



SAMOA'S SMOOTH TRANSITION STRATEGY REPORT

31 DECEMBER 2017

FINAL REPORT ON SMOOTH TRANSITION STRATEGY, SAMOA 2017

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 its national development strategy namely the Strategy for the Development of Samoa through the sector programming framework with subsequent sectoral resource allocation.

Samoa's smooth transition strategy is in the form of its national development strategy known as the Strategy for the development of Samoa (SDS 2016-2020), a four yearly development framework which implementation is at sector level. The issue of graduation has been integrated into the current development strategy as well as other international protocols such as the SDGs. The SDS at national level and sector developments have interlinked monitoring and evaluation frameworks as well as medium term expenditure frameworks.

A smooth transition strategy should aim to consolidate the gains already made through this support, which have been taken into consideration in Samoa's dialogue with its development partners toward smooth transition modalities. The following are lines of action that call for external support Samoa might continue to be in need of.

Designing an economic stabilization framework

In the last 4 years, the most immediate challenge for Samoa is to deal with its fiscal situation given rising levels of fiscal deficits due to financial commitments towards the 2012 post

cyclone recovery efforts which are now completed. Given the high level of public debt, the government was able to secure 100% grant financing for the reconstruction phase and did not need to resort to concessional loans and domestic borrowing. Capital investment in the pipeline before the 2012 cyclone was reviewed and reprioritized to make more resources available for reconstruction. As of current, the budget deficit has been greatly reduced to a more sustainable level over time. This fiscal consolidation has been guided by a medium-term fiscal framework and a reviewed Medium Term Debt Strategy the implementation of which has resulted in a much improved GDP: Debt ratio of 47% from 52% (2015) and is on track towards the threshold level of 40%. No new loans have been approved in the last 3 years.

Considerable efforts have gone into investing in more efficient revenue collection through addressing capacity gaps. Revenue collection has improved by 3.7%. The VAGST tax has been broadened to cover ministers of the clergy this year without too much opposition by the public. These priority actions are being addressed under the Finance sector plan and supported by the development partners through the Joint Policy Action platform

Develop and formulate a coherent national development strategy

The smooth transition strategy naturally converge with the overall national development strategy of the country SDS 2016-2020 launched in early 2016, with particular reference to sector-specific policies and will have a mid-term review mid 2018. The SDS was developed through a wide consultative process with the public and covering the whole country. It highlights the importance of inclusive development and the importance of engagement of civil society, private sector and parliamentarians in the development process as well as the development partners. Furthermore the current SDS has integrated into it the Sustainable Development Goals, the SAMOA pathway, the Paris Agreement and Disaster Risk Reduction frameworks.

Government's action plan places priority on the infrastructure sector to improve transport, communications and water supplies and expand initiatives to capture the most relevant and cost effective renewable energy options as well as continuing focus on health and education and renewed investment in the growth sectors of agriculture and fisheries and tourism. Consultations with the development partners on the importance of supporting the infrastructure sector has resulted in the establishment of a multi-donor infrastructure facility that is also supported by the Pacific Regional Infrastructural Facility. Ways to improve and strengthen the policy and regulatory institutions have been made possible through this facility.

The SDS also emphasizes the importance of prudent management of natural resources and addressing the impacts of climate change and natural disasters at sector level in terms of both adaptation and mitigation.

Addressing institutional capacity constraints

Institutional constraints, including shortages of skills, continue to affect the management of the development process, and also encompass the management of projects financed by development partners. These key services across all sectors are outsourced and this has ensured improved rates of implementation and enhanced absorptive capacity. All development cooperation programs have components for capacity building through a number of different modalities including institutional building, training and experience and knowledge sharing through south-south cooperation arrangements.

Targeted scholarships programs by sector supported by bilateral partners to address capacity gaps in the key social sectors are in their final year of piloting and will be reviewed in early 2018. With an upsurge in infrastructural projects there is already a request for more scholarship awards in engineering fields to meet the demand in technical expertise.

Strengthening capacity of the Samoa Research institute including recognition as an accredited professional research/testing entity is a priority to encourage and promote investment in research products developed such as gluten free breadfruit flour, avocado oil and essential oils.

Improving aid coordination and management

The Government continues to strengthen coordination of external resources with a view to making aid flows more predictable and program management more effective. A revised Aid Policy was recently launched which focuses on Planning, securing, utilizing and monitoring external resource flows through a single, competent coordinating entity namely the Aid Coordination Debt Management Division of the Ministry of Finance; such an arrangement contributes to further encouraging partnerships. 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.

Samoa has signed 9 partnership arrangements with its key development partners and has a formalized consultative mechanism with them through quarterly development partner meetings aside from the biennial policy dialogues.

