



Government of Samoa

Diagnostic Trade Integration Study

Volume I & II

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Map of Samoa



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Foreword



The Samoa Diagnostic Trade Integration Study (DTIS) was/is a timely exercise as the economy has been faced with challenges over the years with the persistent and increasing trade deficit. Several attempts by the Government have been made to address the issues that continue to affect the contribution of trade to Samoa's economy. Some of these include the National Trade Policy Statement 2008 and the National Export Strategy 2008-2012. The DTIS consolidates work that has been done to date to integrate trade into the national planning process and improve exports through the improvement of institutional frameworks.

The DTIS Report was prepared under the auspices of the UN Integrated Framework for Trade-Related Technical Assistance. The preparation of the Report began in January 2008 when a mission by IF representatives from UNCTAD, WTO, and UNDP Trade & Human Development Unit in Geneva visited Apia to inform the Government of Samoa about the Enhanced IF for Trade Guidelines. A Cabinet directive F.K.07(41) established a national steering committee in 2007 with its main function being the oversight of the IF project, and to provide policy guidance and oversight to the implementation of the Action Matrix. A national sensitization workshop led by the IF Focal Point (MFAT) and the IF Mission was held to inform all stakeholders of the aim, objective and expected outcomes of the IF project. Work on the conduct of the Study commenced in May 2009 following the engagement by UNDP of KVAConsult Ltd as the Team Leader, and the inaugural meeting of the IF Steering Committee in May 2009. A National Validation Workshop concluded phase 2 of the IF project with the endorsement of this report by the key stakeholders involved in its formulation.

The Report is in two Volumes. These are (i) Volume I: the executive summary and action matrix and (ii) Volume II: the main report. The main objective of the DTIS report is to identify key constraints, both internal and external, to Samoa's trade development and to make recommendations on actions, in terms of legislation and policy framework changes, institutional reforms, capacity development and training, trade negotiations, to address these constraints and to mainstream trade development into Samoa's strategic planning frameworks. The report also examines how linkages between trade policies and social issues such as gender balance and poverty alleviation could be strengthened and mainstreamed in line with Samoa's progress toward achieving Millennium Development Goals in these important areas.

The report and its recommendations is Samoa's national integrated trade policy and will provide a key tool in the formulation of the planned sector wide approach to trade. While the DTIS report identifies constraints to trade development and recommends actions to address these challenges, the sector plan should ensure future predictability and coordination of donor funding for trade development and to link these to the national funding mechanisms to implement the target outcomes of the integrated policy. The sector approach will also reinforce the importance of putting in place the legislative and institutional framework to implement and monitor trade policy. The Ministry of Foreign Affairs and Trade provides oversight of the implementation of the integrated policy as well as guidance on Samoa's international engagement to advance its objectives.

I commend this Report to all our stakeholders, including our trade and development partners.

Tuilaepa Lupesoliai Sialele Malielegaoi
PRIME MINISTER
And MINISTER OF FOREIGN AFFAIRS AND TRADE

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List of Acronyms

AA	Airport Authority
ACEO	Assistant Chief Executive Officer
ACC	Accident Compensation Corporation
ACP	African, Caribbean and Pacific Group of States
ADB	Asian Development Bank
AfT	Aid for Trade
AG	Attorney General
AGOA	African Growth and Opportunity Act
ANZ	Australia and New Zealand
ANZCERTA	Australia New Zealand Closer Economic Relations Trade Agreement
APEC	Asia Pacific Economic Countries
APTC	Australia Pacific Technical College
ASC	Agriculture Store Corporation
ASH	American Samoa Hawaii
ASYCUDA	Automated Systems for Customs Data
ATM	Automated Teller Machine
AUA	Apia Urban Area
AusAID	Australian Agency for International Development
AUSFTA	Australia-United States Free Trade Agreement
BASI	Beekeepers' Association of Samoa Inc.
BNPL	Basic Needs Poverty Line
BOP	Balance of Payments
CBFM	Community-based Fisheries Management
CBS	Central Bank of Samoa
CCNASWP	Codex Committee for North America and South & West Pacific
CDM	Clean Development Mechanism
CDP	Coordinating Development Partner
CEDAW	Convention on the Elimination of Discrimination against Women
CEOs	Chief Executive Officers
CER	Certified Emission Reduction
CFC	Chlorofluorocarbon
CF-MAC	Commercial Fishing Management Advisory Committee
CMM	Conservation and Management Measures
CoC	Samoa Chamber of Commerce and Industry
COS	Chicken of the Sea company
CSO	Community Service Obligation
CVD	Countervailing Duty
DAC	Development Aid Center
DBS	Development Bank of Samoa
DFQF	Duty Free Quota Free
DSS	Duty Suspension Scheme
DTIS	Diagnostic Trade Integration Study
DWFN	Distant Water Fishing Nations
EAFM	Ecosystem Approach to Fisheries Management
EEZ	Exclusive Economic Zone
EFTPOS	Electronic Funds Transfer At Point of Sale
EIF	Enhanced Integrated Framework
EPA	Economic Partnership Agreements

EPC	Electricity Power Corporation
EU	European Union
FAO	Food and Agriculture Organisation
FD	Fisheries Division
FFA	Forum Fisheries Agency
FICs	Forum Island Countries
FPA	Fisheries Partnership Agreements
FTA	Free Trade Agreements
FY	Financial Year
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GEF	Global Environment Facility
GIFT	Genetically improved Farmed Tilapia
GoS	Government of Samoa
HACCP	Hazard Analysis and Critical Control Point
HDI	Human Development Index
HIES	Household Income and Expenditure Survey
HTFA	High Temperature Forced Air
ICCAI	International Climate Change Adaptation Initiative
ICT	Information Communications and Technology
IDC	Inter-departmental Committee
IF	Integrated Framework
IFC	International Finance Corporation
IFSC	Integrated Framework Steering Committee
IMF	International Monetary Fund
IPR	Intellectual Property Rights
ISD	International Subscriber Dial
ISO	International Standards Organization
ISP	Institutional Strengthening Project
ISP	Internet Services Providers
IT	Information Technology
ITC	International Trade Centre
IUU	Illegal, Unregulated and Unreported
LDC	Least-Developed Countries
LDCF	Least Developed Country Fund
LTA	Land Transport Authority
M&E	Monitoring and Evaluation
MAF	Ministry of Agriculture and Fisheries
MALIAT	Multilateral Agreement on the Liberalization of International Air
MCIL	Ministry of Commerce, Industry and Labour
MCS	Monitoring, Control and Surveillance
MDGs	Millennium Development Goals
MFAT	Ministry of Foreign Affairs and Trade
MfR	Ministry for Revenue
MNRE	Ministry of Natural Resources and Environment
MoF	Ministry of Finance
MoH	Ministry of Health
MPMC	Ministry of the Prime Minister and Cabinet
MPP	Ministry of Police and Prisons
MSEC	Ministry of Sports, Education and Culture

MSMEs	Micro, Small and Medium Enterprises
Mt	metric tones
MTEF	Medium Term Expenditure Framework
MW	Mega-watt
MWCSD	Ministry of Women, Community and Social Developments
MWTI	Ministry of Works, Transport and Infrastructure
NAPA	National Adaptation Plan of Action
NASAA	National Association for Sustainable Agriculture, Australian
NCDs	Non-communicable diseases
NEA	National Export Authority
NES	National Export Strategy
NGHGAS	National Green House Gas Abatement Strategy
NGDP	Nominal Gross Domestic Product
NGOs	Non Government Organisations
NTFC	National Trade Facilitation Committee
NTS	National Trade Strategy
NUS IHE	National University of Samoa (Institute of Higher Education)
NUS IOT	National University of Samoa (Institute of Technology)
NUS	National University of Samoa
NWCTA	National Working Committee on Trade Arrangements
NWU	Northwest Upolu
NZAP	New Zealand's International Aid and Development Agency
NZQA	New Zealand Qualifications Authority
OCO	Oceania Customs Organisation
ODA	Overseas Development Assistance
ODS	Ozone Depletion Substances
OECD	Organisation for Economic Cooperation and Development
OSH	Occupational Safety and Health
OUM	Oceania University for Medicine
PACER	Pacific Agreement on Closer Economic Relations
PACC	Pacific Adaptation to Climate Change Project
PACP	Pacific ACP members
PASO	Pacific Air Safety Office
PASP	Public Administration Sector Plan
PD	Paris Declaration
PDF	Project Development Fund
PEFA	Public Expenditure Framework Assessment
PEPD	Policy and Economic Planning Division
PGI	Poverty Gap Index
PIASA	Pacific Islands Air Services Agreement
PICTs	Pacific Island Countries and Territories
PICTA	Pacific Islands Countries Trade Agreements
PIF	Pacific Island Forum
PIFS	Pacific Island Forum Secretariat
PIGGAREP	Pacific Islands Green House Gas Abatement through Renewable Energy Project
PNA	Parties to the Nauru Agreement
PRIDE	Pacific Regional Initiative for Basic Education
PSC	Public Service Commission
PSSA	Private Sector Support Allocation
PSSF	Public Sector Support Facility

QA	Quality Assurance
R & D	Research and Development
RDIS	Research and Development Institute of Samoa
REER	Real effective exchange rate
ROO	Rules of Origin
RoU	Rest of Upolu
RSE	Recognized Seasonal Employer (Scheme)
RTFP	Regional Trade Facilitation Program
SAF	Structural Adjustment Facility
SAME	Samoa Association of Manufacturers and Exporters
SAT	Samoa Tala
SBEC	Small Business Enterprise Centre
SBS	Samoa Bureau of Statistics
SCA	Samoa Cattle Association
SCCF	Special Climate Change Fund
SDS	Strategy for the Development of Samoa
SDT	Special and Differential Treatment
SEA	Samoa Export Authority
SES	Statement of Economic Strategy
SFA	Samoa Farmers Association
SHA	Samoa Hotel Association
SHC	Samoa Housing Corporation
SICs	Smaller Island Countries
SIFA	Samoa International Finance Authority
SLC	Samoa Land Corporation
SMEs	Small to Medium Enterprises
SNPF	Samoa National Provident Fund
SOE	State Owned Enterprise
SOPAC	Pacific Islands Applied Geo-science Commission
SPA	Samoa Ports Authority
SPARTECA	South Pacific Regional Trade and Economic Cooperation Agreement
SPC	Secretariat of the Pacific Community
SPELL	Samoa Primary Education Literacy Level
SPG	South Pacific Games
SPGI	Severity Poverty Gap Index
SPIN	South Pacific Island Network
SPS	Sanitary and Phyto-Sanitary
SQA	Samoa Qualification Authority
SQUID	Samoa Quarantine Information Database
SROS	Scientific Research Organization of Samoa
SSC	Samoa Shipping Corporation
SSS	Samoa Shipping Services
STA	Samoa Tourism Authority
STEC	Samoa Trust Estate Corporation
STIA	Samoa Trade and Investment Authority
STIB	Samoa Trade and Investment Board
SUNGO	Samoa Umbrella for Non Governmental Organisations Inc.
SWA	Samoa Water Authority
SWAp	Sector Wide Approach
SWOT	Strength, Weakness, Opportunities and Threats

TA	Technical Assistance
TAFTA	Thailand-Australia Free Trade Agreement
TBT	Technical Barriers to Trade
TCI DB	Trade, Commerce & Industry Development Board
TDMP	Tuna Development and Management Plan
TDP	Tourism Development Plan 2009-2013
TMNP	Temporary Movement of Natural Persons
TPS	Trade Policy Statement
TRIPS	Trade Related Intellectual Property Rights
TTRP	Tsunami Tourism Re – construction Programme
UK	United Kingdom
UNCLOS	United Nations Convention on the Law of the Sea
UNCTAD	United Nations Conference on Trade and Development
UNDAF	UN Development Assistance Framework
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and Pacific
UNFCCC	United Nations Framework Convention on Climate Change
UNFSA	United Nations Fish Stocks Agreement
UTOS	Unit Trust of Samoa
US	United States
US FDA	US Food and Drugs Administration
USP	University of the South Pacific
VAGST	Value-added Goods and Services Tax
VCO	Virgin Coconut Oil
VF-MAC	Village Fisheries Advisory Committee
VFR	Visiting Friends and Relatives
VMS	Vessel Monitoring System
WCO	World Customs Organisation
WCPFC	Western Central Pacific Fishery Commission
WCPO	Western and Central Pacific Ocean
WIBDI	Women in Business Development Inc
WIPO	World Intellectual Property Organisation
WTO	World Trade Organisation
YES	Yazaki EDS Samoa

VOLUME I

Executive Summary

1. Samoa has benefited from a relatively consistent economic performance over the last two decades. Such performance has been underpinned by a stable financial and macroeconomic environment following a series of policy, institutional and legislative reforms over the same period and among them include:
 - Liberalization of the financial sector;
 - Introduction of national and sectoral strategic development planning and performance based budgeting frameworks;
 - Adoption of Value Added Goods and Services Tax (VAGST) in 1994;
 - Major tax, tariffs and other trade-related reforms in the period 1996-1999;
 - Privatisation of several government services and state owned enterprises;
 - Improvements in public-private partnerships and in the enabling environment for investments;
 - Realignment and institutional strengthening of public sector agencies.
2. These reforms helped to shift economic policy away from inward - looking, state dominated and import substituting activities towards a more open trade environment and a reduced role of the state in the economy. The reforms have contributed to Samoa's progress in the MDGs and human development indicators (the country ranked 94 out of 182 countries in the 2009 Human Development Index (HDI) as well as to the recommendation for graduation from LDC status in 2014.
3. In spite of these positive developments, Samoa has made only marginal progress to reduce the level of hardship and poverty of the poorest segments of the population concentrated in the rural areas. In this context, an integrated approach to the formulation and implementation of the trade reform agenda is considered critical in addressing the increasing inequality generated as a by-product of recent economic growth.
4. This report provides a number of recommendations addressing cross-cutting as well as sector specific issues aimed at supporting further reforms to contribute to poverty reduction through trade expansion. The report is organized in three distinct sections: Section I covers overall trade issues, including macroeconomic environment, trade development framework and international trade arrangements and negotiations. Section II addresses cross cutting issues such as the business enabling environment and investment policy, climate change and energy and trade facilitation. Section III focuses on the sectoral analysis with emphasis on agriculture, fisheries, manufacturing, tourism and emerging services.

Macroeconomic Analysis

5. Macro economic performance has been influenced by the rapid growth in the service sectors like tourism and financial services, stable prices and wages, and continuing growth in remittances. The balance of payments has been shored up by rapid expansion in services incomes in the current account and increasing inflows of grant aid and soft term loans which have led to Samoa maintaining relatively comfortable levels of overseas reserves.
6. The fiscal policy focus on reducing reliance on international trade based taxes led to the introduction of the Value Added Goods and Services in 1994 which effectively positioned Samoa

to pursue an active trade integration agenda, including its accession to the WTO and other Pacific regional trade initiatives.

7. The Government budget situation has become increasingly under strain and in deficit position in recent years as a result of the declining economy and the shocks from the 2008 global recession as well as impact of the 2009 tsunami rehabilitation efforts.
8. The current focus of the Central Bank's policy on exchange rate is to ensure that export-oriented industries remain competitive in overseas markets whilst at the same time minimizing imported inflation. Over the years the basket of currencies to which the Samoan Tala is pegged has widened from the original merchandise trade to include services and private remittances, reflecting the increasing importance of the non-merchandise trade flows. The IMF Article IV Consultation Mission to Samoa in February 2010 confirmed the exchange rate regime that Samoa has been adopting over the past many years has served Samoa well and continues to be appropriate.
9. Samoa's graduation in 2014 from LDC status poses macro economic and financial policy challenges due to the implications of graduation on continuing access to current levels of grant aid and soft loans from development partners (grants currently represent 25 percent of Government revenues). A medium term strategy to progressively increase domestic resource mobilisation, maintain current levels of external assistance, and to enhance efficiencies in budget spending to avoid any recourse to commercial market borrowings should be developed. Further, leveraging the potential use of remittances for development and investment purposes will become increasingly important in the post graduation period. Remittances currently represent 25 percent of Samoa's GDP.
10. Improving the quality and timeliness of data collection on GDP, balance of payments and employment indicators, will be critical for better capturing the real contribution of services to the economy and employment, and for the design of supporting policies.

Trade Development Framework

11. In spite of economic reforms and trade liberalization, Samoa's exports have not significantly increased. Merchandise exports have steadily declined over the years constituting at the moment less than 10 per cent of GDP. The deteriorating commodity export base has led to decreased foreign exchange earnings for Samoa over the years and an increased reliance on remittances and foreign development assistance raising concerns about sustainability. Specific actions to address supply side constraints and to diversify and add value to Samoa's export base are necessary, as discussed in the sector specific studies in this report.
12. Samoa has adopted a number of policy statements and strategies since 2008 emphasizing the importance of trade for development and poverty reduction. Trade features prominently in Samoa's Development Strategy (SDS) 2008-2012. Further, a Trade Policy Statement and a National Investment Policy Statement were adopted in 2008, with the National Export Strategy 2008-2012 adopted in 2009. The key challenge now is integrating the existing policy framework into a coherent trade strategy specifically focused on leveraging further trade reforms and interventions for poverty reduction as proposed by this report and focusing on the effective implementation of such a strategy through a well coordinated and concerted effort between the government and the private sector.

13. A number of important institutional issues also need to be resolved. Key among them is the need to better delineate the roles and responsibilities of the Ministry of Foreign Affairs and Trade (MFAT) and the Ministry of Commerce, Industry and Labour (MCIL) both of which share responsibility in the formulation and implementation of trade policy in Samoa. Moreover, there is significant space for enhancing inter-governmental coordination by streamlining the existing institutional arrangements. In this context, building on the recommendation of the National Export Strategy (NES) to establish an Export Authority, this report provides two options of an enhanced institutional framework for trade policy formulation and implementation: the first option involves adjustments to the structure and terms of reference of the existing Trade, Commerce and Industry Board with the MCIL acting as its Secretariat; whereas the second would involve the establishment of a National Trade and Investment Board with an independent secretariat. The report discusses the pros and cons of these options to inform further discussion by Government and national stakeholders on the best institutional arrangement to adopt.
14. Capacity development of both public and private sector entities engaged in trade-related functions is considered critical. In this respect, enhancing the capacity of MFAT and MCIL for trade policy formulation and analysis is important as is improving the quality and timeliness of trade-related data.

International Trade Arrangements and Negotiations

15. Samoa, similar to other Pacific countries, is engaged in a number of simultaneous and highly technical trade negotiations. Such negotiations create opportunities for advancing specific objectives of Samoa's trade strategy but will also bring about challenges. The current limited human and financial resources available in Government and the private sector for sustained trade negotiations are being severely strained by the multiplicity of ongoing and sometimes simultaneous negotiations on WTO Accession, EPA, PACER Plus and PICTA.
16. The WTO accession process represents a significant step in Samoa's path toward greater integration in the global economy by allowing the country to benefit from the multilateral set of rules managed by the WTO. With the accession negotiations almost complete, Samoa needs to look at the challenges of implementation of the accession commitments and how best to benefit from the advantages provided by the WTO-rules based system. Based on an analysis carried out for this report, the implementation of SPS Measures, Technical Barriers to Trade and Subsidies and Countervailing Measures agreements, as well as the TRIPs agreement will require special attention.
17. Samoa's trade with the EU is minimal thus the potential of the EPA negotiations in terms of tariff revenue will be very limited. The EPA negotiations has triggered the PACER Plus negotiations, whose tariff revenue impact will be significant for Samoa due to the importance of its trade with New Zealand and Australia. The EPA could provide a margin of preference for Samoa over major competing countries on the EU fish market once Samoa has graduated from LDC status in 2014, and has lost, after a "smooth transition" period, its eligibility for duty-free, quota-free (Everything but Arms/EBA) treatment. The regional integration agenda in the context of PICTA – now extended to trade in services, provide Samoa with interesting opportunities for the expansion of services, in particular professional services in the context of an integrated regional labour market. PACER Plus negotiations on the other hand, pose an important challenge for Samoa given the significance of the New Zealand and Australia trade relationship with the country. In addition to the loss of tariff revenue, the implications of this agreement for the competitiveness of the local industry have been raised with concern. American Samoa has

become a very important partner for Samoa over time. The consolidation of such relationship would benefit from the adoption of a framework agreement as recommended in this report.

18. An analysis of Samoa's exports indicated that LDC graduation should have very little impact on exports to countries providing duty free quota free (DFQF) access to LDCs although the impact on particular products could be significant and will need to be addressed through specific targeted measures.

Business Enabling Environment and Investment Policy

19. Samoa has clearly articulated in SDS 2008-2012 the leading role of the private sector for economic growth and employment creation which makes the promotion of an enabling business environment an important national policy priority. The policy and legislative reforms on improving the enabling environment in the last decade has resulted in Samoa being currently ranked 57th out of 183 economies surveyed by the World Bank Doing Business survey. Whilst major progress has been achieved with streamlining regulations and documentation for approvals for starting a business and employing of workers, Samoa has a lot more work to do in improving the business environment and in building the capacity of private sector organisations and businesses to help achieve sustainable private sector led economic growth. More work is also required to streamline processes for customs clearance documentation and for Samoa Ports Authority's port and terminal handling requirements, if Samoa is to become more competitive in international trade.
20. A key challenge for Samoa is the need to accelerate access to customary land for economic development. Customary land which is owned by extended families represented by their matais' (chiefs) represents 80 percent of Samoan land: access to customary land is thus critical for the creation of economic opportunities and trade expansion in the agriculture and tourism sectors. The government recognizes the critical importance of increasing access to customary land and has undertaken a number of reforms but these have had limited impact so far. Due to the sensitivity of customary land ownership to Samoa's traditional values and culture, reaching national consensus and support on the need to accelerate the reform process is vital for the expansion of the trade sector and poverty reduction.
21. Although Government has over the years made major investments and introduced sector plans and institutional reforms in the power and water sector, the quality and reliability of these key services will need to be closely monitored and improved to enhance business competitiveness in Samoa. The telecommunications sector has undergone significant restructuring leading to communications connectivity of Samoa with the rest of the world improving significantly over the last 5 years. While the opening up of the telecoms market to competition has provided immediate cost savings to consumers, it has also created regulatory challenges. Chief among them are the development of an equitable interconnection pricing regime, the regularization of the licensing procedures, the management of international gateway access and the establishment of a compensation regime for SamoaTel's universal service obligation (USO). These are currently being addressed by the new Office of the Regulator. Looking forward, the sector reform agenda will also include an assessment of options for the privatization of SamoaTel being considered through on-going technical assistance from the World Bank.
22. With the exception of State Own Enterprises (SOEs) considered strategic to the country's development such as the Airport Authority, Electric Power Corporation, Samoa Ports Authority, Samoa Water Authority, and the Samoa Shipping Corporation- all other SOEs are to be privatised. The privatisation process has been slow but this pace has been considered by

government necessary to ensure social considerations, including the widest possible participation of the local population in the privatised enterprises, were carefully considered. The creation of the Unit Trust of Samoa effective 2010 – facilitating access to the general public to certain portion of the privatized SOEs' shares- is therefore, expected to accelerate the privatization programme.

23. The primary target of the investment policy measures to date has been on foreign investors. The list of restrictive and reserved investment activities is currently under review as part of preparations of a new foreign Investment Amendment Bill 2008. The review includes the elaboration of criteria to decide on the sectors coverage which will substitute the ad-hoc approach prevailing at the moment enhancing transparency.
24. Following the financial sector liberalization reform of the 1990s, financial services have become increasingly competitive in terms of the range and quality of products and services on offer although the general public and the private sector continue to advocate for improved delivery and more competitive pricing of these services. Samoa has made inroads in the development of the off-shore financial centre led by the Samoa International Finance Authority (SIFA), established in 1988. The development of the sector is considered important for Samoa and a number of initiatives are on-going in this regard to adapt the off-shore centre to the increasing restrictions being imposed by the OECD countries to contain the operations of offshore tax havens. SIFA has recently promoted legislation and entered into a number of bilateral international agreements to facilitate a secured and formal exchange of information between SIFA and the relevant overseas countries on potential tax evasion and money laundering activities. Capitalising on the success of the off-shore financial centre, Samoa can position itself as an on-shore regional capital market hub.

Trade Facilitation

25. Samoa recognizes the benefits of strengthening the role of Customs as the facilitator of trade rather than its traditional role as collector of revenues from trade transactions. Samoa Customs is in the process of acceding to the Revised Kyoto Convention and the Harmonised System although it has already adopted many of the provisions of these international instruments as best practices. ASYCUDA has been installed in the customs head office at the main Apia port. Customs clearance for shipped outgoing and incoming cargoes is at present provided at the head office only but this will likely change when other ports at Aleipata, Asau and Salelologa are fully developed. A considerable number of functions such as, noting and registration in a register at the reception counter, keying in of declarations submitted as paper documents, keying in of manifest data, noting of declaration number on the declaration and writing the cargo inspection reports, are performed manually however with implications for trade facilitation.
26. Samoa, like many Pacific islands, faces difficulties in assuring the quality of many products that are potentially exportable – especially for small enterprises that seek to enter the export market. Quarantine compliance is one of the most formidable barriers for Samoa food exports to key markets such as Australia and New Zealand. The Scientific Research Organization of Samoa (SROS) has recently been granted international accreditation status as the certification institution in Samoa for food products. The key certification process entails a Hazard Analysis and Critical Control Point (HACCP) for food products, particularly seafood and agricultural products bound for export markets. Strengthening the capacity of the SROS will be critical in supporting Samoa's export expansion. Following WTO accession, Samoa will need to review its SPS system to bringing it into conformity with the WTO SPS Agreement. Technical assistance will

be needed to meet the accession requirements in this regard, as well as for strengthening the capacity of the Ministry of Agriculture and Fisheries and related institutions in the implementation of such commitments.

27. The Government has recently initiated a study that would lead to the formulation of an overarching infrastructure policy framework to guide the development of key infrastructural sectors such as roads, ports, aviation and telecommunications. Connectivity of these key sectors is vital for enabling trade in both domestic and international markets. The management of the country's roading infrastructure has undergone some major changes since 2002 under a World Bank funded Public Works Infrastructure Reforms and Asset Management Project intended to improve the standard of the national road network and to enable sustainable funding for new works and for the ongoing maintenance needs of the roading infrastructure. Improvements are still required in the rural areas to further extend the network and reduce cost of transport of agriculture produce, including for exports, from production areas to distribution and consumption centres.
28. The Apia Port is the only Samoa's commercial port handling 97 percent of foreign trade cargoes. The port's progress since the establishment of the Samoa Port Authority - a self-funded commercial organization responsible for the country's national ports - is significant. This has been achieved among others, by outsourcing key operations to the private sector. The Samoa Airport Authority operates the main international airport in Apia linking Samoa to the outside world. Polynesian Airlines (a joint venture between the Samoan Government and Virgin Blue from New Zealand) owns and operates a much smaller airport close to Apia to service the domestic market and the short haul international routes to Tonga and American Samoa. Rapid growth of traffic through the international airports requires ground handling and related support aviation services to be upgraded if bottlenecks are to be avoided in the handling of increased traffic through the airports. The Samoa Airports Authority should actively explore the possibility of a public-private partnership approach in the management and operation of the main international airport to ensure technical professionalism and commercial outcomes are met and to reduce dependence on funding support from the Government.
29. A key constraint for the export sector, especially perishable agricultural and fishery products, is the limited freight capacity provided by the airlines currently serving Samoa. It has not been addressed by the introduction of additional flights by Polynesian Blue which use the low cost airline concept not suited to respond to the export sector needs. The introduction of more competition in the sector by allowing a greater role to the private sector either through joint ventures or direct operations should be seriously explored.
30. As part of the WTO accession process, a National Trade Facilitation Committee was created to assess and prioritize issues related to trade facilitation. The NTFC has been relatively ineffective however, due among others to lack of resources and its functions will need to be reviewed as part of the enhanced institutional framework for trade policy and formulation discussed in this report. More recently, the Oceania Customs organization and Samoa Customs have launched a process to assess trade facilitation needs whose results will complement the recommendations made in this report.

Climate Change and Energy

31. Climate change will have significant implications for Samoa. Tourism and agriculture - two of the most important sectors for Samoa's economic development and trade expansion - are amongst the most at-risk to climate change. The implications of disruptions to these sectors in the face of

lack of adaptation strategies will be immense in the sense that a large percentage of the population depend on these sectors for their subsistence living. There are also risks associated with the impacts of climate change on business facilities, infrastructure, equipment and supply chains.

