despite growth in the tourism sector and a focused revitalization of the agriculture sector and exports, Samoa will need to consider what other

transformational options there are in terms of economic opportunities and the challenges involved.

- In 2013 Samoa was classified by the IMF as being at a high risk of debt distress and as a result, received 100% grants from the multilateral financial institutions. The debt distress status was revised to moderate risk in early 2015. The opportunity was used by Samoa to ensure that it met its commitments under its Medium Term Debt Management Strategy to begin to reverse the trends in the Debt: GDP ratio and fiscal deficits by 2020.
- Samoa continues to be supported by its development partners through investments in particular the infrastructure sector particularly in the transport sector. New activities include the construction of an upgraded airport terminal building including runway, taxiway and apron and equipment; the construction of more resilient road networks and bridges rehabilitation in addition to recently completed roads built as part of the Cyclone Evan Recovery program.
- The World Bank and Asian Development Banks have contributed significant grant resources to the establishment of a submarine cable linking Samoa to Fiji and beyond. A national broadband highway was launched in early 2014. These activities Samoa sees as the opportunities to harness the benefits of investments and policy reforms particularly in the ICT sector in order to promote a vision of developing Samoa as a knowledge economy and where knowledge will be a key driver of development
- Again with the support of its development partners Samoa is tracking well to achieve an ambitious goal in achieving at least 75% renewable by 2020. Renewable energy partnerships were a landmark of the 3rd SIDS Conference held in Apia in September 2014 with the Government of New Zealand and the European Union. Public private partnerships grew with the upsurge of solar power initiatives. As of the time of the midterm review, Samoa has reached 45% renewable level. The rehabilitation of 4 hydro schemes extensively damaged during the cyclone in 2012 has begun including the construction of 4 new hydro schemes.
- Access to safe and treated water supplies continues to increase; ongoing work on untreated water supply areas when completed over the next twelve months will see close to 87% of the population having access to safe

water supplies. Through the many support schemes including water tank harvesting in drought prone areas, the total population have access to a water source.

- At the end of the **MDGs timeline**, Samoa has achieved over half of the MDGs with a few targets remaining under Goals 1, 3 and 6. The Government has already embarked on an accelerated program for the achievement of the MDGs and will continue to meet its commitments towards the unfinished business of the MDGs and addressing its SDG priorities at the same time. The 2015 Human Development Report currently ranks Samoa as a high human development country a shift up from being a middle HD country.
- Under bilateral **trade agreements** with each of its partners, China has finally conferred a transition period of three (3) years since Samoa's graduation from LDC status on 1st January 2014. Within the transition period, Samoa will still be enjoying Duty-Free Treatment for products originating from itself into China which correspond to 95 percent of tariff lines. As of **1 January 2014** Samoa is **no longer eligible** for the Japan GSP scheme due to its graduation from LDC status while Samoa has been granted a **3 year transition period** for Everything But Arms, this period is to end 1 January 2017 after which normal tariffs will apply.

Despite having graduated in 2014, Samoa continues to benefit from the programs funded under the IF and EIF particularly those for trade facilitation and implementation of institutional reforms for the Trade Commerce and Manufacturing sector.

- In terms of climate change impacts, climate financing and environmental financing facilities Samoa has been able to access the highest levels of resources including through the GEF-LDCF among the Pacific countries. These resources have ensured the implementation of the National Adaptation Program of Action and mitigation strategies. Samoa continues to implement to completion an economy wide program to enhance community resilience funded under the LDCF.

Unexpected changes of support:

There have **been no unexpected changes of support** from Samoa's development and trade partners. The changes in the means of implementation and/or the

engagement framework have been discussed in policy level dialogues with the various development and trading partners.

ODA levels have been maintained at 2014 levels and in some cases increased. Partnerships are becoming the modus operandi of engagement and Samoa is prepared to meet its commitments as a partner such as co-financing parts of the development framework as the willingness to use country systems grows with evidence based outcomes of the extensive public finance management reforms the government has undergone. The advances made in reforms have made Samoa a centre for the execution of south-south cooperation. Two thirds of the Forum island countries have sent officials for attachments in Samoa particularly in the areas of budget and planning policy development and processes, aid management and effective development cooperation good practices. Samoa has also undertaken the majority of the 13 country peer reviews as well as development partners peer reviews (NZ and Australia).

The fact that Samoa is also a small islands developing state could mean that it will continue to be regarded as a country with special needs assistance; this is a significant consideration as it prepares to address the implementation of the SDGs and the SIDS Accelerated Modalities of Action (SAMOA) pathway using an integrated approach into the SDS framework(2016-2020)

As the chair of the 3rd SIDS international conference, Samoa has been part of the negotiations process involved in the finalisation of the 2030 Agenda and SDGs. There also been advocacy for the inclusion of a SIDS component on the thematic reviews of all SDGs as there is clear correlation between the SAMOA pathway priorities and SDGs and targets.

Other possible impacts of graduation:

Given the international focus on countries with special needs, especially small island states, the multilateral financial institutions have adopted a Pacific Possible approach which proposes an alternative way to look at the challenges of Pacific small islands developing states. Pacific Possible will take a long term view of the development opportunities and challenges faced by Pacific island countries and focus on those that would have transformational impacts on the countries. They will also identify broad policy and institutional priorities and investments that would need to be developed in order to realize these opportunities. The approach will focus on 6 thematic areas:

- Harnessing the riches of the Pacific
- Islands in a sea of knowledge
- Host to the world
- Labour mobility
- Managing increasing stress on Pacific livelihoods

- Working together

The initiative by the World Bank Group is in line with the Pacific Framework for Regionalism and will support the Pacific small islands developing states in their approach to addressing the SDGs implementation as well as the SAMOA Pathway. AS part of the Pacific regional Framework for Regionalism, leaders endorsed the collaboration between the Pacific Islands Forum Countries Secretariat and the multi-lateral financial institutions to support the development of prioritized growth strategies, consider within the Pacific context what constitutes a 'reasonable standard of living', develop uniquely Pacific indicators of poverty and progress and continue to update the case for regional integration.

Pacific Possible will seek to quantify what could be achieved if a limited set of economic opportunities open to Pacific island countries was fully exploited. It will also consider what increases in income and living standards in the Pacific could be achieved with the right key policy decisions by the governments and the adequate support of the Pacific rim countries. As aid will remain a significant part of the Pacific landscape for some time to come, the question now is whether significant higher standards of living and reduced vulnerability are possible within a fairly constant aid envelope.