Under the Finance sector there is a plan to establish a core project management unit for all government led initiatives to assist the capacity gaps in the private sector which cannot meet the demand arising from government contracts.

Trade related measures:

Samoa became a member of WTO in 2011 after 17 years of first application and was able to utilize the special provisions for LDCs. It has lost preferential market access under the Quota Free/Duty Free arrangements after negotiated extensions of such schemes beyond graduation were approved.

Under Everything But Arms the transitional period of 3 years allowed after graduation for access of Samoa's coconut oil to the EU market will end in early 2019. The EU's GSP preferential rate for crude coconut oil is zero percent rating thus Samoa will as a developing country continue to benefit from this arrangement for its products. Samoa has applied to be part of the Interim Economic Partnership Arrangement (iEPA) with the EU of which only Fiji and PNG are members. Support has already been forthcoming from the EU in this regard for the preparation of Samoa's market access offer.

Samoa will continue to receive preferential market access to Australia under the Australian system of Tariff Preferences as well as SPARTECA. For NZ Samoa will retain access under SPARTECA and WTO arrangements.

Eleven Pacific countries signed the PACER Plus Agreement in June 2017 and Samoa is working towards ratification as soon as it is possible in order to avail itself of the assistance facility available from both NZ and Australia.

To assist the development of niche products for overseas markets there is current exploration of possible free trade agreements with some of the countries in Asia.

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

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. All the key elements of an enabling business climate are in place namely (i) a fiscal and monetary policy geared toward macroeconomic stability; (ii) sound infrastructure and relevant public utilities; (iii) an efficient public administration; and (iv) a trade policy involving concessions that are commensurate with the constraints faced by the economy, and a key policy towards achieving competitiveness. The Trade policy is up for review in 2019. Public-private partnership is already encouraged in Samoa's development strategy. Also important is the recognition of the benefits private investment outside the tourism sector could bring to the nation in terms of employment generation. Special incentive schemes to attract investment in the tourism sector have been necessary in order to further widen economic benefits. The new foreign investment policy and the strategy to continue on a privatization program of identified State-owned enterprises are conducive to further economic progress in Samoa's situation.

This year Samoa faced the challenge of the biggest manufacturer YAZAKI Samoa closing its doors in September; however a number of medium scale enterprises from New Zealand have entered to help fill the gaps in generating employment in a similar wiring initiative, mattress factory and call centres utilizing the factory premises which the Government had invested in. The rest of the trained employees from the Yazaki factory have been absorbed into the labor market as well as the available temporary workers schemes in both New Zealand and Australia.

Mobilising domestic resources

More and more of the financially successful corporations are encouraged to contribute to the national development framework through investments in the relevant sectors. The financial inclusion programs initiated by the UNDP in collaboration with the Central Bank and IT service providers will be a vehicle for informing the public of investment options for the remittances received from families abroad.

Mainstreaming post-disaster rehabilitation agenda

Post-disaster rehabilitation is complete. The speed of recovery from the 2009 tsunami, cyclone of 2012 and the impacts of the global financial crisis has been significant. Samoa has successfully implemented its NAPA in response to the emerging impacts of climate change and is looking at progressing its Mitigation Plan of Action. There has also been an up-scaling of assistance to communities to ensure enhanced resilience. At the end of 2016, Samoa had its first major project in flood management control approved under climate financing through the Green Climate Fund. Disbursements have begun and emphasis is on strengthening institutions for management of the project.

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 including the Third International SIDS Conference held in Apia 2014, the Green Climate Fund Board meeting in Apia 2016, the UN Oceans Conference in New York 2016, the 2017 Pacific Islands Forum Leaders meeting in Apia and the 2017 CoP 23 Bonn; contribute to the country's credibility in its dialogue with development partners.

Conclusion:

Samoa has continued to make progress since graduation in 2014 as well as meet the challenges it continues to face as a developing country. The continuing stability and the political leadership have been the key drivers in moving forward and guiding development towards Samoa's long term vision of ensuring a quality of life for all. A well educated and relatively healthy population have contributed to the country's development. An inclusive approach to meeting its development goals has ensured that Samoa is capturing the contributions of its citizenry to development. Village governance will continue to safeguard the interests of all communities and ensuring that government initiatives are fit for purpose at village level. There is also the recognition that development includes efficient, effective and regenerative natural resource management. Samoa is very much aware of the impacts of climate change and natural disaster and ensures that any planning now and forward looking must be made in alignment with its domestic resource base and that it should only turn to its development partners as a means of last resort.

As this is the final report for Samoa, the opportunity to thank the United Nations and the international community for the support and assistance in all the years that Samoa was categorized as a Least developed Country is registered here as part of the same.