32. The nature and extent of local impact is not fully understood however. Hence there is a need to carry out site specific impact assessments and develop trade policies and action strategies that are directly relevant to the local conditions and situations.
33. Market based instruments such as the CDM and emissions trading may provide the most effective tool for improved technology transfer necessary to deal with the impacts of climate change. However, there are many information and other barriers to technology transfer that need to be addressed. Government need to ensure that SME interests are incorporated into needs assessments, programme of activities and negotiations for new financing mechanisms.
34. Trade opportunities will arise for businesses which are able to design new products and services in response to climate change induced market demand for energy friendly products such as cooling systems, infrastructure, hybrid vehicles, and alternative energies. These opportunities for energy friendly products and low carbon technologies could become an avenue for increasing private investments and developing export markets. It is recommended that Samoa explore and develop such niche markets, based on energy friendly products and low carbon technologies, to take advantage of new business opportunities resulting from national and international responses to climate change.
35. Samoa should develop integrated climate change adaptation measures in the key sectors of agriculture, fisheries, manufacturing and tourism. Support to the SROS's research and incentives to private sector to invest in the expansion and commercialization of SROS's research results are areas to start.

Selected Sectoral Studies

Agriculture

36. Agriculture continues to be the major contributor to subsistence activities for the Samoan economy and it plays an influential role in the development of the rural areas. Opportunities for agriculture are constrained first by access to land and second by the nature of potential markets. The domestic market is small and is catered mainly by subsistence rather than commercial production. The domestic market is steadily increasing driven mainly by the demands of the tourism industry and export opportunities. These new demands will require investment in production of local products to meet high quality and supply requirements that will be best met through a combination of enhanced subsistence and commercial farming. The competitiveness of export products will require efforts in reducing the cost and logistics of transport given Samoa's relatively remote location.
37. The Ministry of Agriculture has adopted a market oriented approach to modernising the agricultural sector, shifting strategic focus to facilitating and supporting farmers by ensuring that basic agricultural inputs and seedlings are made available and supported by appropriate extension services. However there has been slow progress in translating this new approach due to a number of information, institutional and policy constraints that need to be addressed as a matter of priority. A coordinated and streamlined approach for implementing agriculture-related policies and interventions to stimulate the agriculture sector will be in place by end 2010 aligned to the SDS 2008-2012 and the overall trade strategy. Timely availability of agricultural

data and business statistics will be critical in the new role which the Ministry of Agriculture will be playing in the formulation of policies and strategies and related monitoring and evaluation. The capacity of the private sector to engage effectively in policy dialogue with the Government and to actively participate in the redevelopment of the agriculture sector will need be supported.

38. There is a need to establish mechanisms and procedures to secure access to market opportunities by farmers in a context of enhanced emphasis of market driven development of agriculture. For the predominantly subsistence farmers the priority will be on setting up a network of market facilities around the country. Information systems and databases are to be created to link up the producers to the growing markets like the tourism industry. For the commercial farmers focusing on overseas markets, the regional and international trade agreements are to be operationalised by ensuring that the detailed protocols and procedures allow access of agriculture products.
39. Trading conduits and clusters should be used that will consolidate and vertically integrate market opportunities and production to create the critical mass and economies of scale for farmers to be competitive. The predominantly subsistence farmers need to be encouraged to organise and cluster together to improve their ability to share new practices, reduce common costs and improve market access for their products. For the export oriented commercial operations, the function of securing markets and ensuring market demands and standards are to be developed for national private organisations and NGOs. Information on new market opportunities and related commercial profiles of agricultural crops are to be made more accessible to farmers.
40. The farmers need to be encouraged and supported for the introduction of innovations. As well appropriate research and technology should be supported to create competitive products for niche markets. Establishing a national research and technology capability with international accreditation is critical for verifying and certifying that the products for the markets meet the market standards required. Therefore the farmers will also be encouraged to work with the SROS in facilitating market access for their products. To assist the predominantly subsistence farmers, the Government will need to provide direct support for them to have ready access to improved inputs and seedlings accompanied by extension services.
41. A robust market framework is to be promoted by taking steps to clearly define and fully secured property rights for customary lands. The commercial farmers will also be assisted to access new labour skills through a combination of overseas recruitment in the short term and development of educational curricula and training programmes.

Fisheries

42. The spectacular growth in offshore commercial fisheries since the mid 1990's has often been cited a successful story in the history of Samoa's economic development. This growth is attributed mainly to private sector investment, especially in long line fisheries which involved investment in fishing fleet and onshore infrastructure to support the fleets and to process and package products for export. The development of the fisheries sector slowed considerably in recent years however, with the decline in fisheries output and subsequent decline in exports. This has raised concerns from both the industry and management agencies, given the substantial benefits derived from the sector especially with foreign exchange earnings and employment.

43. Moreover, a major export market for Samoa's fisheries is American Samoa's canneries. The closure of one of the canneries in American Samoa and the uncertainty of the second cannery's future operations have raised questions about the sustainability of the important American Samoa market for fish exports from Samoa. These recent developments have highlighted the need to seriously consider diversification of export markets and value adding to the fish resources caught in Samoan waters. Moreover, Samoa can position itself as a cost effective alternative location for some of the labour intensive cannery operations that may need to be relocated from American Samoa after the introduction of mandatory minimum wage increases affected the commercial sustainability of such operations. Government is encouraged to favourably support possible relocation of some of Star Kist operations to Samoa should the company downsize its operations in American Samoa.
44. The current fisheries port facilities have very limited space for either the expansion of existing onshore facilities or the construction of new infrastructure to accommodate major increases in fish catches and any processing of fish products for both the domestic and export markets. The relocation of any cannery operations from American Samoa to Samoa, and particularly to Savaii Island will require major investments to upgrade port infrastructure and onshore facilities such as for cold storage and processing, as well as improvements to power and water supply.
45. As the country with a relatively small EEZ in the South Pacific, Samoa is actively involved in maximising benefits from the fisheries sector while, at the same time, engaging in measures to facilitate the sustainable development of the industry. One of the avenues from which Samoa is able to obtain revenue from fishing resources is through fisheries partnership and access agreements with neighbouring States and distant water fishing entities. While bilateral access agreements can be beneficial for the Samoa fishing sector, the reciprocation of access to partners to Samoa's waters would be detrimental for the resources available in Samoa's EEZ.
46. With the limited potential for the expansion of the coastal fisheries production due to high fishing pressure especially on the inshore reefs, fish farming offers an alternative to increasing demand of fish and fish protein, and eventually exports. Although Samoa has no established tradition in aquaculture farming trials of tilapia and other species such as finfish, mussels, Pacific oysters, trochus topshell, giant clam, seaweed, sea urchin, mudcrab and freshwater crustaceans has been undertaken. Inroads made through Tilapia farming which currently serves the domestic market only, could be expanded. The building of skills to capture the innovations of freshwater fish farming and the development of alternative crops have been facilitated under south - south cooperation arrangements with Asian countries such as China. Issues to address include the supply and quality of feed ingredients and securing funding for the development of required infrastructure for the sector's development.

Manufacturing

47. Samoa's manufacturing sector is not large, but it is an important contributor to the country's balance of payments and provides vital employment opportunities. Samoa's low productivity, despite very low wages, is undermining its competitiveness. Based on the 2010 World Bank assessment of industrial performance and investment climate the capacity utilization of Samoan manufacturing firms is between 25-30 percent. The low level of manufacturing technology and remoteness of Samoa's location to major markets has led to the slow growth of the sector. High freight costs, lack of economies of scale, high cost of utility services and lack of venture capital have been repeatedly cited as constraining factors by manufacturing businesses.

48. The most competitive sub-sectors are food processing, agro-processing and beverages. There is a need for companies to actively pursue innovative practices to diversify their existing products with the main aim of increasing higher value added finished products for both the domestic and export markets. Niche organic agro-processed products should be fully supported and the work undertaken by Women in Business Development Inc. (WIBDI) in this regard needs to be properly resourced to ensure the continued success of these niche initiatives.
49. National planning processes for the sector need to be strengthened, including through the development of a sector plan to help guide sector investments as well as ensure better coordination and dialogue among key government agencies (e.g. MCIL), private sector (e.g. SAME) and civil society organisations (e.g. WIBDI). Government also needs to actively pursue and develop investment portfolios and programs similar to the one given to Yazaki for the manufacturing of wiring harnesses for export markets, for setting up in Samoa to target both domestic and foreign investors. This will lead to more employment opportunities and diversification of the industry.
50. Strengthening capacities of the private sector to adhere to international quality standards especially in the food and beverages industries remains critical. The Scientific Research Organisation of Samoa (SROS) should also be strengthened to support its certification role as well as its applied research capabilities in support of innovation through partnership with the private sector.

Tourism

51. The tourism industry has always played a part in the Samoan economy but in recent years has grown to become one of the key drivers for economic growth in parallel with the downturn in the agriculture and fisheries sectors. The sector is thought to contribute approximately 20 percent to Samoa's gross domestic product and employs 10 percent of the total labour force.
52. Tourism in Samoa is still considered to be in its infancy compared to the more popular and established regional destinations such as Fiji, New Caledonia and Tahiti. Samoa has however over the years become increasingly popular as a destination, not only for tourist travellers but also as a cruise ship and sports tourism destination.
53. Following the September 2009 tsunami, the sector experienced a slump in the tourist arrival numbers due to fears of another tsunami striking the country. A rapid assessment of the impact of the tsunami on the beach fale accommodation market as well as the sector as a whole was commissioned by the Government. Rehabilitation and recovery of the sector is on-going on the basis of the assessment recommendations.
54. Two elements are considered critical for further developments in the sector: i) destination promotion and marketing; and ii) product, service and infrastructure development. Regarding the former, it is important to convey confidence about the safety of Samoa as a tourism destination. Significant efforts are needed to more effectively marketing the country both in traditional as well as new markets such as China. With respect to product, service and infrastructure development, a key issue for Samoa is the refinement of industry standards and in particular, the monitoring of such standards by the Samoa Tourism Authority whose capacity, including strengthening of human resources, is necessary as reflected in the Final Rapid Report Assessment of the sector following the tsunami. Equally, the upgrading of skills of the sector workforce through training and tailored made programmes remains critical.

55. There is great potential for the development of an eco – tourism market in Samoa given the abundance of Samoa's natural resources and the need to maintain Samoa's natural environment and biodiversity as identified in the Tourism Development Plan 2009-2013. Initiatives by the Government and the Samoa Tourism Authority, to promote and encourage the development of eco – tourism in the country will generate and promote awareness for there to be a stronger emphasis on the importance of environmental conservation.
56. Eco – tourism is a relatively new initiative however, that has yet to be fully established in the wider tourism sector. There is a need for Government through the Samoa Tourism Authority to produce a set of operational guidelines and standards to assist with the development of this form of tourism from its inception phase.

Emerging Services

57. Based on the 2006 Census, employment levels in the key sectors indicated that services sector is leading employment figures, constituting 40 percent of the working population aged 15 and over. Services make up an average of 63 percent of GDP including at least 50 percent of the current account inflows in the balance of payments. The estimated foreign exchange earnings contribution from professional services is at least SAT\$5m per annum including earnings by accountants, development consultants, seamen and professional sports persons. Samoa has a relatively high literacy rate and good English-language skills underpinning the development of its professional services.
58. Professional services such as accounting, law, medicine, nursing, etc. are highly regulated by specific national institutions for each profession. A review of the professional services as an industry would require identification of a strategy which would enhance the quality of services and strengthen the domestic-based professionals to compete at the regional and international levels. The Samoa Qualifications Authority that was set up in 2005 to consider a national qualifications framework and its potential linkages with the Pacific Regional Qualifications Register will ensure the portability of qualifications and better facilitate labour mobility in the future. An example of specific initiatives to enhance the portability of qualifications is the Australian Pacific Technical College which opened a Samoa campus in 2006 to provide world class vocational education and training for Samoans and other Pacific Island professionals.
59. The long-term benefits of opening up some protected sectors can overwhelm the short-term costs of liberalisation and sensitivities involved as Samoa prepares to take opportunities arising from increased integration, especially at the regional level through PICTA. PACER Plus negotiations provide an opportunity to tackle the quota restrictions imposed by Australia and New Zealand on sports representatives from Samoa.
60. E-Commerce in Samoa which is in its formative stage has been stimulated by the introduction by the commercial banks of e-banking services and international merchant accounts for ecommerce sites. There is a clear need to develop an integrated strategy to address the opportunities in the tourism and finance sectors.

The Way Forward: Samoa's Trade Sector Plan

61. Ownership of its own development is paramount for the Government of Samoa and it is committed to driving and managing the use of development assistance to achieve its own national development outcomes. The SDS 2008-2012 clearly articulates the key priorities and strategies that are to be pursued by the Government and key stakeholders over the medium

term (3-4 years). Key processes and systems currently being undertaken by the government in terms of implementing its key priorities and strategies include:

- national strategies are operationalised and implemented through sector plans and individual corporate plans of the responsible agencies which in turn are financed through annual budget appropriations inclusive of development partner assistance;
- for current expenditure, the annual budget process entails Cabinet approving the baseline estimates prior to the issue of the budget circular. However, overall ceilings for both current and development expenditure have yet to be determined;
- preparation of the public sector investment programme (PSIP) is a separate multi-year process and it details ongoing and pipeline technical assistance and capital investments for the identified key sectors.
- recent shift in aid modalities namely towards sector wide approach has provided greater flexibility in the programming of funds. Under the preferred sector wide approach, there has been a significant increase in the volume of aid pooled by donors. It is anticipated that there will be significant savings from reduced transaction costs as a result of the new framework for delivering aid, especially through the budget and the use of country systems.

62. The Government of Samoa has decided to adopt a trade sector approach to be consistent with the development of plans for other sectors such as education, health, law and justice, and water over the past two years. The trade sector plan will be based on the DTIS report analysis and recommendations.

Action Matrix

Action No.	Action Recommended	Requirements			Agencies Involved* ¹	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
SECTION I: OVERALL TRADE ISSUES							
Macroeconomic Environment							
1	Central Bank to re-enforce and actively utilise the exchange rate policy to stimulate export oriented activities and to contain import spending.	X			CBS, MOF	MT	P1 – ongoing
2	Promote remittances as a potential resource for investments. Undertake an analysis of potential policy schemes, building on the experience of other countries, for the use of remittances as a source of community investment.	X		X	CBS, MCIL, MWCSD	LT	P2 – new
3	Develop reliable and timely GDP, BoP and employment data critical to track and manage the contributions of key sectors and the emerging services and to monitor employment shifts among the main sectors of the Samoa economy.	X		X	CBS, MOF, SBS	MT	P1 – ongoing
4	Strengthen fiscal (revenue and expenditure) control systems as identified in the PEFA to alleviate the destabilizing financial impacts resulting from tsunami related reconstruction and the global financial crisis.	X		X	CBS, MOF, SBS	MT	P1 – ongoing
5	Formulate a strategy to maintain access to concessional financing as well as accessing capital markets, if needed, for investment and borrowings in the medium term to longer term in anticipation	X	X	X	CBS, MOF, UTOSs	MT	P1 – new

¹ These are the key lead agencies involved with others to be co-opted during implementation

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
	of the effects of trade liberalizations and loss of LDC status.						
6	Incorporate poverty reduction strategies into the design of the trade sector plan including monitoring and evaluation frameworks, to maximize the effects of trade in poverty reduction.	X	X	X	MCIL, MWCSO, MFAT, MOF	ST-MT	P1 – ongoing
Trade Development Framework							
1	Clarify the roles and responsibilities of the MFAT and MCIL for trade policy formulation and implementation with MCIL taking the leading role in policy development and export/investment promotion, and the MFAT to be responsible for trade negotiations.		X		MCIL, MFAT	ST	P1 - new
2	Government to consider the two options presented in the report for an institutional trade development framework for Samoa: Option 1: Enhance the role of the existing TCIDB Option 2: Establish an independent Trade and Investment Board to institutionalize inter-governmental coordination on trade and investment policy formulation and to provide oversight responsibility for policy implementation by various government		X	X	MFAT, MCIL	ST	P1 – new

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
	and private sector agencies.						
3	Develop the capacities of private sector institutions' to effectively engage with government on trade policy formulation through <i>inter alia</i> training in technical trade issues, enhanced dissemination of relevant information and trade negotiations, etc.			X	MCIL, MFAT, NPSO, Civil Society	ST	P1 – ongoing
4	Improve trade data collection, analysis, and dissemination.	X		X	MfR, SBS, CBS	MT	P2 – ongoing
5	Undertake an internal review of existing administrative measures in place for export incentives scheme such as Code 121, duty concession and suspension to identify the key weaknesses or constraints and ensure these are more streamlined and appropriate		X	X	MCIL, MfR, MOF	MT	P2 - new
6	Improve policy design and strengthen capacities for monitoring and evaluation of trade policy to assess economic and poverty impacts and adjust accordingly			X	MCIL, MFAT, MWCS D	ST-MT	P1 – new
7	Deepen the understanding of the impact of trade liberalisation on the structure of society, particularly on women.		X	X	MWCS D, MFAT	ST-MT	P1 - new
8	Create a development-oriented trade policy environment in line with Samoa's development and poverty alleviation goals.		X	X	MFAT, MCIL, MOF	ST	P1 - new
International Trade Arrangements and Negotiations							
1	Map out and cost the needed reforms for the		X	X	MFAT, MCIL, MAF,	ST	P1 – new

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
	WTO accession process including in the areas of IPRs, SPS, Countervailing measures, Fisheries subsidies and technical barriers to trade. Identify priority technical assistance gaps and needs. (use legislative action plan from WTO accession)				MfR, NPSO, AG		
2	Undertake an assessment of the economic implications of extending tariff concessions to protected businesses supplying the domestic market as well as to exporters. Consider the potential of specific trade agreements, such as EPA, to mitigate the loss of DFQF resulting from graduation from LDC status.			X	MFAT, MfR, NPSO, MCIL	ST	P2 – new
3	Undertake an assessment of the revenue and social impact of the PACER Plus negotiations under various scenarios based on assumptions regarding the extent of liberalization in EPAs. Such assessment will assist in formulating informed alternative negotiation positions and options.	X		X	MFAT, MfR	ST	P1 – ongoing (ComSec Funded TA)
4	Identify individual export products that may be impacted by the loss of DFQF related to LDC graduation and to explore possible mitigating measures and strategies including continuation of preferential access for a negotiated transitional period.			X	MfR, SAME, MFAT	ST	P2 - new
5	Study and quantify the implications of the canneries closure in American Samoa and identify policy options to address such impacts			X	MFAT, MCIL, MOF, NPSO	ST	P1 – new

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
6	Pursue consultations with American Samoa aimed at establishing a bilateral trade framework including the conduct of a study to inform decisions regarding the most appropriate legal instrument for a bilateral trade framework with American Samoa			X	MFAT, MCIL, MOF, NPSO, AG	ST	P2 – ongoing (Two Samoa Talks)
7	Develop and cost an effective communications or outreach strategy for enhancing the existing mechanisms for regular information dissemination and capacity building relating to involvement of all relevant stakeholders in trade negotiations and for communicating likely impacts of negotiated agreements.			X	MFAT, MCIL, NWCTA	ST	P2 – ongoing
SECTION II: CROSS-CUTTING ISSUES							
Business Enabling Environment and Investment Policy							
1	Deepen understanding of the causal factors of the constraints to businesses identified in the World Bank Doing Business and Enterprise benchmark surveys. Undertake targeted sample surveys prioritizing the following areas: i) processes for documentation by importers and exporters for Customs clearance and Samoa Ports Authority port and terminal handling requirements; ii) documentation and processes for payment of taxes; iii) enforcement for registration and monitoring of unregistered businesses; iv) measures to address increasing misappropriation of funds; and v) monitoring power outages and water shortages.		X	X	MCIL, MfR, SPA, SBS, NPSO	MT	P1 - ongoing

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
2	Encourage businesses to network and cluster to achieve economies of scale and reduce unit costs of common overheads. Establish a national networking database under NPSO with the assistance of MCIL.		X	X	MCIL, NPSO	MT	P2 - new
3	Increasing access to customary land is critically important for growth and trade expansion especially in sectors such as agriculture and tourism identified as priority in the SDS and this report. <ul style="list-style-type: none"> • Mobilize support towards a national consensus on the need to accelerating the pace of legal and policy reforms in this area. • Review the land registration system to identify reasons behind low rate of use and take appropriate action. 		X	X	MNRE, MJCA, AG, Civil Society, MWCSO	MT – LT	P2 - ongoing
4	Define and cost CSOs so that they can be contracted out through output based subsidy agreements.	X			MOF	ST	P2 - ongoing
5	Strengthen the policy and analysis capacity of the Ministry of Communications and Information, and the regulatory capacities of the Office of the Regulator. The liberalization of the telecommunications sector has brought a number of benefits to consumers and the overall economy but it has also created regulatory challenges.	X		X	MCIT, OOR, MCIL	ST	P2 - ongoing
6	Given the growing demand for power, it is critical that the necessary regulatory reforms are	X		X	EPC, MOF, NPSO	ST - MT	P1 – ongoing

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
	<p>undertaken to allow increased generation capacity with the private sector playing an important role. The following reforms are considered priority:</p> <ul style="list-style-type: none"> • Amendments of the EPC Act or enactment of a new electricity Act to allow private power generation and resale; • Establishment of an independent regulatory environment putting EPC and private generators on a level playing field; • Tariff restructuring to provide price signals that would improve management by customers of peak loads; • Institutional strengthening of EPC to improve demand forecasting, system planning, and capacity to control multi-source generation; • Corporate governance reforms. 						
7	Undertake a complete update and review of the business enabling environment to identify specific areas where Samoa's competitiveness may be enhanced. These will include capacity building and training for private sector organisations and businesses as well as access to finance to help the private sector contribute to the achievement of sustainable trade development and economic growth			X	MCIL, MfR, NPSO	ST	P1 - ongoing

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
8	Undertake a full review to prepare a national e business strategy and identify the policy and legislative reforms to position Samoa to become competitive with ecommerce for both the domestic and global markets.			X	MCIL, MCIT, NPSO	ST	P2 - new
9	Revise the Investment policy statement to improve the consistency and transparency of investment measures for domestic and foreign investors. Accelerate and finalise the review of the Foreign Investment Act and prepare an institutional plan to ensure effective administration of the restricted activities list for foreign investors.		X	X	MCIL, MOF, MFAT, NPSO	ST	P1 - ongoing
10	Establish country credit risk rating through internationally recognized ratings agencies to facilitate commercial risk assessment by international investors.	X		X	CBS, MOF, MCIL	MT	P2 – ongoing (need funding)
11	Prepare a plan to develop Samoa as a possible on shore regional capital market hub capitalizing on the success of the offshore finance centre.		X	X	CBS, SIFA, MCIL	LT	P3 - new
12	Implement the recommendations from the review of the Private Sector Support Facility to better streamline procedures and to expedite the approval and disbursement of resources to support trade and private sector development.	X			MCIL, NPSO	ST	P1 - ongoing
13	Fast track approval of key policies such as Foreign Investment Amendment Bill and Labour and Employment Amendment Bill and associated regulations for Intellectual Property Rights.		X		MCIL, AG	ST	P1 - ongoing

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
Trade Facilitation							
1	<p>Revive the National Trade Facilitation Committee and strengthen its role to:</p> <ul style="list-style-type: none"> - develop a trade facilitation program based on the findings and recommendations of this report, and the outcomes of the National Needs Assessment Workshop on Trade Facilitation once available. - develop a plan for strengthening the capacity of key border agencies Customs, Quarantine, Immigration and implementing agencies MCIL, MFAT, SROS and SAME. 	X		X	MfR, MFAT, MCIL, MAF, MOH, SPA, SROS, MPMC, SAME other committee members	ST	P1 - ongoing
2	Explore through the Samoa Airport Authority the possibility of adopting a public-private partnership approach in the management and operation of the main international airport and especially of airport services are better suited to outsourcing and more commercial orientation.		X	X	SAA, MOF	LT	P3 - ongoing
3	Undertake an in-depth assessment of the existing SPS measures and develop a program for ensuring SPS initiatives are effectively implemented and adequately resourced as well as identifying key roles and responsibilities of key agencies in the SPS architecture.			X	MAF, SROS, NPSO	ST	P1 - ongoing
4	Create a data base of SPS measures and specific handling requirements affecting Samoa's export products and disseminate information to			X	MAF, MfR	ST	P1 - new

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
	exporters on a timely basis.						
5	Promote the harmonization of trade facilitation measures such as those produced by OCO, at the regional level.		X	X	MAF, MfR	ST	P2 - ongoing
6	Undertake an in-depth assessment of the existing transport infrastructure network to determine the weak links in the “whole supply chain” process. Prioritize further improvements in the road network in rural areas to enhance the overall standard of the network and to also ensure sustainable funding for ongoing maintenance of these assets.		X	X	MWTI, LTA, MOF	ST	P1 - ongoing
Climate Change and Energy							
1	Develop integrated climate change adaptation measures in the key sectors of agriculture, fisheries, manufacturing and tourism.		X	X	MNRE, MAF, MCIL, STA	MT	P1 - ongoing
2	<p>Possible integrated measures in the key sectors agriculture, fisheries, manufacturing and tourism.</p> <ul style="list-style-type: none"> Strengthen the capacity of farmers and producers to manage their resources (e.g. savings, credit schemes, agriculture inputs, agricultural production, land use, etc). Provide incentives to encourage the private sector to invest in the expansion and commercialization of research results from the Scientific Research Organisation of Samoa (SROS) and other 	x	X	X	MAF, MfR MAF, MOF, SROS, NPSO MAF, SROS	LT LT	P1 - ongoing

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
	<p>research institutions to form the basis for agriculture trade and export in future.</p> <ul style="list-style-type: none"> • Make available greater financial and human resource support for plant breeding programmes. • Strengthen the integrated climate change adaptation measures in crop and ground cover and water irrigation for farming • Ecosystem Approach to Fisheries Management (TMDP, CBFM, NAPA) 						
SECTION III: SELECTED SECTORAL STUDIES							
Agriculture							
1.	Implement the Agriculture Sector Plan with the role of government being the creation of an enabling policy and regulatory environment for increased private sector participation and investment in the sector as well as making the necessary investment in reliable and efficient economic infrastructure to support agricultural development.	x			MAF, NPSO, MWCSO,	LT	P1 - ongoing
2.	Strengthen the capacity of MAF to provide technical and advisory assistance/services to farmers to better understand market opportunities for their products and the specific needs of these markets.	x			MAF,MOF, MWCSO,NPSO, SQA	ST	P1 - ongoing
3.	Support the development of community markets for the disposal of surpluses by predominantly subsistence farmers.	x			MAF, MWCSO	ST	P1 - new

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
4.	Strengthen private sector capacity to access and analyse opportunities for quality and niche products and to assist with technical advice to meet the often specialized requirements of these markets.			x	MAF, NPSO	LT	P3 - ongoing
5.	Establish appropriate incentives (non-tax and WTO compliant) and safeguards to encourage commercial farmers and fishermen to invest in production, processing and marketing of high value added products.		X	X	MAF, MOF, NPSO	MT	P2 - ongoing
6.	Provide the predominantly subsistence farmers with assistance such as planting materials and access to micro financing facilities to purchase required capital items and also technical support to adopt efficient land use and farming systems.	x			MAF, MOF, NPSO	MT	P1 - ongoing
7.	Take measures to respond to the demand by commercial farming and fisheries for skilled labour. New skill sets will need to be developed through the education system and other national training programs.	x			MCIL, NPSO, MAF, MESC, SQA, USP	LT	P3 - ongoing
8.	Design and make available innovative financing schemes through the DBS for channeling needed investments to the agriculture sector, particularly for initiatives that will enable more economic use of customary lands			X	MOF, DBS, MWCSD	LT	P3 - ongoing
9.	Strengthen the SROS with the required human and sustainable funding to support its research capability and to sharpen the focus on more			X	SROS, MAF, Other Research Institutions, MCIL	MT	P1 - ongoing

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
	practical applications of research to support the creation of innovative and competitive products for both exports and import substitution.						
10.	Redefine the roles, reorganize and strengthen the key national institutions leading the development of the sector including the Ministry of Agriculture and Fisheries.		X	X	MAF, MOF, MWCSD, SBS, NPSO	LT	P3 - ongoing
11.	Enhance agriculture and related business data collection and analysis capacities to enable a more vigorous analysis and evaluation of policies and strategies being introduced for the future development of agriculture and fisheries	x			MAF, MOF, MWCSD, SBS, NPSO	ST	P1 - ongoing
Fisheries							
1	Implement the Fisheries Sector Policy addressing issues related to investment rules and guidelines, licensing and registration, taxation of industry members, quality assurance and standards, regulatory role of government, management and development of commercial fisheries resources. Technical and financial assistance may be sought from the FFA, SPC, International Finance Corporation (IFC) or other donors.	x			MAF, NPSO	LT	P1 - ongoing
2	Review the implications of WTO accession and LDC graduation for the Fisheries sector particularly the tariff reduction on all fishing business inputs.			x	MFAT, MAF, MOF, MfR,	ST	P1 - new
3	Establish a funding facility and incentives to support the fisheries research and commercial developments.	x			MAF, MOF, DBS	MT	P1 - new

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
4	Assess and cost industry needs for infrastructure and related onshore facilities that will enable industry to meet EU and other key markets access requirements	x	x	x	MAF, MOF, MFAT	MT	P1 - ongoing
5	Review the implications of WTO accession and LDC graduation for the Fisheries sector particularly the tariff reduction on all fishing business inputs.			X	MFAT, MAF, MOF, MfR	ST	P1 - new
Manufacturing							
1	Prepare a sector plan for the manufacturing industry led by the MCIL, to guide its future development.	x			MCIL, MOF, NPSO,	MT	P1 - ongoing
2	Develop and actively pursue sustainable investment portfolios and programs similar to the Yazaki Samoa incentives package.	x			MCIL, MfR	MT	P2 - new
3	Develop legislation on food safety standards and continue promoting HACCP training and ISO certification for industry members		x	x	MCIL, MOH, NPSO, MAF	LT	P1 - ongoing
4	Strengthen and provide more resources (tax incentives) to SROS to research on value added potential for local produce and agro-processed based products.			x	MAF, SROS, Other Research Institutions	MT	P2 - ongoing
5	Establish and promote fair trade standards, registration and regulation for export products		X	X	MCIL, MAF, NPSO	ST	P2 - ongoing
6	Provide funding to assist organic certification of farming and manufacturing activities against international standards			X	MAF,WIBDI	LT	P1 - ongoing

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
Tourism							
1	Develop and implement a National Emergency Response & Recovery Plan and required policy and regulatory framework for the sector.		x	X	National Disaster Committee & Tourism Sector stakeholders	ST	P1 - new
2	Enhance and develop the level of skills of the workforce by encouraging and supporting skills standards development and certification process through SQA and other relevant International Agencies	X			STA/ SQA,[MESC, NUS –IOT & APTC/SHA]Tourism Training Taskforce	ST	P1 - ongoing
3	Strengthen the partnership and enhance communication between the Government through the lead tourism agency, STA and the private sector	X			STA/SHA/SSTA & other tourism stakeholders	ST	P1 - ongoing
4	Develop guidelines/standards to promote the eco-tourism and other potential niche markets concepts.		X	X	STA/ MOF/MNRE & relevant stakeholders	ST	P1 - new
5	Undertake the following: (i) Strengthen the country branding concept by focusing on the truly unique Samoan experience and the pristine natural environment. (ii) Prepare and implement targeted marketing campaigns in potential emerging markets. (iii) Continue to promote Samoa as a Cruise Ship and Sports Tourism destination	X	X	X	(i) STA & TMT & Tourism Stakeholders (ii) STA & TMT (iii) Samoa Cruise Ship Working Group plus SSFA & sporting bodies	ST	P1 - ongoing
6	Revisit the National Accounts Statistics for the			X	SBS/STA/CBS	ST	P1 - new

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
	development of an input-output model to determine the direct impact of tourism on the economy						
7	Strengthen and develop the research and information capability of STA to ensure provision of timely, accurate and meaningful data to support proper planning and impact assessments of the sector			X	STA/SBS/ CBS, MPMC – Immigration Services	ST	P1 - ongoing
8	Invest in accommodation infrastructure to ensure that there is sufficient room capacity to meet the demands of the 2009-2013 TDP forecasted increase in visitor arrivals. An additional 423 rooms are required as estimated in the TDP report.	X		X	MCIL, MOF/STA/CBS/DBS & Private Sector	MT	P2 - ongoing
9	Prepare a development/expansion plan for airport facilities to respond to expected increase in tourism demand		X	X	SAA/MOF/STA	LT	P2 - ongoing
10	Encourage the development of new routes to establish better access to and from source markets	X			STA & TMT, SAA, MWTI	ST	P1 - ongoing
Emerging Services							
1	Strengthen and develop capacity of negotiating delegations on labour mobility issues, in ongoing/current trade agreements such as PICTA, EPA, PACER Plus and conformity with WTO GATS Mode 4. In particular take note of the commitments via: <ul style="list-style-type: none"> WTO accession schedule of commitments 			X	MFAT, MCIL	ST	P1 - ongoing

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
	<p>pertaining to services and the implementation costs associated with such commitments.</p> <ul style="list-style-type: none"> Promote acceleration of the TMNP initiative under PICTA. 						
2	Provide training and certification of key services through affiliations with local and international institutions/bodies.		X	X	SQA/MAFF/MCIL/NPSO	ST-MT	P2 - ongoing
3	Explore and develop additional bilateral schemes such as the RSE to facilitate mobility for both skilled and unskilled labour in the region and internationally.	X			MFAT/ MCIL	ST	P1 - ongoing
4	Review regulatory framework for key services such as e-commerce and telecommunications to establish incentives to support and encourage the development of Samoan-based ecommerce businesses.		X	X	MCIT/OOR/NPSO	MT	P2 - ongoing
5	Review regulatory framework for professional services in light of Samoa's interest in promoting a more integrated regional market for professional services in the context of PICTA, as well as securing market opportunities further afield.		X	X	MCIL/SQA/MFAT/NPSO, AG?	ST	P1 - ongoing
6	Strengthen the planning and policy capacity of the Ministry of Communications and Information Technology (MCIT) and the regulatory functions of the Office of the Regulator.			X	MCIT/OOR	ST	P1 - ongoing
7	Develop a national e-commerce strategy		X	X	MCIL/MCIT/OOR/MO	ST	P1 - new

Action No.	Action Recommended	Requirements			Agencies Involved*1	Likely Timeframe	Level of Priority
		Implement Existing Policy	Change policy/legislation/Reform Institutions	Technical assistance/investments			
	integrating e-Government, tourism and finance considerations to facilitate the improvement in the delivery of public services, support the private sector and improve the institutional linkages among and within Government agencies and private agencies.				F/NPSO		
8	Invest in local infrastructure to complement and augment the technology provided by the ASH fiber optic cable.			X	MCIT/MWTI/MCIL/MOF	MT	P2 - ongoing
9	Invest together in ASH, provide opportunities for Samoa to establish telecommunications and technology based ventures such as calling centers, centralized back office processing facilities for commercial banks etcetera		X	X	MCIT/MCIL/NPSO	MT	P2 - ongoing

VOLUME II

SECTION I: OVERALL TRADE ISSUES

1 Chapter 1: Macroeconomic Analysis

1.1. Introduction

Samoa's economy has performed relatively well following the introduction initially of economic and financial reforms in the early 1990s followed by subsequent reforms in the public service in trade, agriculture, transport infrastructure, education and in the SOE sectors. These reforms have helped to shift economic policy away from inward looking; state dominated, and import substituting activities, toward freeing up trade, reducing the role of the state, and reforming of public sector institutions. The reforms have also contributed to a sharp improvement in Samoa's human development indicators which have contributed to the recommendation for Samoa's graduation from LDC status in 2014.

This chapter provides a backdrop to the diagnostic integrated study through a synopsis of the social and political environment, geography and resources; structural changes in the composition of the economy; review of recent economic developments; provides an overview of the current macroeconomic policies – fiscal and monetary. It concludes with the issues relating to the increase in development assistance and its implications on the impact on the debt component and increasing fiscal deficit.

1.2. Background

Geographical location and time zones: Samoa is a small island economy geographically located south of the equator with the closest metropolitan countries being New Zealand (3,275 km), Hawaii (4,157 km) and Australia (5,783 km). The two relatively large islands of Savaii and Upolu account for approximately 96percent of the country's total land area of 2,820 sq kilometers.

Samoa's positioning immediately east of the International Date Line also gives it an added advantage especially in relation to offshore financial services closely linked to key Asia-Pacific capital and financial markets.

Samoa's economy is characterized by many features common to small island states. It has limited natural resources, a very small domestic market, and is geographically distant from its trading partners.

Human Resources: Samoa's most valuable resource is its people. The population (based on the 2006 Census) is estimated to be 180,741 (93,677 male and 87,064 female)², or with a population density of approximately 65 persons per sq km³ with some 39 percent of

² Between the 2001 and 2006 censuses, the proportion of the economically active population involved in subsistence with sale increased from 4.7percent to 18.4percent. Those looking for work fell from 5.0percent to 1.3percent, while those in paid employment rose from 46.2percent to 51.6percent, reflecting not only the increased urbanisation of the population over this time but also the boost from preparatory activities for the 2007 South Pacific Games. Of those not economically active, nearly two thirds classified themselves as in domestic or household work (72percent of them female).

³ As per the Government of Samoa, Report of the Population and Housing Census 2006.

persons below the age of 15⁴ with average life expectancy at 71.4 years (2007) and an adult literacy rate of 98.7percent (2007). Population growth has averaged a low 0.6 per cent per annum over the past decade, a rate well below the natural rate of population growth of around 2.4 per cent. The difference is accounted for by emigration, mainly to New Zealand and, to a lesser extent, the United States and Australia. High and persistent emigration over the years has eased the pressure on the domestic economy to provide employment as well as education and health services and has generated substantial inflows of migrant remittances over the years.

Land resources: Over 80 percent of all land is customary, owned and administered by traditional landowners in accordance with Samoan customs and usage. The ownership of the rest of landholding is 16 percent by the state (public land) and 4 percent freehold. Access to communal farming land is open to family members, subject to the agreement of the village and family elders (*matai*) and provided that it is used productively. Increased family members, plus the realization of cash incomes from plantation activities, has generated competition for land and, in many instances, a demand from *matai* for rent in terms of a high share of the marketed product.

Marine Resources: Samoa's relatively compact exclusive economic zone (EEZ) of 98,500 sq. km has limited the opportunities for large scale commercial offshore fisheries. Samoa's fisheries is also affected by illegal operations of the large foreign owned commercial fishing fleets supporting the canneries in Pago Pago (American Samoa), the migration of major tuna fisheries towards the western and northern Pacific and the reduction in stocks as a result of over-fishing. Pressures on inshore fisheries mainly from over-fishing as well as use of illegal fishing methods have resulted in a significant decline in activity over the last twenty years. Fisheries now account for less than 5 percent of GDP. This is almost half the level in 1998. These issues are discussed further in the Fisheries Chapter.

Social Environment: The strong social safety net provided by Samoa's traditional social system has been instrumental in maintaining stability. However, this stability is increasingly under threat from the changing priorities of the modern economic system, exemplified by the reduction in support from subsistence surplus agriculture, increased dependence on remittance from overseas for basic living requirement, and the accentuated shift to Apia and surrounding areas. The result has been the emergence of a number of households living under difficult conditions and not adequately supported by their extended families or *aiga*.

Political Environment: Samoa's political history is characterized by stability and democratic practices since it gained independence from New Zealand. Samoa's constitution established in 1960 blends traditional and democratic institutions and processes and recognizes the separation of powers (legislature, judiciary and executive). The government is a parliamentary democracy with a unicameral legislative assembly consisting of 49 members, 47 of whom are *matai* (chiefly titleholders) elected by citizens aged 21 years and over, and 2 members who represent the non-matai affiliated constituencies. General elections are held every five years and the Human Rights

⁴ In 2008 estimated to be about 188,359 (98,118 male, 90,241 female), according to the Samoa Bureau of Statistics

Protection Party has been in power for an uninterrupted 25 years. Parliament is elected through universal suffrage every five years and a Prime Minister and Cabinet manage the day to day affairs of the country. The next general elections will take place in March 2011.

Sociopolitical Stability and Growth: Political stability and the adaptability of the social system to the modernization of customary practices have contributed to the creation of a conducive environment for reforms that have enabled Samoa to plan for and maintain steady economic growth over recent years as evident in HDI achievement and real per capita growth since the mid – 1990s being significantly higher than most comparator countries (Box 1.2-1).

Box 1.2.1: Gross Domestic Product (GDP) Per Capita and Human Development Index (HDI) in Samoa and Comparator Countries

Box 1.1: Gross Domestic Product (GDP) Per Capita and Human Development Index (HDI) in Samoa and Comparator Countries

HDI rank	Human development index	GDP per capita	GDP per capita rank minus HDI	Average annual growth rates (%)					
				value	(PPP US\$)	rank ^b	Long-term (1980–2007)	Medium-term (007)	Short-term (2007)
				2007	2007	2007			
94	0.771	4,467	19	0.53	0.59	0.55			
99	0.768	3,748	21	..	..	0.16	
108	0.741	4,304	7	..	..	..
126	0.693	3,666	-4	..	..	0.62	
135	0.610	1,725	10	..	..	..
148	0.541	2,084	-10	0.95	1.32	..			
East Asia and the Pacific		0.770	5,733	..					
Latin America and the Caribbean (UNDP RB)		0.821	10,077	..					

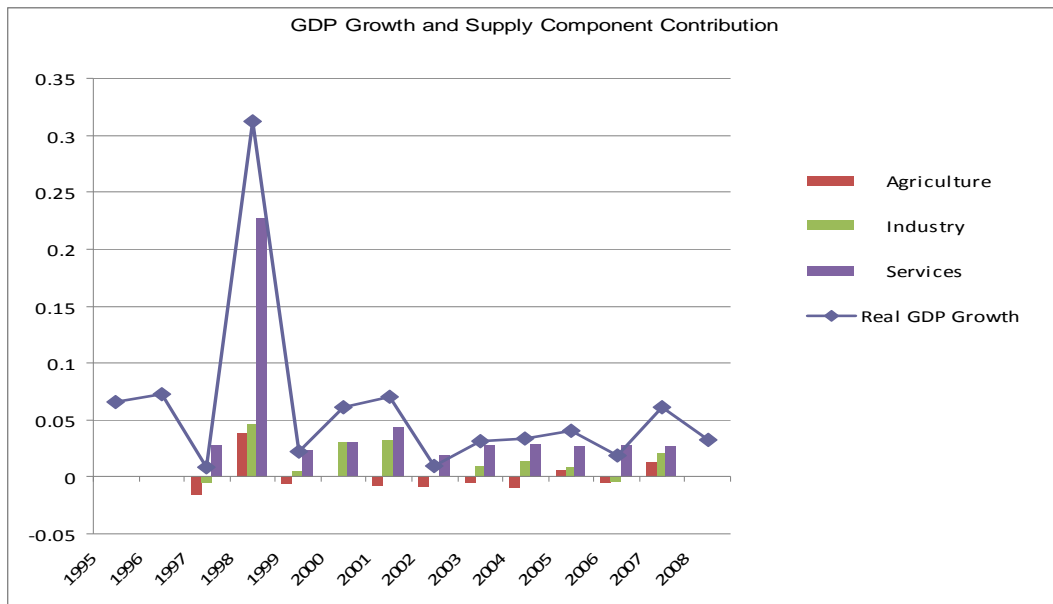
Source: UNDP 2009 Human Development Report

1.3. Composition of the Economy

1.3.1. Structural Changes in Productive Capacity

There have been significant changes to the economic structure of Samoa since the 1990s with the services sector activities increasingly becoming dominant as the agricultural sector's contribution to GDP has continued to decline in relative importance as highlighted by Figure 1.3.1. These changes have far reaching implications on the country's comparative advantage in trade and in the formulation of an appropriate trade development framework for Samoa.

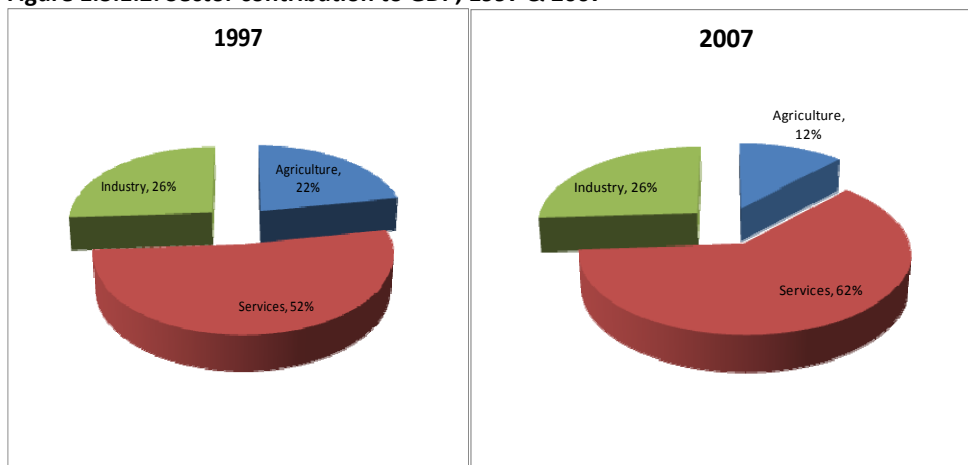
Figure 1.3.1.1: GDP Growth and Supply Component Contribution



Source: ADB Pacific Department; ADB Economics Research Department; Samoa Ministry of Finance

Agriculture which used to be the mainstay of the Samoan economy has shrunk from 22 percent to 12 percent of GDP in ten years to 2007 and has stagnated since then with an estimated contribution of 6 percent in 2009 (Figure 1.3.2)

Figure 1.3.1.2: Sector contribution to GDP, 1997 & 2007



Source: Ministry of Finance and Samoa Bureau of Statistics

Although the contribution of Industry to GDP has not changed in the last decade, at 26 percent, it masks the decline in manufacturing particularly in the last 5 years (2005-2009) which has been more than offset in the growth in construction, water and electricity as shown in Table 1.3.1.

Services have become now firmly established as the most dominant sector of GDP with its share increasing from 52 percent to 62 percent in the last decade. This rapid growth has

been driven mainly by tourism and commerce, public administration, utilities and transport/communications. The significant shift in the economic structure to the service sector has not been clearly reflected in national economic and financial statistics. The present format of the GDP statistics has not fully captured the recent rapid expansion of tourism sector with earnings estimated at 20 percent of GDP but is reflected in the present format of the GDP estimates to be 2.7 percent of GDP⁵.

Table 1.3.1.1: GDP in Current Market Prices by Sector 2005-2009 (ST '000)

GDP at market prices, by industry						
000 Tala	2005	2006	2007	2008	2009	Trend Growth
At Current Prices						
Agriculture	87,544	78,134	84,543	87,948	89,081	0.4
Fishing	58,908	74,221	90,433	79,984	80,606	1.8
Food and Beverage Manufacturing	39,750	40,514	3,472	26,577	20,626	-4.1
Other Manufacturing	145,083	125,550	162,136	136,929	101,154	-1.3
Construction	126,414	151,881	186,204	181,018	183,195	2.4
Electricity and Water	52,676	58,658	64,903	67,864	71,574	1.9
Commerce	204,789	225,106	269,376	281,912	285,488	2.3
Hotels, Restaurants	30,090	32,250	43,840	48,250	52,210	3.8
Transport, Communication	160,100	170,844	189,448	195,740	201,398	1.6
Public Administration	85,932	100,971	113,353	124,821	127,926	2.6
Finance and Business Services	101,385	111,394	118,004	121,402	126,413	1.3
Less: Enterprise share of FISM	-14,215	-14,776	-15,738	-17,027	-17,836	1.5
Ownership of Dwellings	35,504	38,692	39,815	42,621	45,630	1.5
Personal and Other Services	65,600	62,956	63,820	66,129	62,011	-0.1
<i>Value Added at market prices</i>	1,179,560	1,256,393	1,444,409	1,444,167	1,429,476	1.4

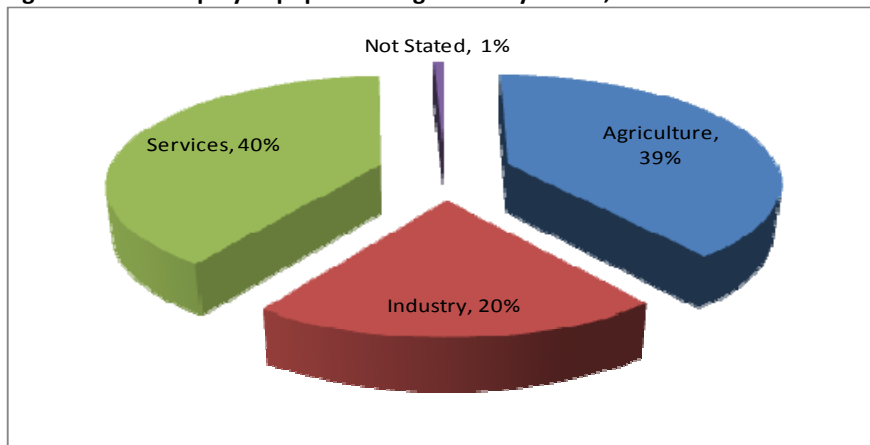
Source: Samoa Bureau of Statistics

1.3.2. Employment Structure

Based on the 2006 Census, employment levels in the key sectors indicated that the services sector and agriculture between them employed 79 percent of the working population aged 15 and over in 2006. The industry sector provided employment for 20 percent. **(Figure 1.3.3)**

⁵ IMF Article IV Consultations 2005

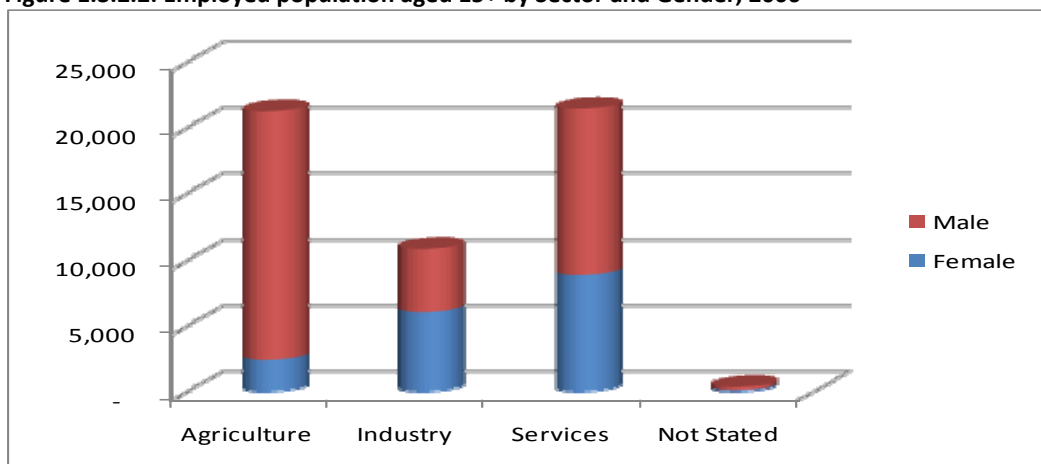
Figure 1.3.2.1: Employed population aged 15+ by Sector, 2006



Source: 2006 Census, Samoa Bureau of Statistics

The 2006 census figures indicated a greater proportion of females working in the industry and services sectors than in agriculture and industry (Figure 1.3.4).

Figure 1.3.2.2: Employed population aged 15+ by Sector and Gender, 2006



Source: 2006 Census, Samoa Bureau of Statistics

In Samoa, the unemployed are defined as those in the labour force who are currently not working but are actively seeking work. The 2006 census estimated the unemployment rate at 1.3 percent which indicates a slight improvement from the 2001 unemployment rate of 1.5 percent.

1.4. Recent Economic Developments

1.4.1. General

Samoa's relatively consistent economic performance over the last decade has been underpinned by the following policy, institutional and legislative reforms:

- Budget, economic and financial reforms introduced in the mid 1990s, including liberalization of the financial sector.

- Introduction of national and sectoral strategic development planning and performance based budgeting frameworks
- Adoption of Value Added Goods and Services Tax (VAGST) in 1994
- Major Tax, tariff and trade reforms in the period 1996-1999.
- Institutional strengthening and of privatisation of several government services and state owned enterprises
- Improvements in public-private partnerships and in the enabling environment for investment.
- Realignment and institutional strengthening of public sector agencies

Samoa achieved consistent growth of around 3-4 percent over the last decade; however the onset of the global recession in 2008 and the 2009 tsunami dealt the economy major setbacks with continuing decline in key sectors such as manufacturing, construction, agriculture and fisheries. Subsequently, real GDP fell 4.9 percent in FY 2008/2009, recording the worst slump in two decades. Economic recovery is expected in 2009/2010 with a reduced negative growth of 2.8 percent before rebounding in 2010/2011 positive growth rate of 3 percent per annum to be led by the tourism and tsunami-related re construction activities.

Table 1.4.1.1: Selected Macroeconomic Data

Selected Macroeconomic Data						
Indicators	Years					
	2005/06	2006/07	2007/08	2008/09 Est.	2009/10 Proj.	2010/11 Proj.
<u>National Accounts</u>						
Real GDP (annual growth rate)	2.2	2.3	5	-4.9	-2.8	3
<u>Prices</u>						
Consumer Price Index (annual growth rate)	3.2	4.5	6.2	14.4	-0.2	3
<u>Money and Monetary Policies</u>						
Broad money (M2) - (in millions US dollars)	13	8.7	12.3	7.6...	...	...
91 day CBS Securities Interest Rates (end period percent p.a.)	...	6	5.38	3.1	2.5	...
Private Sector Credit (in millions US dollars)	28.2	11.7	6.5	5.2...	...	...
<u>External Sector and Policy</u>						
External current account balance (incl. Grants - percent of GDP)	11.1	15.9	6.2	2	20.1	20
Exchange rate SAT/USD (period average)	2.8	2.6	2.6	2.8...	...	...
External debt (% of GDP)	40.1	37.1	30.3	38.1	52.4	58.1
International Reserves (number of months imports)	2.4	3.6	3.6	3.5	3.5	3.5
<u>Fiscal Policy</u>						
Government deficit (excl. Grants - percent of GDP)	6.4	0.7	7	11.1	24.7	18.1
Government deficit (incl. Grants - percent of GDP)	0.5	0.6	1.8	3.8	9.7	9.5
Domestic revenue (percent of GDP)	25.9	29.1	25.7	24.8	24.5	25.1
Recurrent Expenditure (percent of GDP)- (1)	25.2	26.5	26.2	24	27.8...	...
External debt-service ratio (in percent of GNFS exports)	9.8	5.2	3.9	5.1	6.3	5.7
External Debt (in percent of GDP)	40.1	37.1	30.3	38.1	52.4	58.1
(1) recurrent expenditure based on the PEFA 2010 analysis						

Source: IMF Article IV Consultations 2010 and PEFA Assessment 2010

The tsunami in September 2009 is estimated to have caused damage to infrastructure estimated at US\$60 million (over 10 percent of GDP) which is to be rehabilitated and reconstructed based on the Government's Tsunami Recovery Plan 2009-2012. The cost of strengthening social safety nets, investing in disaster protection, resettlement, and lost tourism earnings is expected to be significantly higher⁶.

1.4.2. Prices and Wages Developments

The minimum wage has increased moderately over the years and is now SAT 2.00 an hour since September 2005 (equivalent to US\$0.96 per hour). This is still considered a relatively low rate in the Pacific islands region when compared to average industry minimum wages for American Samoa and Fiji of US\$4.18 and US\$1.60 respectively. The minimum wage differentials between Samoa and American Samoa will continue to widen with the American Samoa minimum wage levels increased in 2009 by an average of US\$0.50 per hour until they reach the US mandatory minimum wage levels.

Box 1.4.2.1: Impact of Remittances

Remittances continue to be the major source of external income and foreign exchange earner, accounting for approximately 25 percent of GDP. Remittances will continue to provide a stable source of balance of payments inflows and will serve as an important buffer against external shocks and an important source of support income in both the rural and urban areas.

Gross Remittances	2002	2003	2004	2005	2006	2007	2008
Remittances (ST millions)	188.06	190.48	199.83	296.1	300.9	310.59	350.95
Remittances as percentage of GDP	21.2	20.2	19	25.7	24.1	21.8	24.8

Source: Ministry of Finance, Bureau of Statistics

An ongoing challenge for policy makers is to find the right balance between the positive impact of remittances on the country's balance of payments and to the beneficiaries, and the need to ensure continuing reliance on remittances does not become a disincentive to engaging beneficiaries in productive work and in activities that will make greater economic use of natural resources that are readily available to them.

1.4.3. Fiscal Developments

Government has been relatively successful in containing budget deficits over recent years at less than 5 percent of GDP, despite the substantial increases in public expenditure related to a 42 percent across the board increase in public service salaries implemented over 2005/6 to 2007/8. Budget deficits (after factoring in aid grants) in 2009/2010 and 2010/2011 have been in the 9- 10 percent range as the Government stepped up its expenditures to stimulate the downward spiralling economy with on the onset of the global recession and the 2009 tsunami during 2008/2010.

⁶ As per Article IV consultations in February 2010

Notably, government spending between 2006/07 and 2008/09 has been mainly concentrated in key social sectors such as health and education. Expenditures for the Ministry of Agriculture accounted for 3 percent of the total government expenditure during this period (**Table 1.4.2**).

Forward projections forecast a widening deficit over the next few years. A fall in revenue from taxation (mainly from taxes on income and excise duties) is to be compensated by increased grants and soft loans, particularly those initiated before the loss of LDC status. The loss of LDC status and its impact on preferential trade access is further discussed in the Trade and Access to Markets chapter.

Table 1.4.3.1: Government Budget – Actual Expenditures 2006/07 – 2008/09

Functional head	2006/07	2007/08	2008/09	Total	% of Total Expenditures
					2006/07 - 2008/09
Agriculture	11,077,363	10,788,986	12,653,989	34,520,338	3%
Commerce Industry and Labour	8,180,532	11,953,333	13,307,150	33,441,015	3%
Communications & IT	3,274,677	3,571,535	4,549,257	11,395,469	1%
Education, Sports & Culture	99,982,550	105,035,741	69,174,802	274,193,093	21%
Finance	60,305,912	55,661,390	60,051,463	176,018,765	14%
Foreign Affairs and Trade	15,377,248	15,589,252	18,561,548	49,528,048	4%
Health	49,617,866	58,091,260	71,249,228	178,958,354	14%
Justice and Courts Administration	5,587,357	6,945,034	8,316,122	20,848,513	2%
Natural Resources & Environment	12,040,727	18,005,165	22,470,060	52,515,952	4%
Police & Prisons	15,910,799	17,747,474	18,809,435	52,467,708	4%
Prime Minister	6,528,250	6,163,568	7,835,114	20,526,932	2%
Revenue	6,220,058	8,194,064	8,417,615	22,831,737	2%
Works, Transport & Infrastructure	57,360,301	73,082,267	73,264,601	203,707,169	16%
Women, Community & Social Development	7,824,894	7,760,157	7,994,446	23,579,497	2%
AG's Office	1,662,424	1,861,051	2,831,854	6,355,329	0.5%
Audit Office	1,431,311	2,049,887	2,511,473	5,992,671	0.5%
Legislative Assembly	3,768,920	2,457,985	3,320,589	9,547,494	1%
Ombudsman's Office	309,658	357,511	445,733	1,112,902	0.1%
Public Services Commission	2,192,636	2,318,670	2,753,845	7,265,151	1%
Electoral Commission	1,104,065	1,112,855	1,195,320	3,412,240	0.3%
Stat exp + Unforeseen exp	25,533,560	36,510,086	36,742,480	98,786,126	8%
Total Expenditures	395,291,108	445,257,271	446,456,124	1,287,004,503	100%

Source: Ministry of Finance

1.4.4. Monetary Developments

The onset of the recession in 2008/09 pointed to the need to inject more liquidity to stimulate the weakening economy. Consequently, in the fiscal year 2008/09 and the current financial year, the Central Bank adopted an expansionary monetary policy stance. The immediate objective was to drive down market interest rates by reducing the official interest rates. However, whilst the Central Bank succeeded in sharply reducing the official interest rates, the market lending rates fell slowly and marginally.

One of the main contributing factors to the slow decline in market interest rates was the dominant position held by the Samoa National Provident Fund (SNPF) and the Accident Compensation Corporation (ACC) in the wholesale deposit market. SNPF and ACC deposits are considered by the commercial banks as “hot money”, being very large and regular sources of deposits. The end result was that the lending rates also needed to remain high to match the high deposit rates. Consequently, the demand for credit continued to weaken.

To avoid returning to direct controls to reduce interest rates, the Central Bank explored the possibility of injecting liquidity into the economy via selected non bank financial institutions such as the Development of Samoa (DBS) and the Samoa Housing Corporation (SHC). Credit lines to these institutions will be provided at the same low interest rates offered to the commercial banks. This strategy will be implemented but priority has now been given to the reconstruction of tourism facilities that were affected by the September 2009 tsunami. To this end, the Central Bank of Samoa has provided a credit line of SAT \$5.0 million to the DBS on concessional terms to assist the affected businesses⁷.

1.4.5. Investment Flows Developments

Recent developments and trends in the 2010 Asia-Pacific Trade and Investment Report indicates that the amount of FDI inflows to the Pacific islands have been considerably lower compared with those of other sub regions however the FDI inward stock has increased steadily. From 2005 to 2009, the Pacific’s FDI inward stock as a percentage of GDP increased on average at 14% annually to reach a 44% share in 2009. In particular, Samoa has shown a high exposure to FDI as its share of FDI to GDP reached 133% (UNCTAD, 2010b). This is an indication that Samoa like other similar Pacific Island countries rely heavily on FDI for its growth and that it has managed to successfully promote its economy as an attractive destination for FDI inflows, although its markets are small. Major sectors attracting FDI in the Pacific islands include natural resources, primary industries (agriculture, fishery), food processing, tourism, electronics and light manufacturing (ITC, 2010).

1.4.6. External Developments

Whilst the trade account balances have worsened in the last decade, improvements in the current account balances have enabled Samoa to register overall balance of payments surpluses most of the last decade. Remittances which represent the most important and historically the most stable inflow in the current account are used mainly for consumption. [Refer to **Box 1.4.2** for development impact and policy options]. Therefore international

⁷ CBS Governor’s presentation at the USP Dialogue 2009

reserves have stabilised around the equivalent of 3.5 to 4 months of imports cover in the last 5 years.

1.5. Macroeconomic Policy Environment

1.5.1. Institutional Policy Framework

The formulation and conduct of macroeconomic policy in Samoa is a responsibility shared between the Ministry of Finance and the Central Bank of Samoa. A Macroeconomic Policy Coordinating Committee comprising senior officers of the two agencies is tasked with the formulation of appropriate macroeconomic policy frameworks to support the economic growth focus of Government.

Coordination of the fiscal and monetary policies has been facilitated through active use of forward projections of the key macroeconomic parameters. Consultations with key financial institutions such as IMF have become an integral part of the efforts to improve the quality of macroeconomic policies. Greater public scrutiny of key policy documents has also been possible over the last decade due to increased public access via the internet and published documents.

There remain challenges to be addressed to improve and strengthen the conduct of effective fiscal and monetary policy and to public sector efficiency in general. These are most evident in the areas of:

- capacity constraints in key agencies because of high staff turnover in key senior positions,
- lack of capacity and/or skills in the compilation and analysis of up-to-date financial and planning (economic and social including gender and poverty related data) statistics as well as up-to-date data on many aspects of government financial operations and key macro-aggregates such as GDP.

These gaps undermine the capacity to formulate on proactive basis evidence - based strategic economic and social policies and strategies to address current and emerging development issues.

1.5.2. Fiscal Policy

Samoa's fiscal policy is primarily aimed at maintaining macroeconomic stability and financial discipline, and directing resources to support strategic priority development programmes that will enable Samoa to achieve sustainable economic growth in the longer term.

The 2010/11 financial year is currently piloting the Ministry of Finance's upgraded template for output definitions and performance measures in an attempt to ensure clear linkage of policy and priorities in planning documents (such as the SDS and sector plans) with budget allocations set out in the approved estimates. This new framework compliments the newly introduced Medium Term Expenditure Framework (MTEF) approach to ensure that priority funding through the budget allocation process (and respective forward estimates) aligns with these priorities set out in national plans. The current medium to long term fiscal targets is as follows:

- aggregate current expenditure to be maintained within a range of 35 – 38 percent of GDP over the forward estimate cycle, to ensure liquidity in the economy is sufficient to foster private sector growth and employment;
- net Public Debt outstanding to be maintained at less than 40 percent of GDP;
- personnel costs as a per cent of total expenditure to be constrained to a range of 30 – 32 percent so as to reflect government’s commitment to improved service delivery associated with
- the implementation of performance budgeting;

The SDS 2008 -2012 also stipulated that budget balance is to be maintained within the range of -3.5 and +3.5 percent of GDP (except where larger deficits involve borrowing at concessional rates to fund growth promoting infrastructure projects e.g. 2009/10 and 2010/11).

Expenditure and Revenue

In terms of overall fiscal management, the recent Public Expenditure Framework Assessment (PEFA) undertaken in 2010 highlighted the following key issues:

- at an aggregate level the credibility of the budget appears good, although variations at ministerial level may reflect a tendency for some ministries to rely on supplementary estimates for additional expenditure.
- the budget continues to be fairly comprehensive and transparent, although public access to key financial information remains limited.
- at the central level, GoS continues to improve and develop its policy-based budgeting. Since the last assessment, it has also introduced medium-term financial forecasts.
- the availability of more up-to-date audited financial statements for the state owned enterprises has enabled improved monitoring of potential fiscal risk.
- the problem of expenditure payment arrears (late payment of suppliers) remains, and this raises concerns about the overall credibility of the budget.
- in terms of budget execution, there have been some important improvements in cash flow and debt management and new procurement guidelines have been developed.
- revenue administration and the overall internal control framework including payroll and procurement controls and internal audit remain comparatively weak.
- there is a general recognition that confidence and understanding of the financial management system “Finance One” still needs to be improved. Nevertheless, significant progress has been made in improving the timeliness of financial statements and bank account reconciliations.
- the Audit Office’s Institutional Strengthening Programme (ISP) is also enhancing the scope and technical quality of audits, although the full extent of the improvements may not yet be apparent and audit independence remains a key constraint. Effective scrutiny of estimates and audit reports by the legislature is limited.

Aid Management

Over the last decade, grant aid has averaged out at 25 percent of total Government revenues and grants. This is coordinated and managed through the Aid Coordinating Committee and the Cabinet Development Committee with the secretariat provided by the

Aid Division of the Ministry of Finance. The policy guidelines for coordination and management of grant aid have been published in the 2010 Aid Management Policy of the Government centered on aid effectiveness principles of the 2005 Paris Declaration, the 2007 Pacific Aid Effectiveness principles and the 2008 Accra Action Agenda.

Samoa is poised to graduate from LDC status to Middle Income Status in 2014 bringing along with it concerns about continuing access to current levels of grant aid and soft term loans in the medium term. Any restriction on access to concessional lending facilities will affect current arrangements with the World Bank and the ADB. This challenge however provides the opportunity for more innovative financing solutions such as the blending of grant aid and soft term loan funding recently designed for the Samoa Power project involving the ADB and the Government of Japan with a supporting conditional grant from AusAID to assist with servicing of debt obligations and to lessen the impact of restricted access to grant aid and soft term loan resources.

The key challenge for Samoa's policy makers in the immediate term is the management of its transition out of the LDC status in the event of any major reduction in the future in external assistance, particularly access to soft term loan financing, that have played such a key role in the country's development efforts in the past.

Debt

Public sector external debt management and monitoring is the responsibility of the Ministry of Finance in consultation with the Central Bank of Samoa. The medium term debt management strategy for the period 2010-2015 sets the overall monitoring framework for debt management in Samoa over the projected five year period. Private sector external debt is monitored and administered by the Central Bank of Samoa. A recent debt sustainability analysis undertaken during the IMF Article IV consultations in early 2010 indicated that Samoa pursued a sound public sector debt management strategy. Quantitative targets are set to keep nominal net public debt at less than 40 percent of GDP and the government actively seeks to borrow on concessional terms. Samoa's pre-tsunami stock of external debt as of June 2009 was considered relatively low. The stock of external debt was below 40 and 30 percent of GDP in nominal and present value terms respectively. Virtually all of Samoa's public debt is external with the multilateral debt comprising the vast majority of the debt stock.

The ADB is the largest creditor with claims amounting to 41 percent of Samoa's external debt stock. The largest bilateral creditor is China which holds 16 percent of the external debt stock. The stock of domestic public debt is small, around 2.3 percent of GDP in nominal terms composed mainly of state-owned enterprise debt for which the government has assumed responsibility. It is noted that the government has not issued any domestic debt since 2006 and contingent liabilities related to existing guarantees on the state-owned enterprise (SOE)'s stock of debt amount to 1.1 percent of GDP in nominal terms.

The debt ratios are forecasted to rise significantly over the next three to four years as the government receives foreign financing to recover from the 2009 tsunami. However, Samoa remains at a low risk of debt distress due mainly to the low initial level of indebtedness, past track record of prudent macroeconomic management and assuming the tourism sector returns to previous growth trends.

The graduation of Samoa out of the LDC status is also likely to impact on Samoa's continuing access to soft term loans which Samoa has used extensively in the past for its development financing. The current government priority is to work closely with the multilateral agencies to extend as long as possible access to concessional financing facilities as it prepares to graduate from LDC status in 2014. A medium term strategy to progressively increase domestic resource mobilisation, maintain current levels of external assistance, and to enhance efficiencies in budget spending to avoid any recourse to commercial market borrowings should be developed.

1.5.3. Monetary and External Account Policies

Monetary Policy

In January 1998, monetary policy implementation switched from direct controls to indirect controls through open market operations in Central Bank Securities. The statutory reserve requirement, however, is still being maintained as a back up and it is currently set at 4.8 percent of commercial banks' deposit liabilities. The conduct of open market operations seeks to achieve a number of important objectives. The immediate objective is to remove the excess reserves of commercial banks with the Central Bank. Once these excess deposits have been removed, the Central Bank would then monitor closely the liquidity of the financial system. The issue of Central Bank securities is also aimed at developing the financial market in Samoa.

CBS securities are issued under the authority of the Central Bank of Samoa Act. The securities are denominated in Samoan Tala, sold at a discount to par, carry no coupon rate and are redeemable at par on maturity. The primary auctions of Central Bank securities are held every week. To implement this system, the Central Bank has developed a liquidity forecasting framework which targets the banks' free reserves and manages liquidity around this target. This minimises the volatility in these reserves and in turn minimises interest rate volatility.

The main indicators monitored to provide feedback on the impact of the auctioning of securities and the developments in the economy include, on a daily basis: the Exchange Settlement Accounts of the commercial banks, foreign exchange reserves, government balances and cash flow, currency in circulation, interbank activity; on weekly and on monthly basis are: money supply, domestic credit, private sector credit, commercial bank deposits and lending rates and government financing. The main holders of CBS securities are the commercial banks. Commercial banks held 97 percent of total securities outstanding at end September 2009 and the balance of 3 percent were held by other investors mainly the non-monetary financial institutions (such as the Samoa National Provident fund and the Development Bank). The primary holders of Central Bank securities almost always hold these bills to maturity. Thus the secondary market is not developed yet.

International Reserves & Exchange Rates

Samoa is a small open economy with total merchandise trade alone representing around 60 percent of nominal GDP. It is crucial therefore that Samoa maintains a sufficient level of international reserves to withstand unforeseeable economic shocks. Under present circumstances, the Central Bank considers a level of gross official international reserves,

equivalent to no less than 4.0 months of imports of goods, as adequate for maintaining the country's long term international viability. Whilst there has been no urgent need for external borrowings to shore up international reserves due to flexibility shown by multilateral financial institutions during recent global financial difficult situations, graduation of Samoa outside of the LDC status may now require exploration of possible borrowings policy from international capital markets in the event of a future international reserves crisis.

The exchange rate of the local currency, the Samoan Tala (SAT), is measured against the basket of currencies of its major trading including American Samoa, USA, Australia and New Zealand. The basket is reviewed periodically to ensure that exchange rates are in line with changing economic and market conditions. The Central Bank's exchange rate policy is aimed primarily at supporting the balance of payments, whilst ensuring that Samoa maintains its competitiveness viz a viz its major trading partners.

The exchange rate for the most part has been maintained as a neutral policy instrument. In the 1980's there was a gradual depreciation of the Samoan Tala such that there was small but persistent annual improvement in competitiveness. Since the early 1990s there has been a slight loss in competitiveness as the relative inflation rates for Samoa increased against those of its main trading partners. The Central Bank can make discretionary exchange rate adjustments against the trade weighted basket within a limit of two per cent without Cabinet approval⁸. In March 2009, SAT\$1.00 bought approximately US\$0.3275.

The current focus of the Central Bank's policy on exchange rate is to ensure that export-oriented industries remain competitive in overseas markets whilst at the same time minimizing imported inflation. While there is no specific target level for the real effective exchange rate (REER) of the Samoan Tala, the Central Bank aims to avoid a substantial real appreciation of the Samoan Tala since it can adversely affect the international competitiveness of the export sector. Over the years the basket of currencies to which the Samoan Tala is pegged has widened from the original merchandise trade to include services and private remittances, reflecting the increasing importance of the non-merchandise trade flows.

The challenge for the Central Bank is to maintain an exchange rate which reduces imported inflation and debt servicing costs whilst, at the same time, promoting exports and tourism. The IMF Article IV Mission that visited Samoa in February 2010 confirmed that the exchange rate regime that Samoa has been adopting over the past years has served Samoa well and continues to be appropriate for its small economy.

Prices and Wages Policies

⁸ As per Article IV Consultations 2010 – the CBS undertakes the review of the currency basket once a year, and there are no statutory requirements as to the composition and the weights of the basket. The CBS can make single discretionary exchange rate adjustments of up to +/-2 percent against the currency basket without cabinet approval. While there is no formal limit on the frequency of such adjustments, it is understood that the CBS would request cabinet approval for larger ad-hoc adjustments.

In pursuing the goal of price stability, the Central Bank relates Samoa's inflation rate to those of its major trading partners. The annual inflation rates for Samoa's main trading partners usually average around 3.0 percent and this is the target that the Central Bank normally aims to achieve and maintain each year. However, there are times that the changes in prices are beyond the realms of monetary policy and the control of the Central Bank. The experience of recent years bared witness to this situation when the persistently sharp rise of international prices for crude oil and food exerted significant pressures on the domestic prices of petroleum and food items.

In addition, the rise in inflation in a particular year reflect the revised prices of public goods and services that are subject to review every three to five years such as bus, taxi and boat fares, water, electricity and port tariffs. During such periods, both the headline and the underlying or core inflation rates rise substantially as seen in the 2008/09 financial year. Inflation has been erratic over the past few years due to both external and internal factors inclusive of local food shortages, changes to tax and the rising cost of fuel products and imported goods (**Table 1.5.3.1**).

Table 1.5.3.1: Inflation Indicators 2002-2008

	2002	2003	2004	2005	2006	2007	2008
GDP price deflator	100	102.4	109.4	114.5	119.9	128.5	132
- percent change on previous year	3.8	2.4	6.8	4.6	4.8	7.1	2.8
CPI (March 2004 = 100)	85.9	86	100	101.9	105.8	111.6	124.4
- percent change on previous year	8.1	0.1	16.3	1.9	3.8	5.5	11.5
All Items Index	8.1	0.1	16.3	1.8	3.8	6.1	10.9
Imported Goods Index	1.3	-0.1	4.1	2.2	4.5	6.9	14.2
Local Goods Index	13.8	0.3	34	1.6	3.1	5.4	8.1

Source: Samoa Bureau of Statistics and Ministry of Finance

The concerns about the impact of high inflation resulting from higher imported fuel and food imports have highlighted the need to examine policy changes to promote the production of locally harvested food crops for self sufficiency and to promote import substitution through initiatives advocated by the Fruit and Vegetable Strategy in partnership with the private sector through the main local food importers and processors. These strategies and policies will be discussed further in the agriculture and manufacturing chapters.

The minimum wage has increased moderately over the past years and is currently at SAT 2.00 an hour since September 2005 (equivalent to US\$0.96 per hour). Samoa needs to explore how it may capitalize on its relatively low labour costs to attract private investment especially in labour intensive projects and development. However, the international labour market remains highly competitive in countries like Indonesia, Thailand and China which are likely to provide stiff competition to Samoa for labour intensive industries such as tuna loining and canning as well as for Yazaki Samoa's wire harnessing operations.

1.6. Progress towards Poverty Reduction

Official statistics and recent analysis based on the 2009 Hardship and Poverty⁹ indicate that Samoa is moving well towards achieving the MDGs especially in relation to the reduction of poverty as highlighted by **Table 1.6.1**. Samoa ranked 94 out of 182 countries in the 2009 Human Development Index (HDI), scoring 0.771, with a purchasing power parity per capita GDP of US\$4,467, life expectancy of 71.4 years (2007) and an adult literacy rate of 98.7 percent (2007). Samoa is reported as successfully moving towards achievement of almost all the Millennium Development Goals (MDGs)¹⁰.

However, it is acknowledged that there are still areas of concern where more evidence-based research, as well as more targeted cross-sectoral coordinated government programs and enhanced partnerships between civil society and Government for service delivery will be needed in order for Samoa to remain on target towards meeting the Goals.

Table 1.6.1: Summary of Samoa's poverty-related performance against the relevant MDG Indicators.

Millennium Development Goal Indicators					
	National	Apia Urban Area	North-West Upolu	Rest of Upolu	Savai'i
1.1 Proportion of Population below Basic Needs Poverty Line % (Note 1)	26.9	24.4	26.8	26.6	28.8
Proportion of Population vulnerable to falling into poverty; per capita expenditure <10% above BNPL %	4.4	3.9	5.7	6	4.5
1.2 Proportion of households with per capita expenditure below the minimum level of dietary energy consumption	3.3	2.3	2	5.6	3.6
1.3 Poverty Gap Index (PGI) - Depth of Poverty	8.2	8.8	8	8.7	8.3
Squared PGI - Severity of Poverty	2.9	3.4	2.6	3.2	3
1.4 Share of poorest quintile (20%) in consumption by region %	9.3	8.1	10	10	9
Ratio of Share of poorest quintile (20%) to highest quintile	4.3	5	3.8	3.7	4.4
HH Gini Coefficient: (0= perfect equality 1 = perfect inequality)	0.47	0.48	0.46	0.44	0.46
Note 1: Proportion of Population below US\$1 (PPP) per day not yet available, awaiting PPP indices to be finalized.					

Source: Analysis of the 2008 Household Income and Expenditure Survey - Samoa Bureau of Statistics

⁹ Samoa: A report on the estimation of hardship and poverty – analysis of the 2008 household income and expenditure survey – SBS and UNDP

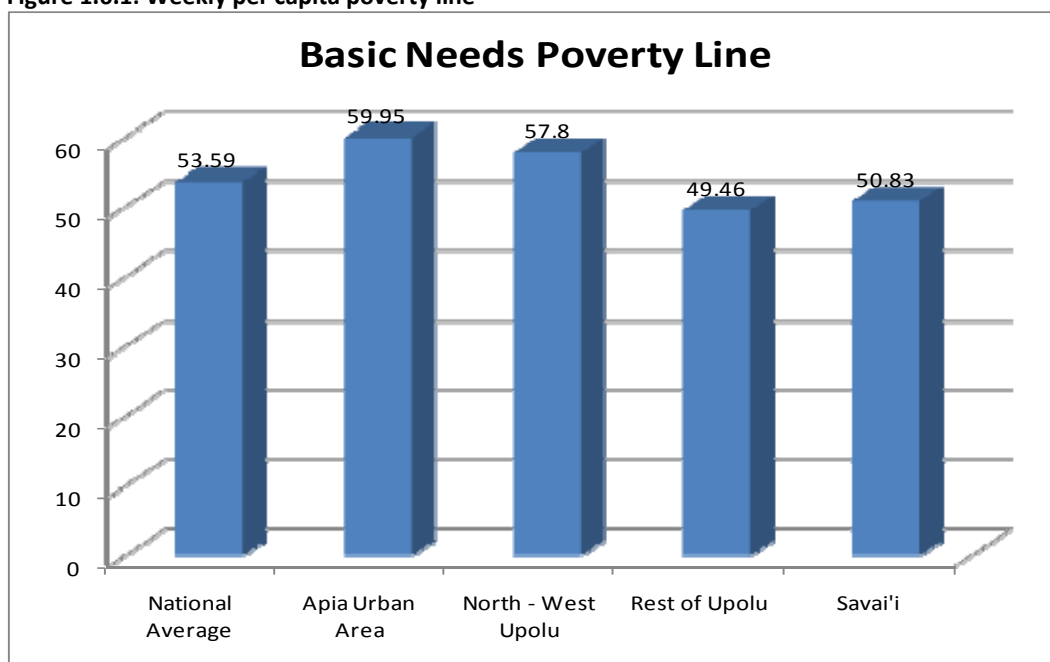
¹⁰ UN Human Development Report 2009

The measurement of absolute poverty¹¹, which is used in Goal 1 of the MDGs, currently cannot be estimated in Samoa and other Pacific countries as the PPP indices are not yet available. Subsequently, for the analysis of hardship and poverty in Samoa the household income and expenditure data from the 2008 HIES has been used to estimate Food and Basic Needs Poverty Lines. These then provide the basis for estimating the relative poverty and hardship experienced by poorest households in Samoa.

Food and Basic Needs Poverty Lines

The per capita costs of the BNPL have been estimated as a national average household expenditure of SAT53.59 per capita per week. Apia Urban Area had the highest at SAT 59.95 with the lowest in Rest of Upolu at SAT49.46. These are the amounts of expenditure/consumption (cash and/or the value of own production consumed) required each week, to meet the estimated costs of a minimum standard of living in Samoa (Figure 1.6.1).

Figure 1.6.1: Weekly per capita poverty line



Source: Analysis of the 2008 Household Income and Expenditure Survey - Samoa Bureau of Statistics

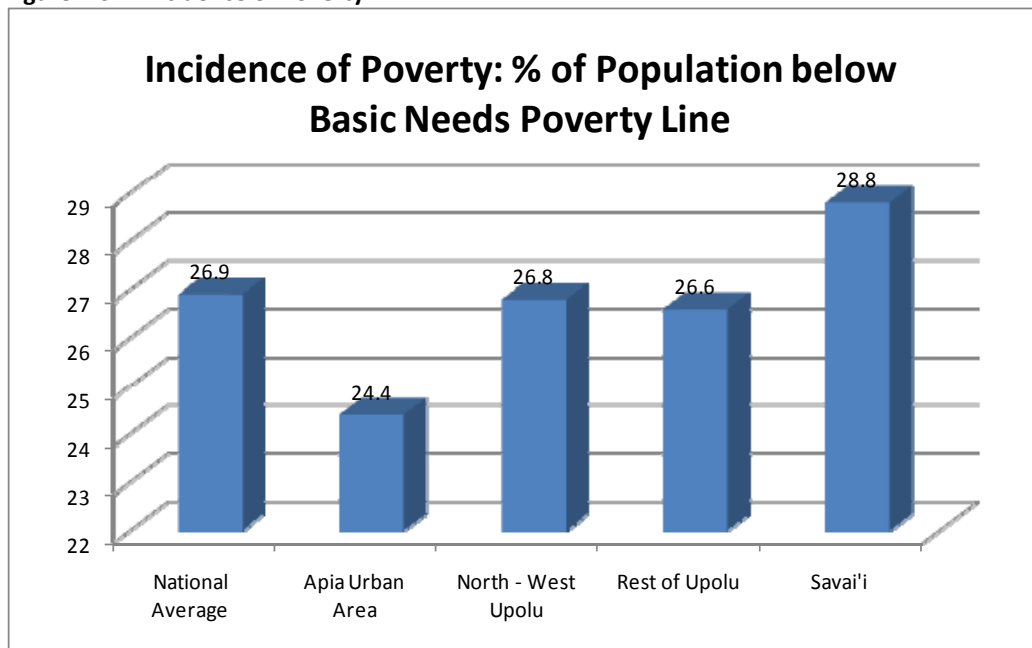
Incidence of Poverty

The level of serious poverty, as measured by the proportion of households and population falling below the food poverty line is very low; only about 3 per cent of households and 5 percent of the population. The average incidence of basic needs poverty over all households nationally is estimated at 20.1 percent, accounting for 26.9 percent of the population. Within this national average, Savaii had the highest proportion of the population (28.8 percent), followed by North-West Upolu (NWU-26.8 percent), Rest of Upolu (RoU-26.6 percent) and Apia Urban Area (AUA-24.4 percent).

11 Measurement of absolute poverty enables cross country comparisons of the extent of poverty and is usually done through the estimation of the US\$1 per day PPP value.

Notably, for AUA and NWU the incidence of basic needs poverty amongst the population is little changed from that observed in the 2002 survey. The increase in basic needs poverty that is seen is concentrated in the rural areas, in RoU the proportion of population falling below the BNPL is estimated to have risen from 15.1 percent to 26.6 percent and on Savaii from 16.1 percent to 28.8 percent. As noted in the report, these significant increases are largely due to the fall in employment at Yazaki which has affected many rural households on RoU particularly, and also to the increasing demands for cash to meet non-food needs that are being felt by all households as society becomes more monetized.

Figure 1.6.2: Incidence of Poverty



Source: Analysis of the 2008 Household Income and Expenditure Survey - Samoa Bureau of Statistics

Key Conclusion in terms of Poverty:

- Marginal progress has been made to reduce the level of hardship and poverty being experienced by the least well-off in Samoa. The increase in level of inequality as measured by the Gini coefficient as well as the increases in the PGI and SPGI suggests that economic growth has tended to increase the income distribution inequality.
- Poverty in Samoa does not mean hunger or destitution in the traditional sense of its understanding. However, experiencing basic needs poverty means rather that many households are struggling to meet their essential basic living expenses on a daily or weekly basis, particularly those expenses that require cash payments. As such, households deemed to be experiencing basic need poverty are therefore facing hardship on a daily basis. They often struggle to pay bills and to purchase adequate and suitably nutritious food and may often borrow from informal loan providers who charge very high interest rates to meet family commitments and community obligations. They are thus frequently, and occasionally constantly in debt.
- Drift of the population to the urban center of Apia and to the North West Upolu especially amongst young men leads to higher levels of urban unemployment and

growing number of people living in overcrowded and sometimes poor quality housing conditions. These inevitably lead to social tensions and contribute to further weakening the traditional social structures and safety nets.

- The analysis sought to provide government with clearer, evidence-based indications of the extent and nature of poverty and hardship in Samoa.

Measures Taken to Alleviate Poverty Concerns:

Measures introduced by or supported in the past years to address the poverty concerns include:

Education and Health

- Prioritizing improvements to the quality and service delivery of education and health services. These improvements are ongoing to ensure access to quality preventive and primary health care and to affordable primary and junior secondary education at village level.
- Contribution to payment of school fees
- Annual grant contributions to non-government providers of education (based on enrolment numbers)
- Establishing a national university to provide tertiary education to Samoan students who would not have benefitted from aid funded scholarships to study overseas and who might not have pursued further academic studies after completing secondary level education.
- Supporting the establishment of private vocational/technical training schools to equip young people who would not meet the requirements for university education with 'employable' trades skills

Economic Infrastructure

- Extending economic infrastructure (roads, electricity, water, and telecommunications) to all parts of the country to enable access to services by the public. Improvements to these infrastructure and services are continuing.
- Construction of seawalls to protect villages and communities living along the coastlines
- Rural plantation access roads to enable communities to better access the village lands for development and to facilitate transport of products from farms to markets

Creating Employment Opportunities and Income-Generating Activities.

- Introducing the policy initiative (currently being further developed for early implementation) of promoting greater economic use of customary land through leasing and/or development by landowner families themselves. This will potentially enable investment in commercial developments like for tourism and farming by both local and foreign investors and creating jobs in these communities. This will also potentially encourage the development of small family or community income generating businesses such as handicraft making or fishing/farming to sell to these commercial enterprises.
- Support for micro-credit schemes that provide funding support to rural income and employment generating businesses such as SBEC and SPBD. These credit providers also provide clients with business training and mentoring support.

- Support for Women In Business Inc work with women groups, individuals and families in the village communities in a range of economic and income generating activities.
- Promoting investment and establishment of businesses in rural areas such as tourism facilities with support provided through incentives and assistance with the provision of infrastructure. The current discussions with a fish canning company for the establishment of a loining operation in Savaii is targeting specifically the provision of employment opportunities and creation of related support businesses around the new operation that will improve the livelihood for the nearby villages as well.

Conclusions

As noted in 2006 UNDP Human Development Report, Samoa has successfully maintained macro economic and financial stability during the last two decades despite the major economic setbacks resulting from the cyclone damages in the early 1990s, and the devastation of taro, its main staple food and export crop, as a result of the plight. Such stability has been underpinned by relatively stable and adaptive socio political set of institutions in Samoa.

Institutional capacities of the Ministry of Finance and the Central Bank of Samoa have been strengthened for the formulation, implementation and monitoring of macroeconomic and financial policies following the institutional strengthening and reforms targeting these key institutions during the 1990s.

Samoa has the macro economic and financial policy environment conducive for liberalization and expansion of its international trade. The fiscal policy focus on reducing reliance on international trade based taxes introducing a Value Added Goods and Services tax has effectively positioned Samoa to participate in the regional and international trade liberalization arrangements although concerns about tariff revenue losses remain, especially in the PACER Plus negotiation context.

The exchange rate policy which has been relatively passive in recent years is likely to be made increasingly proactive for stimulate exports and also used to contain spending imports in the medium term if the fiscal policies continue to be expansionary in the medium term.

Remittances have become an important and relatively stable resource flow for households. Remittances could become a financing source for potential investments instead of the present consumption bias if appropriate policies are put into place.

The major challenges facing the macroeconomic policy and financial management relate to the absence or lack of relevant economic statistics for GDP sectors, current account details in the balance of payments and sectoral and subsistence employment data to track, manage and develop the emerging important services and employment structural shifts.

The biggest macro economic and financial policy risk for Samoa is the possible destabilizing financial impact from the relatively high budget deficits used to stimulate the economy following the global financial crisis and the devastation from the 2009 tsunami. This requires urgent strengthening of its revenue collection and expenditure control systems and processes as identified in the PEFA.

Medium term macro economic and financial policy threats relate mainly to the transitional period as Samoa graduates from the LDC status. The extent of the threat depends on the speed at which Samoa will be graduated from eligibility to grant and soft term loan financing.

Although Samoa has to date been fortunate it has only resorted to the IMF facilities for financing its balance of payments during past financial crisis, the increasing openness of the economy as Samoa liberalises and expands its international trade arrangements, requires that it starts to formulate a strategy to access the capital markets for investments and borrowings in the medium term.

Although significant progress has been made with the achievement of the MDGs, the protracted poverty problems and inequality generated as by- product of recent economic growth necessitates the integration of poverty alleviation issues into the design of the trade liberalisation policies and strategies.

This report supports taken an integrated approach to the growth and trade agenda with policy reforms and sectoral recommendations aimed at leveraging the potential of trade for poverty reduction.

Recommendations

1. Central Bank to re-enforce and actively utilise the exchange rate policy to stimulate export oriented activities and to contain import spending.
2. Promote remittances as a potential resource for investments. Undertake an analysis of potential policy schemes, building on the experience of other countries, for the use of remittances as a source of community investment.
3. Develop reliable and timely GDP, BoP and employment data critical to track and manage the contributions of key sectors and the emerging services and to monitor employment shifts among the main sectors of the Samoa economy.
4. Strengthen fiscal (revenue and expenditure) control systems as identified in the PEFA to alleviate the destabilizing financial impacts resulting from tsunami related reconstruction and the global financial crisis.
5. Formulate a strategy to maintain access to concessional financing as well as accessing capital markets, if needed, for investment and borrowings in the medium term to longer term in anticipation of the effects of trade liberalizations and loss of LDC status.
6. Incorporate poverty reduction strategies into the design of the trade sector plan including monitoring and evaluation frameworks, to maximize the effects of trade in poverty reduction.

2 Chapter 2: Trade Development Framework

2.1 Introduction

Samoa initiated trade reforms in the mid 1980s with the lifting of restrictions on some imports, the liberalisation of the foreign exchange and the devaluation of the currency to boost exports. However, various domestic supply side factors and international demand side factors led to a declining contribution of export commodities to Samoa's economy by the early 1990's. The Government subsequently undertook a more comprehensive economic reform programme in the mid 1990's which focused on deregulating the domestic economy and encouraging domestic and foreign investment.

This included the development of the initial Statement of Economic Strategy (SES) in 1996 which articulated a clear and sustained commitment to macroeconomic stabilisation; concerted efforts in trade liberalisation; liberalisation in the financial sector (allowing private sector actors); privatization of state owned enterprises; efforts to improve the business environment; liberalisation and revitalisation of key economic sectors (Agriculture, Fisheries, Manufacturing and Tourism), and strengthening of the public expenditure management.

Major trade liberalisation measures undertaken since then include Samoa's application for accession to the World Trade Organisation in April 1998; the substantial liberalization of tariffs whereby the maximum ad valorem rate was reduced to 20 per cent from 60 per cent¹² in 1998 and recent institutional reforms, national policies and strategies developed to ensure Samoa's integration into the global economy.

This chapter analyses of Samoa's trade performance and balance of payments, with a particular focus on the performance of imports and exports of both goods and services. This is followed by a review and analysis of the existing trade regime with particular focus on the current policies and measures and the trade institutional framework. The chapter makes then proposals for institutional reforms to underpin a more integrated approach to trade policy and poverty reduction.

2.2 Trade Performance

Samoa has continued to run a trade deficit since the 1980s with merchandise exports continuing to decline over the years. This trend has been highlighted in the National Export Strategy 2008-2012 as two distinct cycles of booms and busts for merchandise export since the early 1980's. The key contributing factors in these cycles included the following:

- **Booms Cycles (1981-1985 and 1995-2001):** development and production of substantial new export product(s) such as fish, kava and coconut oil; increased international prices and the noticeable depreciation in the value of the Tala against the U.S. dollar.

¹² With the exception of aviation gasoline fuel and residual oil fuels, cigarettes and cigars, tobacco products, and some alcohol and beverages.

- **Bust Cycles (1986-1994 & 2002-2010):** falling international prices, supply shocks and management issues.

Merchandise exports now constitutes on average less than 10 per cent of GDP. The continual commodity trade deficit has been compensated by increased receipts from tourism, remittances and foreign development assistance. The overall current account remains in deficit. The deteriorating commodity export base has led to decreased foreign exchange earnings for Samoa over the years and subsequently an increased reliance on remittances and foreign development assistance.

Table 2.2.2.2.1: Balance of Payments: 2004/05 – 2010/11

Balance of Payments. 2004/05-2010/11							
(in millions of U.S. Dollars)							
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
					est	proj	proj
Current account	-39	-50	-83	-31	-11	-109	-118
(in percent of GDP)	-10	-11	-16	-6	-2	-20	-20
Trade Balance	-156	-194	-229	-193	-217	-292	-316
- Exports - fob	13	11	12	11	10	9	13
- Imports - cif	-168	-205	-241	-204	-228	-301	-330
of which: Tsunami-related construction (1)						-26	-23
Services	60	70	79	87	98	79	94
- Investment income	-34	-36	-38	-38	-17	-33	-45
Current transfers	91	110	104	113	125	137	149
- Official transfers	1	0	2	2	4	7	6
- Private transfers, net	90	109	102	111	121	130	143
*Households (net 2)	72	88	82	89	97	104	114
*Charitable Organisations	16	20	18	20	22	23	26
* Other Sectors (net)	2	2	2	2	2	3	3
Gross Official Reserves							
- In millions of U.S. Dollars	84	64	81	88	97	120	125
- In months of prospective imports of GNFS)	4	2	4	4	4	4	4

Source: IMF Article IV Consultations – 2010, CBS September 2009 Bulletin and Author's Estimates

As noted in the **Table 2.2.2.2.1** the current account deficit improved significantly in 2007/08 from 2006/07 with further improvements estimated in 2008/09. However, based on IMF projections, the situation is expected to significantly worsen from 2009/10 to 2010/11. Improvements in the services sector, inflows from investment income, official and private transfers¹³ in the next two years are expected to restrain the decline in the current account.

The commodity (exports) trade deficit improved slightly in 2007/08 from 2006/07 but is expected to continue worsening in coming years, due to continually high oil prices and demand for both consumption and capital project goods particularly as a result of the tsunami reconstruction-related imports. The exports of key export commodities such as fish and nonu fruit and nonu juice grew slightly in 2009. In contrast to past trends where

¹³ 80 percent of private transfers are from households (inclusive of remittances in kind and in cash for capital works which cannot be identified separately), with 18 percent from charitable organisations and 2 percent from other sectors.

booms were associated with the discovery of a new product, there are no new significant export products to reverse this declining trend at least in the next five year period. These projects will be discussed in detail in the Agriculture and Fisheries sectoral chapters.

The growth in reserves has remained relatively stable at 3.5 to 4 months of import cover.

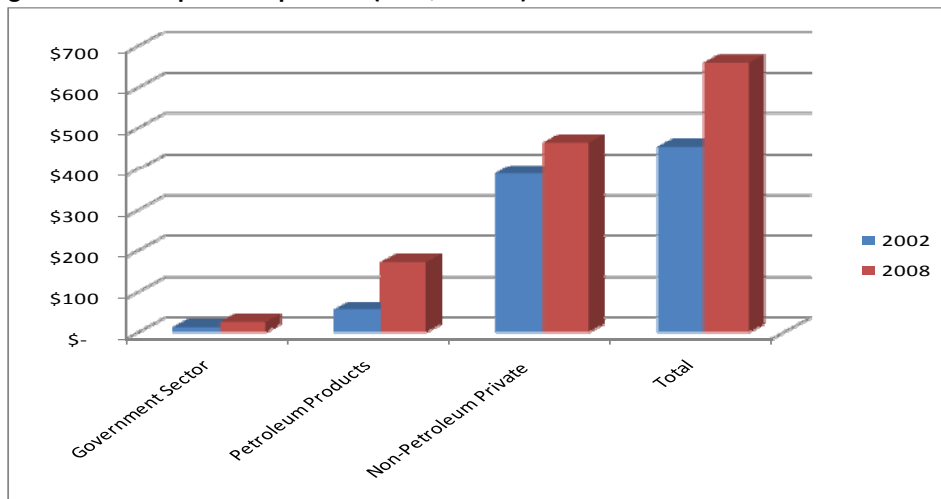
2.2.1 Import Performance

Import Trends

Composition of Imports

Imports have been growing faster than exports, resulting into a wider trade imbalance. The total value of imports has increased by 18 per cent (SAT \$205 million) between 2002 (SAT \$454 million) and 2008 (SAT \$659 million). The rapid increase in imports have been driven mainly by substantial increase of 57 per cent (SAT \$161 million) in petroleum products from SAT \$55 million in 2002 to SAT \$171 million in 2008. The imports of the Government sector increased by more than 50 per cent in value from SAT \$11 million in 2002 to SAT \$24 million in 2008. Growth in non-petroleum private imports only increased by 9 per cent (SAT \$76 million) from SAT \$388 million in 2002 to SAT \$464 million in 2008.

Figure 2.2.1.1: Import Composition (SAT \$ million): 2002-2008



Source: MOF Quarterly Economic Review - Issue No.45

The rapid increase in the overall value of imports since 2002 are a result of high international oil prices as well as the increasing domestic demand in the growing economy which have been driven mainly by increased activities in the telecommunications, construction, commerce and transport sectors.

The limited production of products suitable for domestic consumption has also worsened the continual trade deficit over the years. Based on the Table, the bulk of imported materials (e.g. petroleum, wood, plastics, chemicals and machinery) are for production, industrial, construction and transport purposes. However, the relatively high value of consumption goods which amounted to approximately SAT 166 million or 30 percent of

total import values in 2009 (foodstuffs, live animals and animal products, vegetable products) indicates a rising domestic demand for imported foods. Some of these food products especially at the high end of the market are to meet the demands of the tourism industry and also the relatively affluent sections of the community. A significant portion of imported food products - cheap imported foods that compete with domestic foods, increase dependence on outside providers.

Table 2.2.1.1: List of Key Imports, 2005-2009

IMPORTS CLASSIFIED BY BROAD CCCN(1) CLASSIFICATION					
Amounts in Tala thousands, fob					
Description	2005	2006	2007	2008	2009
Production Based Goods					
Mineral Products	111,639	130,929	140,702	191,610	124,585
Products of the chemical and allied industries	28,253	30,846	34,633	37,614	35,669
Artificial resins and plastic materials	21,703	24,576	22,993	29,694	22,174
Raw hides and skins, Leather, Furskins and articles thereof	601	640	577	475	369
Wood and articles of wood	21,994	22,281	24,410	20,401	19,684
Paper-making material; Paper & paperboard, articles thereof	20,161	20,216	20,020	24,740	17,442
Textile and textile articles	17,753	16,882	14,663	15,897	14,272
Footwear, headgear, umbrellas, sunshades, whips, etc	2,233	3,180	2,759	2,543	1,912
Articles of stone , of plaster, of cement, of asbestos	11,610	10,044	9,985	6,819	10,881
Pearls, precious and semi-precious stones & metals	423	397	1,070	214	183
Base metals and articles of base metals	45,531	50,530	44,421	53,747	40,211
Machinery, mechanical & electrical appliances, part thereof	51,246	106,971	69,220	58,535	56,979
Vehicles, Aircraft, Vessels & associated transport equipment	36,522	46,983	42,431	30,492	33,925
Optical, Photographic, cinematographic, measuring	4,455	4,485	4,158	5,721	5,769
Arms and ammunition; parts thereof	34	39	259	95	36
Miscellaneous manufactured articles	13,028	10,917	12,333	11,098	9,295
Works of art, collector's pieces, and antiques(*)	502	24	8	24	6
Sub-Total	387,690	479,939	444,641	489,718	393,392
Consumption Based Goods					
Live animals and animal products	48,749	46,276	56,897	62,684	60,360
Vegetable products	20,789	22,762	26,695	32,864	33,616
Animal and vegetable fats and oils	3,983	3,633	3,598	6,688	4,590
Prepared food stuffs; beverages and tobacco	46,501	55,201	61,809	67,232	66,821
Sub-Total	120,023	127,873	148,999	169,469	165,387
Total Imports	507,712	607,812	593,640	659,187	558,779
Consumption Based Goods as % of Total Imports	24%	21%	25%	26%	30%

Source: Central Bank of Samoa, September 2009 Bulletin

Direction of Imports – Key Markets

The market structure of Samoa's imports has also undergone a major shift over the last decade as indicated in Table 2.2.1.2: Import by Country, 2005 and 2008 below. In 1998, Australia and New Zealand accounted for 63 per cent of total imports. However,

Australian imports decreased by a total of 10 per cent, from 29 per cent in 1998 to 19 per cent in 2008 and imports from New Zealand decreased by a total of 6 per cent, from 34 per cent in 1998 to 28 per cent in 2008. The combined total market share of Australian and NZ imports accounted for 47 per cent in 2008. Another notable decrease was seen in the imports from Fiji falling by a total of 3 per cent from 11 per cent in 1998 to 8 per cent in 2008.

On the other hand, significant increases were seen in the imports from Singapore and USA since 1998.

As such, although Australia and New Zealand are by far still the top two import markets, Asian markets such as China and Singapore, and the USA now account for an increasing proportion of imports. It is also notable that imports from close Pacific markets such as Fiji and American Samoa have declined since 1998.

Table 2.2.1.2: Import by Country, 2005 and 2008

	2005	2006	2007	2008
Pacific	60.5	49.6	58.9	67.8
New Zealand	30.4	29.1	33.1	30.4
Australia	22.3	14.3	15.5	28.1
Fiji	7.5	5.8	9.8	8.6
American Samoa	0.2	0.1	0.4	0.2
Others	0.3	0.4	0.3	0.4
North America	15.1	9.9	12.1	11.2
U.S.A.	15.0	9.9	12.1	11.2
Canada	0.1	0.0	0.1	0.0
Europe	1.3	3.9	0.9	2.8
United Kingdom	0.8	0.2	0.2	0.8
Germany	0.2	0.3	0.1	0.0
Others	0.4	3.3	0.6	2.1
Asia	21.3	34.8	27.7	17.9
Japan	3.9	6.4	3.3	1.1
Singapore	2.9	8.7	13.2	7.7
China	4.1	5.6	3.2	4.6
Hong Kong	0.7	3.9	3.2	1.0
Taiwan	0.5	0.4	0.4	0.5
Others	9.4	9.8	4.2	3.1
Other(1)	1.8	1.9	0.4	0.3
Total	100.0	100.0	100.0	100.0

(1) Includes adjustments for rounding errors.

Source: Central Bank of Samoa, September 2009 Bulletin

2.2.2 Export Performance

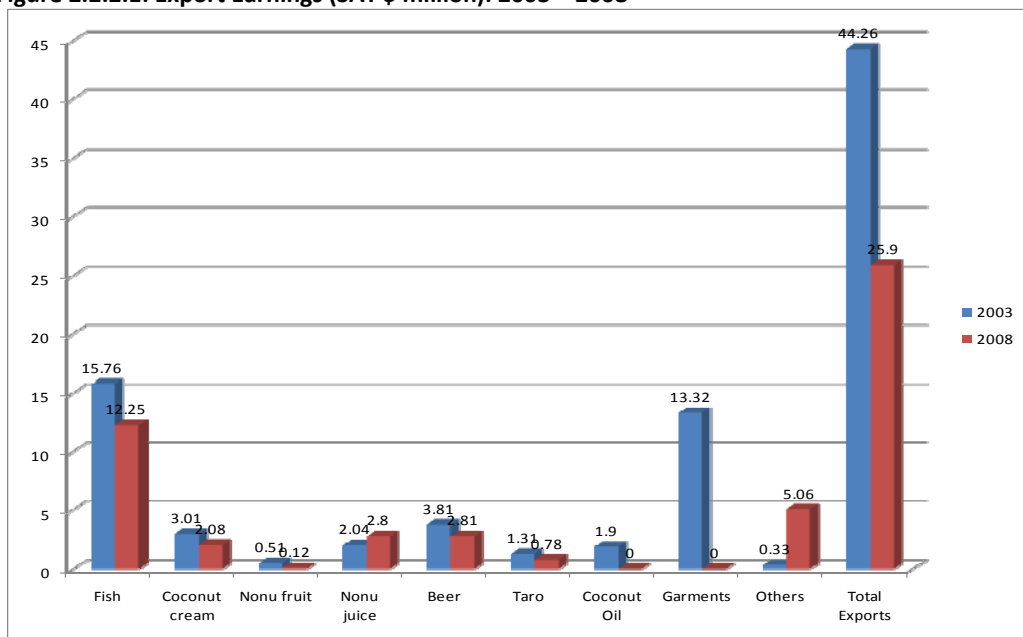
Export Trends

Composition of Exports - Commodities

Samoa's export structure comprises of mainly agriculturally based goods with minimal value adding. Exports were traditionally driven by copra based products including coconut cream and coconut oil in the early 1980's and mid-1990's. However, a major shift in the export structure was noted with the entrance of fish export in the early 1990's which has continued to dominate the list of export products up until now. A five year analysis from 2003 to 2008 (

Figure 2.2.2.1) indicates that the overall value of exports continue to decline sharply with total earnings decreasing by 26 per cent (SAT 18.36 million) from SAT 44.26 million in 2003 to SAT 25.9 million in 2008.

Figure 2.2.2.1: Export Earnings (SAT \$ million): 2003 – 2008

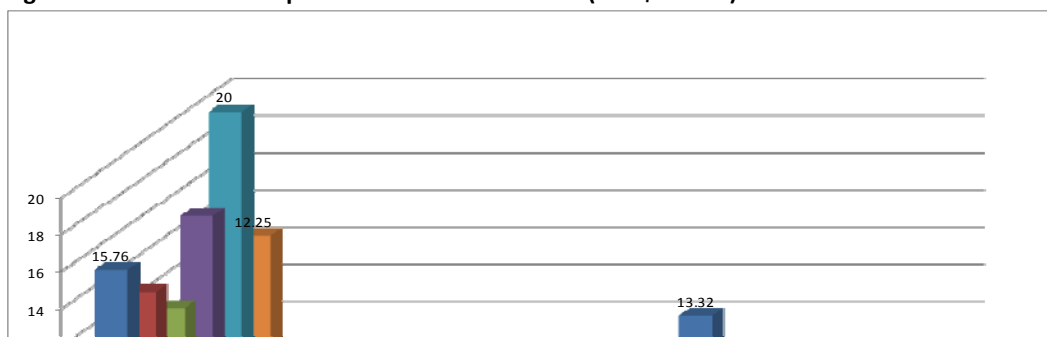


Source: Central Bank Bulletins 2003-2008

Based on this five year analysis, overall negative growths have been reflected in the key export commodities including fish, coconut cream, nonu fruit, beer, and taro with zero earnings recorded for coconut oil and garments in 2008. The only exports that recorded positive growth were nonu juice and others (mainly Yazaki re-exports)

The detailed analysis of the export structure outlined in Figure 2.2.2.2 below further indicates a fluctuating performance for all of the key exports in the last five years. This has been attributed to unpredictable demand and prices on the international markets for these particular products as well as domestic forces such as production limitations, lack of product diversification, insufficient government incentives (such as subsidizing coconut price) and ineffective marketing strategies.

Figure 2.2.2.2: Detailed Export Structure: 2003 – 2008 (SAT \$million)



Source: Central Bank of Samoa Bulletins 2003-2008

It has been noted that the continued focus and production of these cash crops and products are strongly linked to a pressing need for import substitution industry and food security which combine to make Samoa's agriculture and fisheries sectors attractive for incoming investment and technology transfer. The manufacturing or industry (mainly Yazaki re-exports) is not large, but it is an important contributor to the country's balance of payments and provides vital employment opportunities.

Given this scenario, there is a strong need and urgency to invest in and to revitalize key sectors especially agriculture and fisheries as the platform on which a trade-focused development strategy is dependent for success. Investment in agriculture and fisheries is also extremely important for national food security. The export sector has also clearly identified these constraints and has subsequently developed the National Export Strategy 2008-2012 to improve the contribution of the export sector to the overall economy.

Local production needs to remain the core of the food system and the capacity of Samoan farmers and fishermen to trade their produce locally, regionally and internationally needs to be supported and extended. These issues are further elaborated upon in the sector chapters for agriculture, fisheries and manufacturing.

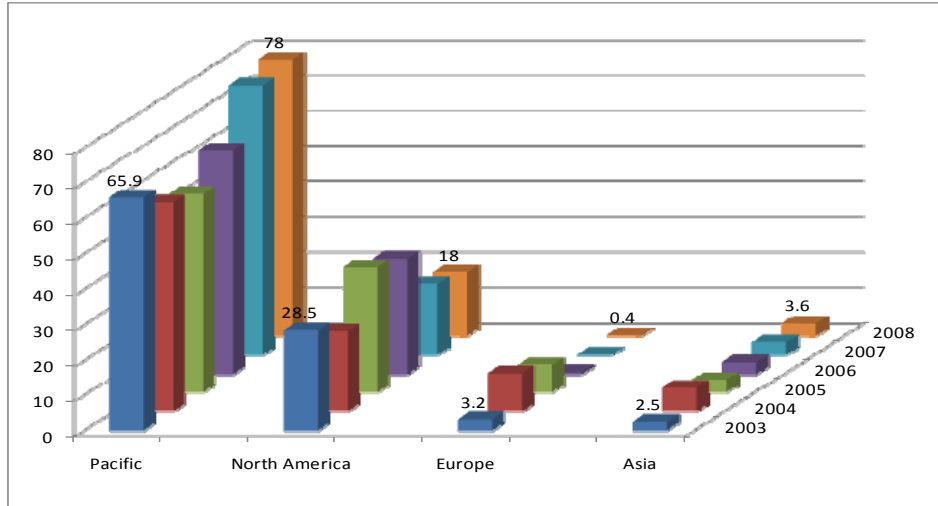
Direction of Exports (Commodities) – Key Markets

Samoa's key export markets have changed considerably over the last three decades, with Europe and New Zealand being the top two markets in the 1970s reflecting the dominance of copra and cocoa that was shipped to Europe and bananas to New Zealand. The early 1980's saw a shift in the composition of markets with entrance of coconut oil exports to USA and New Zealand being second with the rising taro exports. In the 1990's, New Zealand took over from the USA as the leading export destination due to the entrance of the canned coconut cream and declining exports of other major commodities.

The export structure in Figure 2.2.2.3, over the last five years indicates that the Pacific continues to be the top destination accounting for more than half of exports (78 per cent)

in 2008, followed by North America (18 per cent), Asia (3.6 per cent) and then Europe (0.4 per cent) respectively.

Figure 2.2.2.3: Export Structure – By Country, 2003-2008



Source: Central Bank of Samoa Bulletins 2003-2008

Based on a detailed analysis of key markets Table 2.2.2.1: Detailed Export Market Structure: 2003-2008 indicates that the top five export markets in 2008 are American Samoa (54.2 per cent), USA (17.7 per cent), New Zealand (11 per cent) and Australia (3.9 per cent) and Japan (2.1 per cent).

Table 2.2.2.1: Detailed Export Market Structure: 2003-2008

	2003	2004	2005	2006	2007	2008
Pacific	65.9	59.2	56.1	63.3	76.2	78.2
New Zealand	11.2	7.7	9.5	9.4	10.5	11
Australia	9.1	7.3	6.2	3.4	3.5	3.9
Fiji	0.1	0.2	0.1	0.1	0.4	0.2
American Samoa	44.2	43.2	39.5	49.1	51.7	54.2
Others	1.3	0.9	0.8	1.3	10.1	8.9
North America	28.5	22.9	35.5	32.6	2.0	17.7
U.S.A	28.1	22.9	35.5	32.6	2.0	17.7
Europe	3.2	11.1	8.1	0.6	0.2	0.4
Germany	2.4	0.8	-	0	0.1	0
United Kingdom	0.1	14.5	2.5	0	0	0.4
Netherlands						
Others	1.1	4.5	5.6	0.6	0.1	0
Asia	2.5	6.9	3.8	3.5	3.7	3.6
Japan	2.2	6.9	3.3	3.1	3	2.1
Others	2.9	5.9	6.9	2.4	10.7	9.4
Total	100	100	100	100	100	100

Source: Central Bank of Samoa Bulletins 2003-2008

This indicates that Samoa's export market structure continues to be dominated by a handful of countries such as American Samoa and USA due mainly to fish exports.

Services

Samoa's major asset is its people and is considered to be its key comparative advantage in terms of international trade. As already highlighted, the services sector is currently the main contributor to GDP. A significant number of the country's population is employed in the sector, and the sector is contributing significantly to the creation of new jobs. The services sector is important in an economy because of the important role services sub-sectors such as telecommunications, education, labour export, transport, and finance play in driving growth in other sectors of the economy; and because of the economic and social contribution the services sector can make on its own. In the absence of detailed trade data on services the GDP statistics below traces the growth trend of services

Table 2.2.2.2: GDP in Current Market Prices for Services Sector 2005-2009 (ST '000)

GDP at market prices, by industry						
000 Tala	2005	2006	2007	2008	2009	Trend Growth
At Current Prices						
Commerce	204,789	225,106	269,376	281,912	285,488	2.3
Hotels, Restaurants	30,090	32,250	43,840	48,250	52,210	3.8
Transport, Communication	160,100	170,844	189,448	195,740	201,398	1.6
Public Administration	85,932	100,971	113,353	124,821	127,926	2.6
Finance and Business Services	101,385	111,394	118,004	121,402	126,413	1.3
Personal and Other Services	65,600	62,956	63,820	66,129	62,011	-0.1

Tourism plays a leading role in foreign exchange earnings equivalent to at least 20 percent of GDP. However the format of the present GDP statistics on hotels and restaurants does not bring out the relative importance of tourism. Other emerging services income sources captured in the current account include telecommunications net settlements (estimated to be in the \$15m to \$20m), fees earned through the offshore centre (estimated at \$20m). Export of professional services including accountants, development consultants, seamen and professional sports persons are estimated to be earning at least \$5 million per annum.

2.3 Trade Regime

Samoa has a relatively open trade regime in terms of export and import procedures with the main requirement being a holder of a current business license and also meeting requirements as set out in the relevant legislations and regulations for exporting and importing. There are few limitations in relation to exporting of raw logs of timber and live coral explicitly prohibited and the current import ban on turkey tails and vehicles not more than 12 years old.

The import and export measures are detailed in the Samoa Trade Policy Statement 2008 (TPS). The following sub-sections provide details of the import and export measures.

2.3.1 Import Policy Measures

Key measures that have been established to implement import policies include the substantial tariff restructuring initiated in the early 1990s. As indicated in Table 2.3.1.1: Import Measures below, Samoa's import regime is fairly liberalized.

Table 2.3.1.1: Import Measures

Measures	Associated Legal Act/Mandate	Brief Description	Main Focus
TARIFF RELATED MEASURES			
Tariff Restructuring	Budget statements announcing these policy decisions and related amendments to relevant Acts approved by Parliament.	<p>With the exception of some tobacco, beverage and petroleum products, the highest rate of duty is now 20 percent. Further reductions in 2000 led to a drop of all items that were 15 percent to 8 percent and selected items that were 20 percent to 8 percent. These changes have resulted in a simpler duty schedule with four general rates of zero, five, eight, and twenty per cent. Subsequently, import duties have hardly ever been used a measure of industry protection. All imports are therefore subject to a single set of tariff rates which are ad-valorem¹⁴</p> <p>Import duty on motor vehicles removed and replaced with excise tax based on the size of the engine.</p>	Binding import tariff rates under a duty schedule with four general rates of zero, five, eight, and twenty per cent.
Tariff Rate Quotas, Tariff Exemptions	Section 164 of the Customs Act	<p>No tariff rates quotas are applied on any product.</p> <p>Exemptions are for some imported products¹⁵ and specific schemes that are accorded tariff exemptions include:</p> <ul style="list-style-type: none"> - Enterprises Incentives Scheme: - Temporary Imports subject to Section 164 of the Customs Act - Re-exports of ex-bonded storage - Goods in transit 	

¹⁴ Except for waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured (HS 22.02); beer made from malt (HS 22.03); wine of fresh grapes (HS 22.04); cigars, cheroots, cigarillos, and cigarettes, of tobacco or of tobacco substitutes (HS 24.02); other manufactured tobacco (HS 24.03).

¹⁵ Diplomatic passports for official use; Accompanied passenger baggage up to a value of SAT\$500; Imports from airport duty free shops; Household effects (returning residents and persons taking up initial permanent residence in Samoa); Temporary imports of yachts by tourists; Educational aid; Disaster relief; and Bread concentrates and premixes

		- Duty Suspension Scheme (see export measures)	
Import Restrictions, Prohibitions, Quotas Licensing Systems:	1959 Health Ordinance ¹⁶ , Customs Act 1977 Section 49(3) and 49(4), 1989 Lands and Environment Act, Stockholm Convention on Persistent Organic Pollutants (POPs)	As noted in the existing Trade Policy Statement, the government <i>“neither maintains nor has any intention of introducing or applying quantitative restrictions on imports, or other non-tariff measures such as licensing, quotas, prohibitions, and other restrictions having equivalent effect that cannot be justified under the provisions of the WTO Agreement”</i> ¹⁷ .	Current restrictions and prohibitions based on health, environmental and agricultural reasons.
NON TARIFF RELATED MEASURES			
Government Procurement Procedures		The revamped procurement guidelines are deemed to be more in line with international standards and also promote domestic trade especially for domestic firms in a clear and transparent manner. Tenders of greater value are open to international bidders and follow internationally accepted bidding procedures.	Rationalizing procurement especially for petroleum products and government sector
Rules of Origin Regulations	Customs Rules of Origin Regulations 2006.	The Customs Rules of Origin Regulations 2006 are now in place at the national level.	The main focus of the national policy is to encourage regional trade. PICTA also has established regional rules of origin.
Anti-dumping, countervailing duty and Safeguard Regimes:	Section nine of the Customs Tariff Act of 1975	There are currently no specific anti-dumping measures in place although it is noted that there are existing provisions in place concerning the imposition of anti-dumping measures in some domestic legislation.	A Dumping and Countervailing Duties Bill 2008 has been prepared.
Intellectual Property Rights	Trademarks Act 1972, the Industrial Designs Act 1972, the Patents Act 1972, and the	For Samoa, intellectual property is regulated by the Trademarks Act 1972, the Industrial Designs Act 1972, the Patents Act 1972, and the Copyright Act 1998. The only current	Other pieces of legislation need to be revised and brought into conformity with international

¹⁶ Currently being amended via the Public Health Bill

¹⁷ GATT 1994, Article XIX, XII, XVII and XX respectively

	Copyright Act 1998.	<p>legislation that complies with WTO TRIPS Regulations is the Copyright Act 1998.</p> <p>The formulation and implementation of intellectual property policy rests with the Registries Division of the Ministry of Commerce, Industry and Labour. Notably, the investments required for conformity and implementation of TRIPs is significant.</p>	regulations such as the TRIPS agreement.
Sanitary and Phytosanitary Measures	Agriculture, Forests and Fisheries Ordinance of 1959, the Plants and Soils Importation (Disease Control) Ordinance of 1950 and Regulations of 1951; Guidelines for Pesticide Registration and Import Permits of 1991.	<p>For imports, only samples (600 units per consignment) are subject to customs control.</p> <p>All import permits related to importation of prohibited goods which may be general or conditional in nature are granted by the CEO of the Ministry of Agriculture following an Import Risk Analysis evaluating the pest status of the country of origin and recommendations of the Quarantine Advisory Committee composed of the technical personnel and Principal Veterinarian.</p>	<p>Current focus of SPS regime relate mainly to plant protection.</p> <p>Further discussed in Customs and Trade Facilitation Chapter</p>
Streamlined Administrative Procedures	Customs Act 1977, the Excise Act, Miscellaneous Fees and Charges, and Customs Regulations	<p>Tariff classification system now using Harmonised System Nomenclature 2007</p> <p>Fees and charges associated with the services rendered for both imports and exports are charged according the Customs Act 1977, the Excise Act, Miscellaneous Fees and Charges, and Customs Regulations.</p> <p>Commercial importers only required to have valid business license to engage in importing.</p>	

Key measures that stand out in terms of ongoing need for reform and possible technical assistance include:

- **Tariff Rate Quotas, Tariff Exemptions:** Samoa may be expected to make necessary changes to its current list of exempt products and existing schemes in order to conform to its commitments for WTO accession.
- **Import Restrictions, Prohibitions, Quotas Licensing Systems:** There are existing legal provisions and policies in place that enable the Head of State to prohibit the importation of goods into Samoa so as to protect public interest such as measures undertaken to limit negative consequences on the environment and health of Samoans. Recent import prohibitions relating to the ban of turkey tails for health reasons and ban on motor vehicles over 12 years that can be imported have been queried by Samoa’s WTO Accession Working Group and MFAT are currently preparing submissions to answer these queries.
- **Anti-dumping, countervailing duty and Safeguard Regimes:** There are currently no specific anti-dumping measures in place although it is noted that there are existing provisions in place concerning the imposition of anti-dumping measures in some domestic legislation¹⁸. It is noted that a Dumping and Countervailing Duties Bill 2008 has been prepared. There is a need to expedite this process given the role it will play once Samoa accedes to WTO.

2.3.2 Export Policy Measures

The key export-related measures are highlighted below:

Measures	Associated Legal Act/ Mandate	Lead Implementing Ministry	Brief Description	Key Sector Focus
Duty Suspension Schemes	Customs Act 1977	MCIL	Targets exporters. Suspends import duties on raw materials required for manufacturing of products for export.	Manufacturing
Duty Concession Schemes	Tourism Incentives Act 2003 and provisions of the Customs Amendment Act 2007	MCIL	Exempts capital items used for development from import duty.	Tourism and Manufacturing
Duty Drawback Schemes	Customs Act 1977, Sections 166-168 and 1986 Customs Regulations – Regulations 68 -71.	MCIL/MfR	Targets local manufacturing exporters and provides drawback of duty on imported materials used for exporting manufactured	Manufacturing

¹⁸ Section nine of the Customs Tariff Act of 1975

			products	
Code 121	Customs Tariff Amendment Act 2008	MCIL/MfR	Provides duty free concessions for commercial poultry farmers, manufacturers of agricultural products for import and export substitution, commercial handicrafts and commercial elei garments	Agriculture/ Manufacturing

2.4 National Export Strategy (NES: 2008-2012)

In the context of an increasingly competitive trading environment and in the face of declining export performance in recent years, Samoa's National Development Strategy identified the formulation of a National Export Strategy (NES) as crucial to leverage the potential of trade for development.

The primary vision of the NES is for the export sector to be the major contributor to sustainable economic growth by 2012. The overall goal is to improve the competitiveness of the country's exports in both regional and international markets with key strategic objectives focusing on:

- national and regional comparative advantages;
- aligning policy to national and regional imperatives/conditions;
- developing linkages with regional and international markets and institutions;
- combining incentives and supply side measures; and
- identifying bottlenecks impeding the development of the country.

The five key sectors highlighted in the NES with export potential are broadly in line with the key sector priorities in the SDS 2008-2012. The primary focus of the NES is on goods. Strategies pertaining to the tourism and services sector are not reflected in the overall goals/objectives of achieving the NES vision. This represents an important limitation of the NES given the importance of the services sector in Samoa's economy.

This report reconfirms the priority sectors of the NES and provides the analysis of key constraints and opportunities in each sector including for the services sectors and fisheries. Detailed discussions are provided in the corresponding sectoral chapters.

One of the key recommendations of the NES was to establish a National Export Authority with primary responsibility for overseeing the implementation of the NES. This report highlights the need for institutional improvements for the adequate coordination and implementation of trade policy more broadly. Specific recommendations are made below regarding such improvements which emphasize the need for proper whole of government coordination mechanisms for the formulation and implementation of an integrated trade agenda, involving the private sector.

The successful implementation of Samoa's trade strategy, including the recommendations made in this report, will require strong leadership and commitment from Government, the private sector and the community to make it happen. More effective and informed dialogue between the private sector and government as well as the allocation of sufficient resources for its implementation will be critical as well as the

need to streamline the key activities of the strategy into the respective stakeholders corporate and investment plans.

2.5 Existing Trade Institutional Framework

2.5.1 Development Cooperation Mechanism

Cabinet Development Committee

The Cabinet Development Committee (CDC) is seen as the main operational body linking the key Government stakeholders at the Ministerial and CEO levels for guiding the new approach to a holistic approach to trade. The CDC, through its technical arm or Secretariat with the Economic Policy and Planning Division (EPPD) of the Ministry of Finance, has a key role in endorsing all development projects within the public sector that have a total cost of SAT\$100,000 or more. Projects are submitted to the EPPD for appraisal and once favourably approved will then be forwarded to the CDC for endorsement which will subsequently be passed to the Aid Coordination Committee for funding consideration should foreign funding be required.

The CDC is comprised of all Cabinet ministers as well as heads of all government ministries and corporations. The CDC meetings are held every two months and are rotated to concentrate on different broad sectors from meeting to meeting. These broad sectors are:

- Economic Sector
- Social Sector
- Infrastructure

Cabinet

The Cabinet, also through its technical arm or Secretariat with the Ministry of the Prime Minister, may also endorse or approve development projects when the project's quick approval is urgently required. Where the CDC meets every two months, Cabinet meetings is held every mid-week to discuss and approve any administrative or high level issues requiring Cabinet discretion. The proposed Enhanced Trade Policy being promoted in this report would require a formal endorsement by Cabinet following a discussion paper being circulated at the CDC.

2.5.2 Trade Coordination Mechanism

The Samoa government has recognised the need to have responsive consultative mechanisms through which policies are formulated and reviewed over time. As such, a number of committees have been established to promote the trade agenda. These include; the National Working Committee on Trade Arrangements (NWCTA - formerly known as the WTO Working Committee, the National Trade Facilitation Committee, National Export Strategy Steering Committee and the National Integrated Framework Steering Committee and the Trade, Commerce and Industry Development Board (see Box 2.5.2.1).

At the national level two bodies currently deal with trade and investment issues.

1. **Trade, Commerce and Industry Development Board (TCIDB)** – the Board’s mandate is derived from the Trade, Commerce and Industry Act 1990^[1] and its original core functions under the Act were:

- To be a forum where members representing the trading, commercial and industrial communities within Samoa and representatives of the Government of Samoa can freely exchange views and hold regular dialogue with the view to resolving problems that are hampering progress and restraining the advancement of trade, commerce and industry in Samoa;
- To enquire into and to make recommendations to the Minister as to ways and means of improving facilitating and enhancing the development of trade, commerce and industry in Samoa;
- To monitor and report regularly to the Minister as to the rate of inflow of new businesses into Samoa from overseas countries and as to the rate of growth of trading, commercial and industrial businesses in Samoa;

The current core members include:

- Minister of Commerce, Industry and Labour (Chairperson);
- CEO - MOF;
- CEO – MWTI;
- CEO - MfR;
- CEO - MAF;
- CEO – MCIL (Secretary);
- President - SAME;
- President - CoC

The Board’s role now focuses on providing a forum for government-private sector dialogue on key issues pertaining to trade and investment. Some of its key tasks in recent years have been the review of the tariff anomalies for some locally produced and processed products and initiating the “Lotonuu” logo which is aimed at promoting the development and marketing of Samoan products. The Board has become a useful forum for consultation on trade, commerce and investments issues but it needs to be more focused on providing informed and research based advice to Government on creating the right enabling environment for the private sector to flourish as the engine that leads to economic expansion.

2. **National Working Committee for Trade Arrangements (NWCTA^[2])** was recently established by Cabinet to provide a forum for discussion of most issues relating to trade arrangements as well as to provide strategic advice to Cabinet regarding trade matters. The NWCTA comprises 14 core members with 11 government agencies, 1 civil society group and 2 private sector organisations. The secretariat functions are undertaken by MFAT:

<u>Government Agencies</u>		<u>Civil Society</u>
1.	MFAT (Chairperson and Secretariat)	SUNGO
2.	MCIL	
3.	MOF	
4.	MfR	<u>Private Sector</u>
5.	MAF	CoC
6.	MOH	SAME

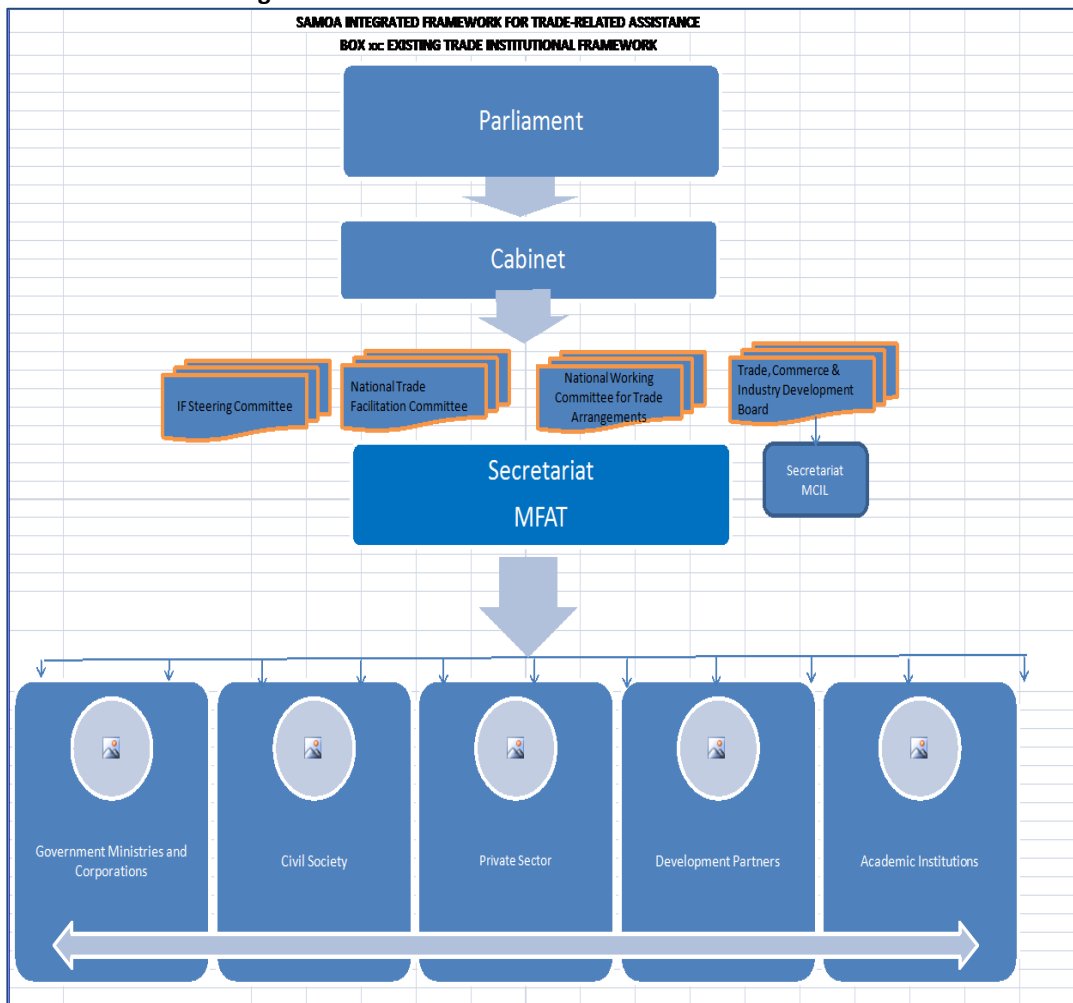
^[1] Main aim was to encourage new cash crops, develop resource-based industries, encourage local entrepreneurial activities, attract foreign investment and negotiate trade agreements.

^[2] Formerly known as the WTO Working Committee, was endorsed by Cabinet in January 2010 FK(I0)03

7. AG
8. MNRE
9. CBS
10. MWTI
11. MWCS D

There is a certain degree of confusion with regards to who is ultimately responsible for the development of trade as both bodies deal with trade issues to some degree. Notably, in terms of mandates and resourcing the Board has more leverage and influence as it is mandated by a legal Act and is also chaired by a Cabinet Minister, however, in relation to specific trade policy issues NWCTA has a clear advantage in that it has a broader spectrum of key stakeholders directly involved with trade.

Box 2.5.2.1: Existing Trade Institutional Framework



2.5.3 Agencies with Mandates Relevant to Trade Planning and Development

The government has made substantial institutional reforms with regards to mainstreaming trade into the overall development framework. This included the restructuring of the Department of Trade, Commerce and Industry which lead to the shift of the Trade Division to the Ministry of Foreign Affairs (now MFAT) and the Commerce and Industry Component to the Ministry of Labour (now MCIL) in

2003. This reform reflected the need to closely integrate oversight of foreign policy and international trade arrangements through the MFAT and the need to ensure that employment policies are aligned closely with the needs of the commerce sector through MCIL.

Ministry of Foreign Affairs and Trade

MFAT's current core mandate in terms of trade is focused on trade development and export promotion. The Trade division is tasked with administering domestic and international trade policy with particular focus on international trade agreements such as the accession to World Trade Organisation. At the operational level MFAT has been tasked with the responsibility of formulating, negotiating and implementing the national trade policy. MFAT conducts foreign affairs and trade relations with other nations; policy advice and representation activities; main channel of communication with other governments, including the negotiation of agreements. The scope of the MFAT role in negotiating and managing trade relations/agreements between Samoa and other countries need to be clearly defined to ensure it does not overlap with those of MCIL, MAF and others.

Since the institutional reform in 2003, the role of the Trade division has somehow been marginalized as it operates somewhat separately from the whole Ministry. The Trade division is currently staffed by 10 full time employees and it only receives approximately 3 percent of the annual MFAT appropriation under the local budget and covers only basic operational and personnel costs. There is minimal allocation for international travel and local consultations and the lack of adequate resources has hampered the division's ability to effectively carry out its other core tasks such as export promotion and development.

MFAT has received substantial funding from international organisations for technical assistance and training with a particular focus on international trade policy. This has been detrimental to export promotion until recently when the National Export Strategy (NES) was developed with assistance from the Commonwealth Secretariat in 2008. As noted below and chapters to follow, Samoa needs to accord more priority on building supply-side capacity rather than to secure or increase the size or access to international markets. According priority to the implementation of the existing NES (2008-2012) will also provide a clear framework for MFAT to draw from in terms of key productive sectors when undertaking trade negotiations with international and regional partners. However, as noted above there is currently very limited resources within MFAT to effectively carry out its role for administering international trade agreements and export promotion.

There are several ministries and organisations which work closely with MFAT and contribute to the discussions of trade related issues at the strategic and operational level. These include the following:

Ministry of Commerce, Industry and Labour

MCIL has a very broad mandate encompassing some 26 legislations covering industrial relations and occupational safety; employment and labour market functions; fair trading, investment promotion and industry development; registration of companies and intellectual property. There is a need to develop a much greater focus on its key role as trade and investment policy advisor to government and as the focal contact point in government for the private sector.

MCIL's core activities focus on providing an enabling environment for businesses through the provision of quality advisory service and developing pragmatic regulatory frameworks to facilitate the development of the private sector to stimulate investment, industry development, increased innovation, registry integrity, generate decent work opportunities, improve safe work environment, and fair competition in Samoa.

MCIL also administers various schemes such as the Duty Concession and Private Sector Support Facility which aims to promote private sector development and trade. Many challenges have also been encountered by the Ministry especially with regards to the 2003 institutional reforms whereby additional mandates pertaining to foreign investment, industry and commerce issues were incorporated into the Ministry. As such, the investment promotion role of the Ministry has been marginalised to some degree and high turnover has added to already heavily stressed resources.

Operational Level Mechanism

Government

- **Ministry of Agriculture and Fisheries (MAF):** the trade opportunities identified in several studies have highlighted the importance of the agriculture sector to the Samoan economy despite the decline in the sector's relative contribution to the GDP over the past several years. The Agriculture sector plan has yet to be completed. This plan needs to set clear and forward looking sector policies, strategies and investment programmes to address the supply side issues and institutional constraints that have so far limited capacity to exploit the country's export and import substitution potential.
- **Ministry of Finance (MOF):** the ministry through its planning, budgeting and aid management roles is well placed to assist in securing technical assistance and long term funding to support the government agencies and the private sector (including the communities) in the development of trade through institutional strengthening and provision of infrastructure.
- **Ministry of Revenue (Customs Division - MfR)** plays a vital role in ensuring that all relevant legal, security and revenue risks are managed for all imported and exported goods.
- **Ministry of Women, Community and Social Development (MWCSO):** mobilizes the support of the village communities in the implementation of programmes to increase economic use of customary lands, and assist in the coordination of programmes of the various ministries and agencies of government and those of nongovernmental organisations targeting community development.
- **Scientific Research Organisation of Samoa (SROS):** the corporate objectives of the organisation is to promote the national economy based on research and development; to undertake research with the primary aim of adding value to local resources and services; and to develop prototypes of products and processes for the local or overseas markets are consistent with and supportive of the national efforts to develop the trade potential of Samoa. With adequate resources and technical capacity SROS is expected to play an increasingly important role in trade facilitation.
- **Samoa Bureau of Statistic and Central Bank of Samoa (SBS/CBS)** – provides the statistical data for trade.

Development Partners

- National: various direct and indirect financing programmes have been provided by Samoa's bilateral and multilateral partners towards the development of the private sector and trade. Active in-country partners include NZAP, AusAID, World Bank, ADB, UNDP continue to provide financing for identified trade interventions. China and Japan have also made significant contributions especially with regards to infrastructure developments for national academic institutions (NUS), ports and shipping services among others.
- Regional/International Facilities: Pacific AfT, EIF, PIFS and SPC.

The Private Sector

- **National Private Sector Organisation (NPSO)** - is a recently formed national body comprising the Chamber of Commerce & Industry, Samoa Association of Manufacturers and Exporters, Women In Business Development Incorporated, Samoa Hotels Association. Its main aim is providing a coordinated and strategic focus for private sector organisations in Samoa as well as an official conduit between government and the private sector. The private sector involvement in the policy reviews underpinning the commerce and international trade arrangements has expanded significantly with the formal channels of dialogue between the government and the private sector established and increase in representation on the working committees.

Civil Society

- **Samoa Umbrella of NGOs (SUNGO)** is a national NGO which comprises of most national NGO's and acts as a national conduit between government and civil society. SUNGO has taken an active role in the trade and commerce policy reviews as they become recognized at the local and international levels as having a critical role in the representation of civil society perspectives of trade reforms.

Academia

- **National University of Samoa** – provides resources and certification process for a higher skilled local workforce.
- **Samoa Qualifications Authority (SQA)** – is responsible for policy advice, coordination and quality assurance of post school education and training activities in Samoa.
- **University of the South Pacific (Alafua Campus)** – provides resources that are focused on agricultural research.
- **Australian Pacific Technical College (APTC)** – is an Australian Government initiative designed as a centre of training excellence, to gain Australian-standard skills and qualifications for a wide range of vocational careers in the key areas including tourism and hospitality, automotive, manufacturing, construction, electrical trades, health, and community services.
- **Oceania University for Medicine (OUM)** – established in 2002, OUM offers graduate-entry medical programs via a blend of distance-learning and other innovative modes of teaching. Its degrees are recognized in North America, Australasian region. Its main goal is to train well-rounded graduates with the foundation knowledge, attitudes, behaviour, and skills to be successful in postgraduate medical training, as well as throughout their careers.

2.6 Key Issues and Weaknesses in Trade Policy and Negotiations Capacity

Inadequate Mechanisms for Trade Policy Coordination at the National Level

Trade policy dialogue between the individual trade ministries and private sector and non-governmental organizations is not well developed and is largely limited to occasional workshops and seminars – for a more suited for the disseminations of specific information than for interactive dialogue about trade policy priorities as they are being considered in advance of, or during a negotiation. Small trader groups are still typically marginalized as they face particularly severe constraints in terms of resources and access to information.

There is also a need for institutionalizing the current interagency coordinating process to ensure all ministries or agencies with a stake in or expertise relevant to, trade negotiations have an opportunity to participate in policy decisions made in advance of negotiations.

Insufficient Staff Capacity to Participate in Multiple Simultaneous Negotiations

As noted during consultations, the demands on trade policy processes are strained. Most core agencies such as MFAT and MCIL suffer from insufficient numbers of staff to participate substantively in the full of negotiations currently underway.

There are concerns on preparation, timing and sequencing of various trade agreements especially with the collective pressure of concluding Samoa's WTO accession, EPA negotiations with EU as well as negotiating a regional free trade agreement with Australia and New Zealand under PACER Plus, and PICTA trade in services. These issues are further discussed in Chapter 5.

Weak Data and Policy Options Analysis Capacity

Trade analysis needs to build on the substantial progress in data collection already undertaken various agencies such as the Forum Secretariat and the Commonwealth Secretariat. Data needs to be available for economic analysis for trade, finance and policy making purposes. Off site training of individuals in the government and institutions needs to train experts to collect, maintain secure access to a comprehensive database for Samoa that will permit econometric modeling and qualitative analysis.

Essentially, data gathering should provide expanded “doing business” data that is targeted to meet Samoa's needs, for example assessing small and medium sized entities and perishable products that are subject to SPS requirements and special shipping and handling.

MFAT or MCIL will be the logical site to create a database given its lead role in the trade sector. Import and export data needs to be maintained at a uniform level of detail (6 digit, 2007 HTS), adjusting for currency and FOB/CIF collection. The data should be cleaned by comparing to mirror data and investigating anomalies.

Limited Resources to Enforce and Monitor Policies and Strategies

Implementation of key policies and strategies such as the Investment Policy, Trade Policy Statement and NES has been constrained by the chronic lack of resources (both financial and skills) within key agencies to enforce and take advantage of these policies and strategies. Ongoing capacity building programs cannot keep up with

complex trade agendas and this assistance has tended to focus on complying with obligations rather than capturing local benefits.

As noted in the above sections there is a need for clarifying and streamlining the roles and responsibilities of existing mechanisms at the strategic and operational level. Options for mainstreaming these processes are discussed in section 2.7 below.

Ineffective use of current tax based incentive schemes

The existing export incentives schemes are currently being administered by three agencies MfR, MoF and MCIL. It has been noted that the private sector is not fully aware of the existence of these schemes, how they operate and potential benefits for businesses. Current procedures and processes for accessing these schemes are too cumbersome leading to delays which deter most businesses from using the schemes. Implementation has also been hampered by lack of adequate resources in all three agencies

2.7 Enhanced institutional framework for Trade Policy Formulation and Implementation

Samoa's trade policy framework has progressively widened through the adoption of the national development strategy -SDS 2008-2012, the National Trade Policy and National and National Export Strategy 2008-2012, the National Investment Policy Statement 2008 and other sector specific strategies such as tourism. The key challenge now as noted above relates to the development of a more integrated approach and enhancing coordination and implementation of this policy framework, including involving the active and effective involvement participation of the private sector, expected to lead the process. Critical as well is clarifying the role and responsibilities of key ministries involved in the formulation and implementation of trade and investment policy – the MCIL and MFAT- after the reorganization in 2003, and streamlining the existing committees that currently lead specific trade initiatives or processes.

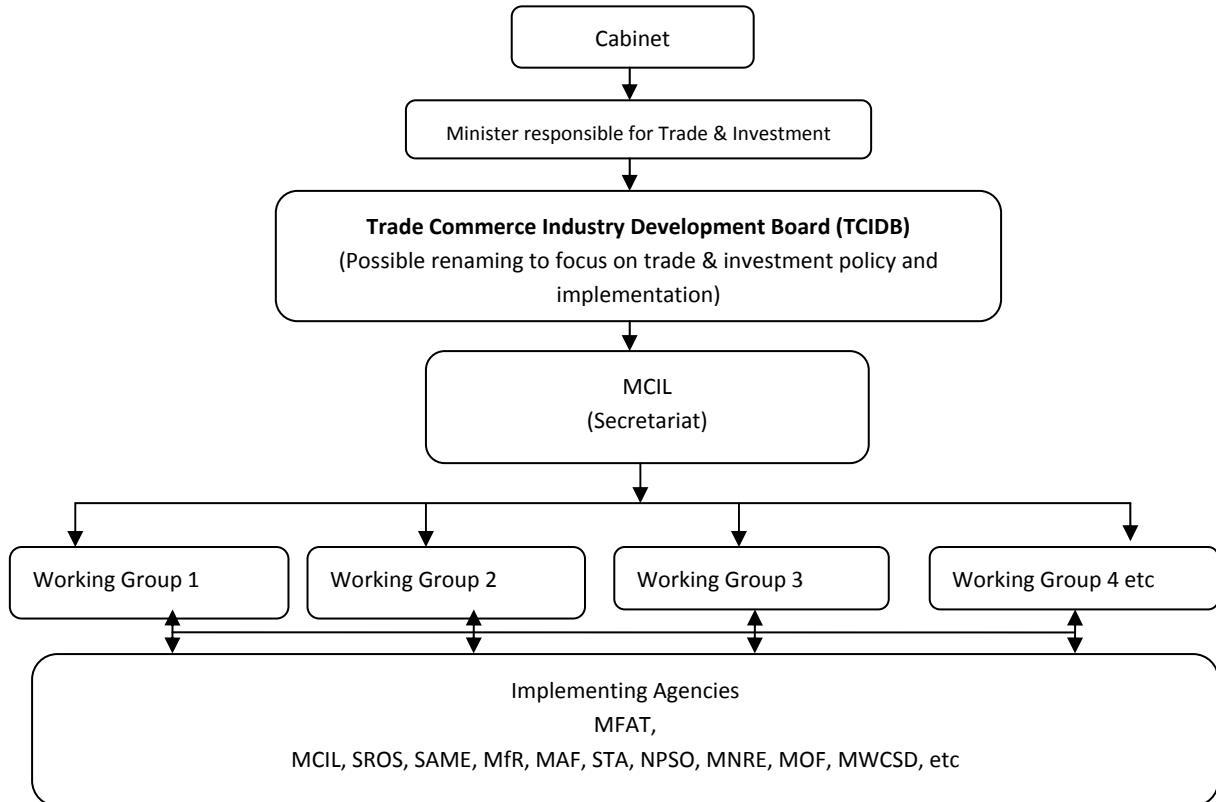
The proposed institutional reform will also allow addressing the identified weaknesses in trade policy and negotiations capacity, mentioned above.

Inter-ministerial coordination of trade policy would be facilitated by expanding the mandate of the existing Trade, Commerce and Industry Board to assist with coordination of trade policy formulation; have input to trade policy, including tariff levels; and coordinate the trade related aspects of the SDS. Alternatively the current trade policy coordination process may be strengthened by formalizing the role of MCIL as the lead agency for trade and investment policy formulation and MFAT as the primary agency for international trade negotiations.

The roles and mandates of the various national steering committees set up for monitoring and implementing various trade initiatives such as the WTO Working Committee, IF Steering Committee, and National Export Steering Committee will need to be reviewed to ensure there are no overlaps and duplications and to minimize the demand on those senior officials whom may currently be serving in some if not all of these committees. The review should also look at alternative institutional arrangements to ensure strong leadership and commitment to the implementation and ongoing monitoring of the national trade strategy.

Two possible options for institutional arrangements are presented below:

Option 1: Revamped Trade, Commerce Industry Development Board

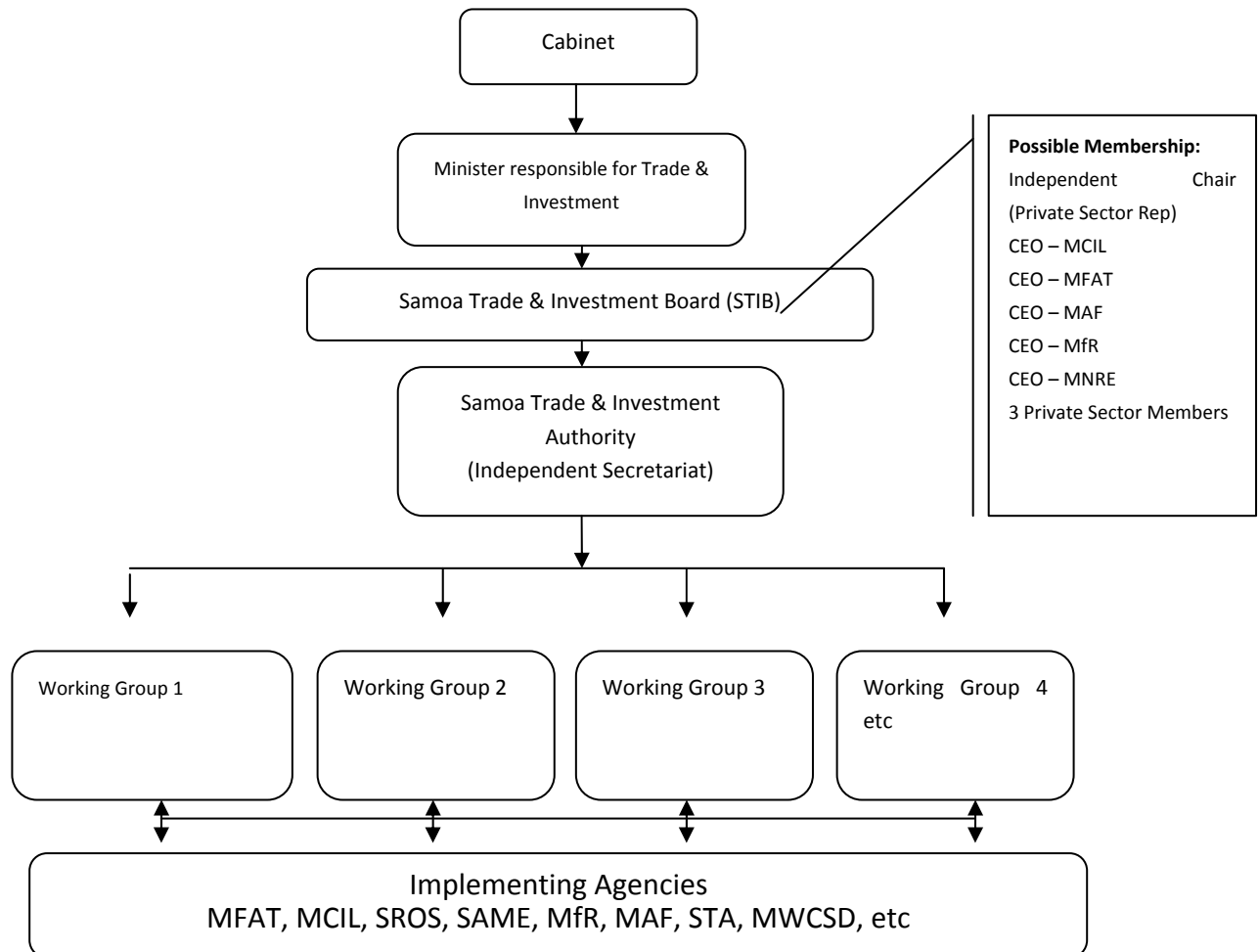


Notes:

1. MFAT will retain its principal role for trade negotiations
2. MCIL will have primary responsibility to formulate and implement policies and strategies to facilitate trade and investment
3. MFAT role for export development and promotion is transferred and to be merged with the MCIL Investment Promotion Unit. The newly merged Trade and Investment Unit will need to be properly resourced as it will also provide secretariat support to the Board.
4. The functions of the existing National Steering Committees will be split among the four Working Groups; the Board may establish additional working groups where necessary.
5. The coordination of trade policies and strategies is strengthened by the representation of key core agencies on the Board and Working Groups and with the designation of MCIL as the lead agency for trade and investment policy formulation, MFAT for trade negotiations and the TCIDB for overseeing policy implementation and promotion of trade and investment
6. Key advantages and disadvantages of this option include:
 - Advantages:*
 - Build on existing structures and no need to create a separate authority
 - Delineates the core responsibilities of each focal point with MFAT focusing on trade negotiations and MCIL on trade and investment policy developments
 - Disadvantages*

- Lack of resources within MCIL to undertake additional roles for export promotion
- Lack of interest and political will within key agencies to instigate necessary changes

Option 2: Independent National Trade & Investment Board



Notes:

1. MFAT will retain its primary role for trade negotiations. Export development and promotion function will shift to the STIB;
2. MCIL will have primary responsibility to formulate and implement policies and strategies to facilitate trade and investment;
3. The role of STIB is to implement the policy by promoting, facilitating and stimulating increased investment and trade (especially exports);
4. MCIL will retain primary responsibility for trade and investment policy developments in consultation with the STIB. Investment promotion functions of MCIL will transfer to the STIB.
5. The functions of the existing National Steering Committees, will be split among the four Working Groups, STIB may establish additional working groups where necessary.
6. The coordination of trade policies and strategies is strengthened by the representation of key core agencies on the Board and Working Groups and with the designation of MCIL as the lead agency for trade and investment policy formulation, MFAT for trade negotiations and the STIB for policy implementation and promotion of trade and investment.

7. Key advantages and disadvantages of this option include:

Advantages:

- Creates a one stop shop for trade and investment initiatives
- More focused and dedicated team that is fully resourced to undertake trade and investment developments.
- Allows core agencies such as MCIL and MFAT to focus on their monitoring and regulatory roles with regards to trade and investment issues

Disadvantages

- Cost and time involved with creating a new authority

Resourcing for the national trade strategy is envisaged to cover the financial and trade services for private businesses to effectively and efficiently participate in trade transactions, in addition to the supporting public sector capacities of institutions and policies underpinning trade. Resource constraints must be kept in mind when considering and evaluating reform measures and setting priorities. Even with all the funding available from donors and multilateral financing institutions, Samoa faces very serious limitations in fiscal resources and administrative capacity for implementing public sector reforms. This is compounded by a lack of a formal and streamlined mechanism for trade policy development.

Although limited, there are opportunities available for potential exporters to seek financial resourcing assistance (specifically for exporting) from local financial institutions in terms of export and import financing and hedging against exchange risks. The Central Bank of Samoa which has shown initiative in providing financial facilities to accelerate businesses recover from the global economic crisis and the 2009 tsunami could be encouraged to take a more aggressive role in supporting expanded financial services for exporters and importers. Access to export credits through export financing institutions of exporting countries to Samoa also need to followed up to facilitate access of importers to overseas financing

Conclusions

Samoa has undertaken substantial and comprehensive reforms since the 1990s with important achievements made in terms of macro-economic stability and growth. Sustained trade deficits in merchandise exports as well as the increasing reliance on remittances and development aid, have raised concerns about sustainability. The government has clearly realized that there is a need for more concerted effort by policy makers in reviewing its current export and import policy options and measures to ensure a more self-reliant and sustainable economy. This led among others, to the adoption of a National Export Strategy 2008-2012 to support the economic growth and poverty reduction targets of the SDS over the same period.

Economic reforms have been underpinned by a number of policy statements and strategies, as well as related institutional reforms of key state agencies over time. The key challenge now is integrating the existing policy framework into a coherent trade strategy specifically focused on leveraging further trade reforms and interventions for poverty reduction as proposed by this report and focusing on the effective implementation of such a strategy through a well coordinated and concerted effort between the government and the private sector.

Developing and implementing national trade policy presents significant demands on national resources. The simultaneous participation in negotiations is a greater burden than can reasonably be met by professional staff of core agencies such as MFAT, MfR (Customs) and MCIL. The facilitation of inter-governmental coordination

by streamlining the existing institutional arrangements for more effective and coordinated arrangements can mitigate this deficit.

In terms of public-private partnerships and dialogue communications between the public and private sector have improved but problems remain. Institutional and human capacity of trade-related organisations in both the public and private sectors are an ongoing challenge.

Administrative and public awareness issues concerning the effective utilisation of key schemes/incentives currently available to exporter and importers need to be addressed.

Recommendations

1. Clarify the roles and responsibilities of the MFAT and MCIL for trade policy formulation and implementation with MCIL taking the leading role in policy development and export/investment promotion, and the MFAT to be responsible for trade negotiations.
2. Government to consider the two options presented in the report for an institutional trade development framework for Samoa:
Option 1:
Enhance the role of the existing TCIDB
Option 2:
Establish an independent Trade and Investment Board to institutionalize inter-governmental coordination on trade and investment policy formulation and to provide oversight responsibility for policy implementation by various government and private sector agencies.
3. Develop the capacities of private sector institutions' to effectively engage with government on trade policy formulation through inter alia training in technical trade issues, enhanced dissemination of relevant information and trade negotiations, etc.
4. Improve trade data collection, analysis, and dissemination.
5. Undertake an internal review of existing administrative measures in place for export incentives scheme such as Code 121, duty concession and suspension to identify the key weaknesses or constraints and ensure these are more streamlined and appropriate.
6. Strengthen capacities for monitoring and evaluation of trade policy to assess economic and poverty impacts and adjust accordingly.
7. Deepen the understanding of the impact of trade liberalisation on the structure of society, particularly on women.
8. Create a development-oriented trade policy environment in line with Samoa's development and poverty alleviation goals.

3 Chapter 3: International Trade Arrangements and Negotiations

3.1 Introduction

Samoa, like the rest of the Pacific Island countries, is facing increasing pressure for regional integration and time-bound trade liberalization with the rest of the world. Significant time and resources has been invested over the past several years in negotiating membership and strategic positions in a number of trade agreements including SPARTECA, the Pacific Island Countries Trade Agreement (PICTA), Pacific Agreement on Closer Economic Relations (PACER), WTO negotiations for accession and Economic Partnership Agreement with the EU. The overall objective of these trade agreements is to improve market access for Samoa's exports of goods and services, as well as securing development assistance to enable Samoa to build its productive capacity and enhance its competitiveness in international markets.

This chapter will examine the trade agreements currently in place as well as those that Samoa is conducting ongoing negotiations in. It will also highlight the recent findings of a study¹⁹ on the trade related implications of Samoa graduating from least developed country (LDC) status.

3.2 Multilateral Trade Agreements

3.2.1 WTO Accession Negotiations

Samoa began the process of WTO accession more than a decade ago. Significant progress has been made. Bilateral negotiations with interested WTO members have concluded with the overall accession process expected to be completed by the end of 2010.

This section provides an overview of key issues discussed in the context of Samoa's WTO accession negotiations and highlight areas of special interest for Samoa in terms of technical and capacity development support for the implementation of WTO commitments.

Intellectual Property Rights (IPR)

For Samoa, intellectual property is regulated by the Trademarks Act 1972, the Industrial Designs Act 1972, the Patents Act 1972, and the Copyright Act 1998. The only current legislation that complies with WTO TRIPS Regulations is the Copyright Act 1998. Other pieces of legislation need to be revised and brought into conformity with international regulations such as the TRIPS agreement. The formulation and implementation of intellectual property policy rests with the Registries Division of the Ministry of Commerce, Industry and Labour. Notably, the investments required for conformity and implementation of TRIPs are significant.

Samoa is currently receiving technical assistance under the Regional Focused Action Plan run jointly by WIPO, IP Australia, and the Pacific Islands Forum Secretariat (PIFS). It is expected that the TA will result in measures or provisions to control abuse of intellectual property rights, civil procedures and remedies, provisional measures, administrative procedures and remedies, special border measures, and criminal penalties that would comply with the enforcement provisions of the TRIPS Agreement. Additional results expected include the provision for judicial review of administrative decisions concerning intellectual property and give customs officials

¹⁹ Robert Scollay, 2010

the authority to prohibit importation of goods violating intellectual property rights. MCIL are currently leading the recruitment process with the discussions in progress with MFAT and AG on finalising the Terms of Reference for the Study. Technical assistance has also been received for staff capacity building. However, additional technical assistance is required for training specialised personnel, public and awareness programmes, computerization of the filing system of intellectual property applications and the establishment of an agency to enforce the rights of copyright holders.

Sanitary and Phyto-Sanitary Systems

Samoa would need to review its whole SPS system to bring it into conformity with WTO requirements. Samoa's SPS related legislation need to be updated, and institutions strengthened. Samoa's current SPS measures relate mainly to plant protection and specific regulations dealing with food safety and human health would have to be developed. Some measures have already been undertaken with assistance being received from AUSAID to review quarantine legislation and a series of workshops have been organized to enhance staff knowledge on this issue.

The current Quarantine (Bio-security) Act 2005 mandates a risk based approach consistent with principles of SPS Agreement; however, there are no regulations to implement the specific provisions of the WTO Agreement on SPS and its annexes.

Samoa has requested the WTO Working Party to grant a transitional period from the date of its accession until 1 January 2012 for implementation of the WTO Agreement on Sanitary and Phyto-sanitary Measures to allow Samoa to obtain and utilize technical assistance to fully implement the obligations of the Agreement. During this period, existing measures would be applied on a non-discriminatory basis, i.e., providing for national treatment and MFN treatment to all imports.

Technical assistance will be needed to allow Samoa to build capacities for the implementation of the SPS agreement, including transparency and notification requirements.

Subsidies and Countervailing Measures

Samoa currently does not apply any prohibited subsidies and the government has abolished old schemes such as the Export Financing Facility and Enterprises Incentives and Export Promotion Act which were considered to be prohibited subsidies under Article 3 of the Subsidies and Countervailing Measures Agreement. Samoa's current industrial policy is aimed at stimulating private sector competition and domestic and foreign investment through liberalization and key schemes that are operational include the import duty drawback scheme, duty concessions for hotels and manufacturing companies among others. Samoa has committed that it would not maintain any subsidies, including export subsidies, which meet the definition of a prohibited subsidy contained in Article 3 of the Agreement on Subsidies and Countervailing Measures. Benefits based on existing laws would not be granted after that date and Samoa would not introduce any other such prohibited subsidies from the day of accession. Any programmes that granted subsidies would be administered in line with the Agreement on Subsidies and Countervailing Measures and that all necessary information on notifiable programmes would be notified to the Committee on Subsidies and Countervailing Measures in accordance with Article 25 of the Agreement upon entry into force of Samoa's Protocol of Accession. These commitments will require additional technical assistance and resourcing as the current government schemes may need to be reviewed to ensure that Samoa complies with the Subsidies and Countervailing Measure Agreement from the date of accession. Another option is for Samoa's WTO negotiating team to

request a transitional period from the date of its accession until a suitable time for implementation of the WTO Agreement on Subsidies and Countervailing Measures to allow Samoa to obtain and utilize technical assistance to fully implement the obligations of the Agreement.

Trade in Services

The liberalization and reform programme implemented in order to accede to WTO, has affected not only the service sector, but all sectors of Samoa's economy. Accession to the WTO would further open up the services that Samoa offers to international competition and would mean that Samoa has to have, particularly in its exportable services (i.e. those covered in business services), skills and knowledge to be able to enter and expand its market potential, rather than restraining itself to a very small market base.

Further technical assistance may be required in updating legislation in key services which Samoa has made specific commitments for under the Schedule of Specific Commitments on Services²⁰. Other main constraints are in terms of equity financing and costs related to the establishment of a service due to the high cost of machinery involved e.g. in the telecommunications, transport and radio and television services as well as updated legislation for monitoring the sector. There is also a fear of new international companies crowding out local competition. However, this should encourage local enterprises to enter new areas such as joint ventures with foreign companies to increase their local capital capacity, obtain skills and knowledge not readily available locally and, be a gateway to the international arena. Local companies could also act as agents to international companies wishing to establish themselves in Samoa. As a result, local enterprises should re-focus their business strategies, taking an outward looking approach rather than a strategy that focuses inwardly only on the domestic sectors. Assistance should also be actively sought to help develop strategies and to try and diversify their services. Educating and training of a well skilled and capable labour force should help strengthen competition in this sector. Samoa offers relatively lower labour costs in comparison to the developed countries of the WTO.

Technical Barriers to Trade

Samoa stated in the course of WTO accession negotiations that it does not have nor does it intend to put in place a comprehensive regime for standards and technical regulations. Samoa does not apply any mandatory standards or technical regulations or be member of bilateral or multilateral arrangements on mutual recognition or conformity assessment procedures. Samoa has to ensure that any instrument pertaining to technical regulations and mandatory standards is consistent with the requirements of the TBT and SPS Agreements and that standards and technical regulations, where relevant, are applied in accordance with the TBT Agreement. Samoa's Fair Trading Act provides for the possibility to develop regulations on product safety and quality standards for any specific kind of goods (approved standards). However, Samoa does not have the sufficient human and material resources to introduce and enforce technical regulations. Therefore, Samoa does not have any approved standards, with the exception of the pesticide labelling requirement which was based on international standards. It is noted that the WTO TBT Agreement does not require Samoa to implement standards in any area, but any standards and conformity assessment systems introduced in the future would need to be consistent with WTO requirements. Fundamental obligations included in

²⁰ Samoa's specific commitments on services are contained in the Schedule of Specific Commitments on Services (document WT/ACC/SAM/.../Add.2) annexed to Samoa's draft Protocol of Accession to the WTO – May 11 2009 Draft WTO Working Party Report.

particular transparency and MFN and national treatment for imported goods. WTO members have sought confirmation that, should Samoa institute controls and rules for standards and technical regulations, standards certification, and labelling requirements, these would be applied equally to imported and domestic goods and would not be used to restrict imports nor applied in an arbitrary manner, in a way that would discriminate between supplier countries where the same conditions applied or as a disguised restriction to international trade; that certification requirements would be administered in a transparent and expeditious manner; and that Samoa would be willing to consult with WTO Members concerning the effect of these requirements on their trade with a view to resolving specific problems.

Samoa established an enquiry point within the Ministry of Commerce, Industry and Labour, responsible for answering all enquiry and notifications as provided in the Agreement on TBT. Technical assistance and resources will be necessary to support Samoa's capacities in the implementation of the TBT agreement requirements, including transparency and notification requirements.

3.2.2 Economic Partnership Agreements with the European Union (EU).

The primary objective of EPAs is to foster smooth and gradual integration of ACP states into the world economy, taking into account their development priorities. The ultimate goal is to promote sustainable development and eradicate poverty. Another objective of the EPAs is to enable ACP states to play a full part in international trade, especially in multilateral negotiations and to help them manage the challenges of globalization thereby facilitating their transition to the liberalised global economy.

Trade in Goods

The level of trade between Samoa and the EU is minimal. Current statistics indicate that there was no trade late 2007 between the EU and Samoa. However trends before that indicated that Samoa does not export major products to the EU and its imports are also very minimal.

The fact that Samoa does not have major trade with EU means that the impact of competition from the EU and loss of tariff revenue will be minimal. The total value of imports from the EU according to statistics compiled between a period of 2003 and 2005 was about, SAT\$7,469,977 and the average duty collected was in the range of SAT\$498,445²¹. If the country went ahead and liberalise 80 percent of its tariff lines in order to conform to the EU's interpretation of Substantially All Trade (SAT) , the total duty lost would be minimal compared to the significant revenue loss that would accrue from making similar liberalization with Samoa's key import trading partners Australia and New Zealand. However, entering into a goods agreement with the EU would automatically trigger the PACER Plus as stipulated under Article 6(3) and 6(3) a of the PACER Agreement²². According to 2003-2005 statistics, the total value of trade of Australia's imports amounted to SAT\$129,382,533 and the value of duty collected in the same period was SAT\$4,962,477. Furthermore, that of New Zealand amounted to SAT\$192,730,688 in terms of value of imports and SAT\$14,288,778 in terms of duty collected.

²¹ Samoa's data-toolset 2007

²² It stipulates that subject to paragraph 10, if any Forum Island country is a party to this Agreement (PACER)....commences formal negotiations for Free Trade arrangements which include one or more developed non- Forum Island country, then that forum Island country shall offer to undertake consultations as soon as practicable with Australia and New Zealand, whether individually or jointly with a view to commencement of negotiations of a free Trade arrangements.

Samoa's interests in participating in the EPA negotiations are similar to those of other PACPS and include being able to;

- play a full part in international trade;
- manage the challenges of globalization and to adapt progressively to new conditions of international trade in a manner and at a pace conducive to overall economic and social development;
- enhance the production, supply and trading capacity of Samoa as well its capacity to attract investment;
- support regional economic initiatives in the Pacific ACP region;
- create a new trading dynamic between the Pacific ACP States and the EU;
- strengthen trade and investment; and
- improve its capacity to handle all issues related to trade.

Under the fisheries component, Samoa like other PACPS are proposing a multilateral fisheries treaty with the EU that would; offer long term access to EU, promote domestic fish processing and promote sustainable fisheries management. More details are provided in Chapter 8.

For Samoa to benefit from the proposed liberal rules of origin under EPAs including those in fisheries, the country will be required to sign a trade in goods agreement. A trade in goods agreement was meant to include agricultural, forestry, fisheries, and manufactured products. The advantage of doing so is that Samoa stands to benefit from liberal rules of origin which will make it easier for Samoa to venture into value addition and processing of fish for eventual exportation to the EU market. The EU is one of the biggest high value markets for tuna and is expected to remain like that in the foreseeable future.

During discussions with the EC toward the deadline of 2007, the EC recognized the technical soundness of the PACP submissions but in principle did not support any of the submissions. However on fisheries, there was limited acceptance by the EC regarding access. On specific issues, the EC announced the offer of full DFQF to the ACP with no expectations for reciprocal in-kind offers; the offer of a rendezvous clause in the EPAs to assure continuity post-Cotonou of available and possibly more development resources which are available under Cotonou after 2020; the establishment of Regional Trade and Development Facilities to address supply-side constraints and targeted investment financing needs; possibility of assisting to address net fiscal losses directly impacted by trade liberalization; and assistance with Mode 4 type schemes. These were only mere announcements which Samoa and other PACPS desired to see reflected in a binding agreement, the idea being that the EPAs, once signed, would be the instrument to confirm these offers.

Negotiations are on-going and expected to be completed at the end of this year.

Trade in Services

Samoa continues to negotiate as part of the PACPS in the services negotiations with the EC. Of recent, PACPS are negotiating for suspension of services negotiations to an unspecified later date, through the insertion of a rendezvous clause in the draft comprehensive EPA Agreement to that effect. Prior to this proposal, services negotiations were in the form of a request and offer approach. The 'request' takes the form of a single PACP request to the EU to extend the same market access to all 14 PACPS. The PACP offers, on the other hand, consist of 14 individual offers to the EU, reflecting the different levels of interest and existing commitments amongst the PACPS in the different service sectors and sub-sectors. The negotiation on services is

based on the WTO General Agreement on Trade in Services (GATS) classification of 12 sectors (166 sub-sectors) and the four modes in which services are traded: *Mode 1* (cross-border supply), *Mode 2* (consumption abroad), *Mode 3* (commercial presence, involving investment) and *Mode 4* (movement of natural persons).

The region's demand to the EU in the services negotiations focuses principally upon obtaining a Mode 4 quota scheme which allows PACP nationals to work in the EU through a separate visa category, accompanied by a programme for strengthening PACP training capacities to meet EU qualification requirements. In return, the PACPS would offer to liberalise to the EU selected services sectors to promote national development and in which PACPS aim to improve efficiency. The PACPS' liberalisation commitments would also be accompanied by EU assistance for regulatory reforms required in the PACPS.

Under services negotiations, Samoa is to offer similar offers as those made in its WTO accession process in sectors such as: Education, Financial, Tourism, Professional services, Architectural services, Engineering services, Communication services, Environmental services and Telecommunications²³. These will be subject to domestic regulation as stipulated in the Foreign Investment Act 2000 and the Business License Act.

The EU has conditioned liberalization to the PACP on services, including in Mode 4, to progress in regional integration among the pacific countries in services, as noted in Chapter 11.

3.3 Regional Trade Agreements

3.3.1 South Pacific Regional Trade and Economic Agreement (SPARTECA)

The South Pacific Regional Trade and Economic Agreement (SPARTECA) is a nonreciprocal trade agreement under which two developed member countries of the South Pacific Forum, Australia and New Zealand offer duty free and unrestricted concessional access for virtually all products originating from the developing island member countries of the forum. SPARTECA was signed by most Forum members at the Forum's Eleventh meeting in Kiribati on 14th July 1980. It came into effect for most Forum Island countries from 1st January 1981.

The agreement includes provisions for general economic, commercial and technical cooperation, safeguard provisions relating to antidumping and countervailing measures, and suspension of obligations and provisions for general exceptions, as well as for impact on fiscal revenue. The agreement also provides for special treatment of and assistance to the Smaller Island Countries (SICs), namely the Cook Islands, Kiribati, Nauru, Niue, Tonga, Tuvalu and Samoa. Since 1 July 1986, FIC exporters have been eligible for free and unrestricted access to the Australian market except for textiles, clothing and footwear and sugar. Australia removed the limitations on textile, clothing and footwear products as from 1 March 1993 and on sugar as from 1 July 1997 when it eliminated its sugar tariffs. New Zealand provides duty-free and unrestricted access to all products originating in the FICs. SPARTECA specifies rules of origin to qualify for the duty-free and unrestricted or preferential access benefits. These rules require the last process of manufacture to be carried out in the country claiming the preference, and for products to have at least 50 percent local content deriving from that country. Inputs from FICs, Australia and New

²³ Samoa's services offer schedule 2007, available at the Ministry of Foreign Affairs and Trade (MFAT), Trade section.

Zealand are also counted as local content (cumulation) up to 25 percent of the required 50 percent minimum value added requirement. The use of SPARTECA varies among the beneficiaries.

Samoa signed onto this Agreement to tap into the benefits it offered especially considering that Australia and New Zealand are key markets for Samoa. However one of the contentious issues that Samoa and other Forum Island countries face under this Agreement is in relation to the stringent Rules of Origin that are imposed.

3.3.2 The Pacific Island Countries Trade Agreement (PICTA)

The main objective of PICTA is to promote regional integration among the Pacific Island Countries (PICs). It provides a stepping stone for PICS to participate in the increasingly liberalized global economy. PICTA also serves as the training and negotiating ground for free trade agreements with the EU, Australia and New-Zealand. The Pacific Island countries need to pursue regional integration in order to avoid being marginalised from the global system. Regional integration becomes imperative in light of the decline in aid and it also helps to sustain outward looking trade policies.

PICTA seeks to reduce tariffs to zero by the year 2015 for developing countries and 2017 for least developed countries (LDCs) and small island states (SIS). For those products that qualify for the negative list exemption, tariffs will be reduced to zero by 2020 for developing countries and 2021 for LDCs and SIS. However, non-tariff barriers such as quotas must be eliminated immediately. Alcohol and tobacco have been excluded from liberalisation but the Ministers are expected to make a decision on this issue in the future. For products to qualify to trade under PICTA, they must meet the 40 percent local content criteria. At the moment, PICTA covers trade in goods only and about 3 percent of all PICs imports originate in other PICs. Table 1.3.1.1 below shows the timetable for tariff cuts under PICTA.

Table 3.3.2.1: Maximum Tariff on Good for Least Developed Countries

For Least Developed Countries Maximum Tariff on Goods From:					
Base tariff on goods on the entry into force of PICTA	YEARS				
	1 January 2007	1 January 2009	1 January 2011	1 January 2013	1 January 2015
More than 20percent	20%	15%	10%	5%	0%
More than 15percent but not more than 20percent	15%	10%	5%	0%	
More than 10percent but not more than 15percent	10%	5%	0%		
Not more than 10percent	0%				

For Non Least Developing Countries Maximum Specific or Fixed Tariff on Goods, as a Percentage of Base Tariff (Value) From						
percent of Base Tariff (value)	80%	60%	40%	20%	0%	

Source: 2008 Draft National Trade Policy Framework Background Report

For locally produced sensitive products to be exempted or included in the negative list and be entitled to a longer period of protection with higher tariffs, they must be locally produced, be produced by another PICTA member (risk of competition) and not currently being exported. This protection is not permanent and tariffs on such goods must be reduced to zero by 2020 for developing countries and 2021 for LDCs and SIS. States must come up with a negative list of products that they want to shield from liberalization for a limited period of time.

Table 3.3.2.2: Ad Valorem Tariffs for LDC and SIS

Non Least Developed Countries (LDC) and SIS Ad Valorem Tariff [Excepted Imports (Negative List) Maximum Ad Valorem Tariffs on Goods from:										
YEARS										
2007	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Base Tariff	40%	35%	30%	25%	20%	15%	10%	5%	0%	
Non Least Developing Countries (LDC) and SIS Specific or Fixed Tariff (Excepted Imports) Maximum Ad Valorem Tariffs on Goods from										
Base Tariff	50%	40%	35%	30%	25%	20%	15%	10%	5%	0%

Source: 2008 Draft National Trade Policy Framework Background Report

PICTA allows members to protect their infant industries using protective tariffs for a maximum period of about 10 years for developing countries and 15 years for LDCs and SIS. The Agreement also allows countries to take some safeguard measures in the event that there is a sudden and unforeseen influx of imports as a result of eliminating the tariffs. Other flexibilities that are built into the agreement include the general exceptions, balance of payment exceptions, the provisions on amendment of the agreement and even withdrawal.

Samoa signed onto PICTA on the 18th August 2001, and ratified on 10th October of the same year. PICTA came into force on 13 April 2003. In the same year as a reflection of commitment to encourage intra-regional trade, and to enhance the private sector investment environment and to reduce the burden on business of complying with tax laws, the government of Samoa introduced a series of VAGST and Income Tax reforms. These included the VAGST exemption threshold level for small businesses and the increase of the VAGST from 10 percent to 12.5 percent in 2003 with the latest increase to 15 percent in 2008.

Trading under PICTA was initially expected to commence on 01 January 2003, but due to the delays in the implementation of the Agreement by the Forum Island Countries (FICs), the revised date of commencement of PICTA trading was extended to 01 January 2007, as endorsed by the Pacific ACP Trade Ministers in their meeting in June 2006. The Leaders at the Thirty-Seventh Pacific Islands Forum held in October 2006 also emphasized the need for the “Members to speedily conclude the domestic

arrangements required for them to trade under PICTA". However, as seen in the above example, it's now 2010 and the problems of trading under PICTA are still glaring. Samoa has been one of the countries at the fore-front of pushing this process forward. Indeed, as of 16 July 2007, Samoa, together with two other Island countries were among the first to announce that the necessary arrangements were in place to allow for PICTA trading to commence from 01 January. The current status on PICTA parties is reflected in the Table below;

Table 3.3.2.3: PICTA signatories

Party	Signed		Ratified/ Acceded		In Force	
Cook Islands	18 August	2001	28 August	2001	13 April	2003
Fed St of Micronesia	5 April	2006				
Fiji	18 August	2001	16 October	2001	13 April	2003
Kiribati	18 August	2001	4 June	2003	4 July	2003
Nauru	18 August	2001	14 March	2003	13 April	2003
Niue	18 August	2001	26 February	2003	13 April	2003
Palau	-					
Papua New Guinea	5 March	2002	5 August	2003	4 September	2003
Rep of the Marshall Is	-					
Samoa	18 August	2001	10 October	2001	13 April	2003
Solomon Islands	6 August	2002	2 June	2003	2 July	2003
Tonga	18 August	2001	27 December	2001	13 April	2003
Tuvalu	18 August	2001				
Vanuatu	18 August	2001	21 June	2005	21 July	2005

However, quantifiable economic benefits are not expected to be huge because intraregional trade volume is currently very low. Nonetheless, some of the benefits expected from PICTA include the following:

- it gives local producers a big domestic market of about six million people thereby increasing their export chance and this is also good for attracting investors;
- it can also lead to improved efficiency as industries exploit economies of scale due to expanded "local" market;
- more exports may lead to increase in output which in turn leads to employment and more income;
- lowering tariffs is expected to lead to lower prices and consumers will have a wider product choice;
- it promotes regional integration as an initial step towards more extensive liberalization;
- it provides experience in negotiating FTAs and creates the basis for negotiating FTAs with other regions;

Box 3.3.2.1: Extension of PICTA to Trade in Services

The Forum Trade Ministers have agreed that PICTA be extended to trade in services. In principle, PICTA parties would be required initially to liberalise a minimum of 4 out of the 7 sectors that have been identified for liberalisation. The seven sectors are financial services, telecommunication, transport (air and maritime), tourism & travel, educational service, health services and professional services. Some of the sectors make sense to liberalise regionally, while others should be liberalized with a multilateral framework in mind – due to economic efficiency and scale.

It is recommended that telecommunications and financial services to be liberalized multilaterally, on MFN basis and air services be liberalized among the Forum Island members. Air Services are covered by the Pacific Islands Air Services Agreement (PIASA). Inter-FIC and Intra-FIC shipping services for all FIC shipping companies must also be liberalized regionally. Health and education services may also be included in FIC free trade in services arrangements (subject to limitations due to social and public-good nature of these services). Certain sub-sectors of the tourist industry may also be included in the free trade in services agreement.

The services agreement would be annexed as a protocol to PICTA and it will cover essential disciplines, such as national treatment, guarantee of the right of establishment and the right of cross-border trade for services suppliers in all included sectors. There will also be an annex on the free movement of persons, including both skilled and semiskilled categories of workers within the region. The liberalization of professional services presents an opportunity to Samoa as discussed in Chapter 11 on emerging services.

The right of establishment by FIC enterprises will also be a key aspect. This will ensure that investors from one FIC member can move capital easily and invest in another FIC member particularly for those sectors that will be covered by the agreement. Samoa should participate actively in trade in services and remove all the obstacles that are hindering services trade among FICs.

3.3.3 The Pacific Agreement on Closer Economic Relations (PACER)

PACER is an arrangement between the Pacific Forum Island Countries (PICs) and Australia and New Zealand. It is not a free trade agreement, but a framework agreement to support the gradual trade and economic integration of the region. It provides (amongst other things) for the negotiation of trade agreements amongst Pacific Island Countries (PICTA) and between PICs, Australia and New Zealand (PACER Plus); and financial and technical assistance in areas such as trade facilitation and promotion, capacity building and structural adjustment.

Samoa and other parties having signed in 2001, had the PACER entered into force in October 2002 as the regional trade and economic cooperation agreement between all Forum members, including Australia and New Zealand, with a focus on trade facilitation. It includes a “triggering mechanism”, the obligation on the part of the fourteen (14) Forum Island Countries to start negotiating free trade arrangements with Australia and New Zealand should they commence formal negotiations for such arrangements with one or more developed non-Forum country (including the European Union). The overall goal of PACER Plus is to facilitate sustainable development in FICs. The parties seek to gradually and progressively establish a

single regional market which includes Australia and New Zealand. This will assist the FICS to integrate into the global economy.

PACER envisages the negotiation of Forum-wide trade arrangements 8 years after PICTA enters into force (2011). However, if FICs enter into free trade negotiations with developed countries (e.g. EPA) they are required to enter into consultations or free trade negotiations with ANZ. The conclusion of interim EPA agreements by Fiji and Papua New Guinea with the European Union, were assessed as fulfilling the conditions of Article 6(3), triggering PACER Plus consultations. Samoa has fairly significant trade with ANZ and the revenue implications of any proposed free trade negotiations under PACER need to be developed to provide a guideline in terms of the negotiations.

The main component of PACER was the trade facilitation commitment by Australia and New Zealand to provide capacity building and resources to assist and facilitate trade for PICs. Three main areas of trade facilitation were provided for, which are the Customs Processes which is now the responsibility of the Oceania Customs Agency (OCO), Quarantine and SPS issues which is the responsibility of the Secretariat of the Pacific Community (SPC) and the Standards and Conformance which is currently being housed within the PIFS. Only two components have clear roles and responsibilities and there is already a work program in place in addressing capacities in customs and quarantine. However in terms of standards and conformance no firm work plan has been put into place to build the legislative environment and infrastructure support for countries such as Samoa in this area. Samoa needs to take full advantage of the regional projects to build capacity and support in the area of trade facilitation.

The PACER Agreement has a clause whereby once the PICs start negotiations on a trade agreement with another party; it automatically triggers the beginning of negotiations for a trade agreement between the PICs and Australia and New Zealand.

3.3.4 PACER PLUS Negotiations

PACER Plus has been endorsed by Forum Leaders and the negotiations are now underway. The process undertaken for these negotiations include:

- the funding of a special office (Office of the Chief Trade Negotiator) to facilitate preparations for PICs to negotiate the PACER Plus;
- The Australian government has funded capacity building under the Pacific Islands Trade Fellowship Programme where trade officials are being trained on trade negotiations skills which would assist in their preparations for the PACER Plus negotiations;
- Australia has also provided funding for PICs to undertake diagnostic studies and analysis on the benefits and costs of PACER plus. Samoa completed its diagnostic study in August 2009 and MFAT has almost completed its round of informative consultations with national stakeholders regarding PACER Plus negotiations. Consultations have therefore focused on key stakeholders including community or village representatives (Sui o Nu'u), professional bodies (except for engineers and architects), private sector groups (except for SAME), all government ministries, academia and the national forum for civil society (SUNGO).

Box 3.3.4.1: PACER Plus Agreement – Issues for Samoa to consider

Australia and New Zealand are engaged in an ambitious array of regional and bilateral trade negotiations. These negotiations, as well as the agreements they culminate, set precedents for potential PACER Plus negotiations with Samoa and other FICs. ANZ FTAs affect Samoa and FICs through three primary means²⁴:

1. **Exclusion of Samoa from Integration:** the bilateral FTA between Australia and New Zealand, (ANZCERTA) has substantially integrated their markets in goods and investment. Negotiations on an Investment Protocol to ANZCERTA will further liberalize investment flows. Samoa and other FICs are extra-regional parties and therefore are excluded from the benefits of closer economic integration between Australia and New Zealand.
2. **Preference Erosion in ANZ Markets:** The margin of preference for Samoa in ANZ and elsewhere is decreasing with each FTA negotiated by either Australia or New Zealand.
3. **Heightened Competition from China in ANZ Markets:** New Zealand signed an FTA with China in 2008 and Australia is currently in negotiations. These agreements can be expected to induce Australia and New Zealand to themselves shift production to higher value-added goods to accommodate an expected influx of lower-value manufacturers from China. This coincides with Samoa producers' efforts to move to value-added processed products – making it harder for Samoa producers to find value-added niche products for export to ANZ.

The provisions of existing and proposed ANZ FTAs also have a significant influence on negotiating terms and approaches under PACER Plus. As noted, Australia and New Zealand, like the EU, the U.S. and other countries that are party to multiple FTAs, tend to maintain policy consistency among their various FTAs in order to reduce implementation costs and avoid creating hurdles for importers and exporters. Key provisions of relevance include, but not limited to, the following for Samoa to consider during negotiations:

1. **Labor Mobility/Temporary Entry of Business People:** FIC priorities include the free movement of skilled and unskilled labor, however it is believed that it is unlikely that PACER Plus negotiations will encompass free movement of unskilled labor. PACER Plus does not have significant precedents to draw on though the Thailand-Australia FTA (TAFTA) does limit the free movement of labor to skilled labor. Samoa have a particular interest in the liberalization of professional services and sport professionals in the context of the PACER Plus negotiations (See Chapter 11 on emerging services).
2. **Investment:** The Australia-US Free Trade Agreement (AUSFTA) sets numerous parameters that will likely transfer to PACER Plus. FICs should expect investor-state dispute settlement to be excluded. They should expect that special provisions for compensation in the event of armed conflict or civil strife will be included in PACER Plus. However, AUSFTA also provides some precedents that could substantiate FIC demands for protection of communal land, industries of national interest, and the environment.

²⁴ Extracts from Nathan and Associates Final Report – Pacific Regional Trade and Economic Cooperation: Joint Baseline and Gap Analysis December 2007

3. **Trade in Services:** ANZCERTA uses the “negative list” approach to liberalization of services; FICs should thus expect negative lists in ANZCERTA to be maintained in PACER Plus. Under ANZCERTA, Australia retains six items on its negative list: air services, broadcasting and television, third party insurance, postal services and coastal shipping; New Zealand retains air services and coastal shipping on its negative list. The exclusion of transport sectors, particularly for national air service carriers, will have implications for the growth of FIC tourism.
4. **Rules of Origin:** Rules of origin (ROO) for ANZ bilateral agreements favor a change of tariff classification system with additional ROO requirements for sensitive products. PACER Plus will likely begin negotiations on a CTC basis with proposals for additional criteria for sensitive products. The FICs should, to the best of their ability, anticipate products destined for ANZ sensitive lists and prepare to negotiate on those items. The current negotiations on an ASEAN-ANZ FTA will help FICs identify what products ANZ considers sensitive – enabling the FICs to focus their preparations for PACER Plus ROO negotiations. In addition, the FICs need to establish their own priorities for sensitive products. Much work needs to be done to catalogue ROO for various agreements involving FICs; the FICs also should be fully aware of the criteria used in trade preference schemes like GSP and African Growth and Opportunity Act (AGOA). Above all, FICs should take care to avoid introducing complexities that will burden FIC producers; FICs must engage their own industries in the ROO-setting process.
5. **Standards:** FIC priorities for PACER Plus will be two-fold. First, the FICs will want to acquire the ability (skills, laboratories) to confirm or enforce standards. Second, they will want their producers to acquire the capacity to meet the standards requirements of other markets. Provisions in FTAs among WTO members incorporate the obligations of the WTO’s Agreement on Technical Barriers to Trade, as well as the SPS agreement, which deals with measures for the protection of human, animal, or plant life or health. FTAs involving WTO members tend to seek a further level or harmonization among members to utilize the particular approach of given countries, usually those of the dominant economic party. The FTA may provide for recognition of a party’s standards, provide a mutual recognition of certain standards, or recognize the certifications of specified standards-certifying bodies.
6. **Quarantine:** Quarantine compliance is one of the most formidable barriers for FIC food exports to ANZ. FICs should expect ANZ to maintain stringent quarantine regimes under PACER Plus. Even so, several ANZ agreements may be instructive with respect to functional approaches to ameliorating quarantine impediments. For example, cross-regional investment has helped resolve quarantine issues between Australia and New Zealand. The SPS committees established under the AUSFTA has facilitated cooperation, but given the one directional nature of FIC-ANZ trade, a PACER Plus approach might require additional provisions on enforcement, including a review mechanism and possibly provisions for equivalency requirements for specific products of interest. The FICs under PACER Plus could seek targeted quarantine review of fruits and vegetables; this would be consistent with agreements under the New Zealand and Thailand Closer Economic Partnership, under which New Zealand agreed to undertake pest risk analysis and develop an import health standard for certain Thai agricultural products.
7. **Trade Facilitation:** The FICs in general have remote economies, diseconomies of scale, and high transactions costs that inhibit the competitiveness of exports. They must seek to minimize any unnecessary costs. The FICs need to establish priorities for technical assistance based on country-specific assessments that involve

substantial private sector input. The World Bank's *Doing Business* indicators provide general guidance on specific nodes of the trade facilitation chain that may be needlessly delaying exports and imports, but those data are based on certain assumptions about the goods traded that are not relevant for the FICs; remedial action to address needless documentation requirements, and delays in ports, customs, or inland transportation require much more targeted assessments in each of the FICs. Such assessment should be undertaken concurrently with the PACER Plus negotiations, and technical assistance recommendations derived from the assessments should be added to the negotiating agenda. In addition, should PACER Plus result in specific requirements, such as adoption of an interoperable and electronic "single window" by all FICS, such a commitment would require accompanying technical assistance from ANZ.

8. **Intellectual Property:** FIC intellectual property regimes have extremely limited budgets and IP tends to be viewed as predominantly to the benefit of large developed countries, although some FIC industrialists have acknowledged that they too suffer from counterfeit goods. Negotiations will likely start from the WTO Agreement on Trade Related Intellectual Property (TRIPS) and add commitments for digital elements of IPR that have arisen post- TRIPS, enforcement, and capacity-building.
9. **Trade Remedies:** A wide variety of precedents exist with respect to trade remedies in the context of ANZ FTAs. ANZ agreements with third parties retain trade remedies such as antidumping and countervailing duties as well as global safeguards. However, ANZCERTA itself precludes the use of anti-dumping or CVD measures. FIC interests are somewhat mixed: while local safeguards may provide FICS some protection against import surges, the application of trade remedies by ANZ under PACER Plus could block FIC exports. FICs should thus seek an exception for the application of trade remedies against the FICs in PACER Plus.
10. **Safeguards:** A PACER Plus arrangement should provide FICs with a safeguard regime that protects both food security and insulates growth industries from too much competition too soon. For FICs with some high tariffs, a tariff-rate quota with snap-back provision would protect domestic producers injured by a surge in imports – even though it would require significant administrative resources to implement such authority. Transitional safeguards should apply in the early phases of PACER Plus liberalization. ANZ agreements with Thailand allow for a safeguard regime. A side letter to the New Zealand and Thailand Closer Economic Partnership provides for transitional safeguards. Special safeguards for some of Thailand's most sensitive agricultural products exist in the ANZ individual agreements with Thailand, and provide for a tariff-rate quota with a snap-back to the normal tariff if a certain volume of imports is reached.

3.4 Bilateral Trade Relations

Samoa has not actively sought to engage in bilateral trade agreements. Trade relations with American Samoa and increasingly, investment and trade links with China are worth highlighting here however.

3.4.1 Trade with American Samoa

American Samoa has close cultural and economic ties with Samoa. Samoa has three times the population of American Samoa but the economies are of similar size in terms of GDP. There are extensive communication shipping, airlines and telecommunication links between the two countries which have been recently

enhanced by the re-opening of the Fagalii airport in Samoa which shortened the flight times; the laying of the telecommunications cable to increase the data communications capacities; and the proposed re development of the Aleipata wharf which will also shorten route times.

American Samoa is at present one the most important trading partners for Samoa for exports, tourism, employment of semi skilled labour and remittances. Since 2007 American Samoa has taken an average of 50 percent of Samoa's total exports consisting mainly of agricultural, beer and fresh fish products although stringent SPS measures have make it difficult for Samoan exports to make further inroads in the market. American Samoa. Tourist arrivals from American Samoa total an average of 24,000 per annum making it the third most important tourist market for Samoa closely behind Australia and half of the New Zealand source markets. In the service account, remittances from American Samoa, mainly from the Samoan workers at the canneries used to be an important flow until 2007 when the canneries started to phase out of American Samoa.

The canneries in American Samoa before 2007 used to employ around 6,000 workers of which around 4,000 were from Samoa. However the passing of the Fair Minimum Wage Act in 2007 in the face of increasing competition from canneries based in Asia has prompted the phasing out the two canneries in American Samoa. By end of 2010 employment at the canneries is expected to be at 1,000 employees. Although there has been interest in exploring fish loining plants to be combined with the final processing at the canneries in American Samoa, the phasing of the canneries will have a significant adverse impact on the economic/trade prospects for Samoa not only in unemployment of approximately 4,000 semi skilled workers and related drop in remittances, but also the fresh fish markets (which had purchasing capacity was at least US\$110 million) and drop in discretionary incomes for tourists.

In the light of the above developments with the canneries and their impact expected on trade, reallocation of cannery processing costs between Samoa and American Samoa to make the cannery operations out of American Samoa globally competitive would be in the mutual interest of Samoa and American Samoa economic and trade interests. Nevertheless, better understanding and quantifying the implications of the canneries closures in American Samoa for Samoa would be critical for deciding on flanking measures and assessing policy alternatives for Samoa.

As American Samoa continues to be a prominent market for Samoa, it is important that trade relations be improved through the negotiation of a bilateral trade agreement. The private sector, mainly through SAME, has been on the forefront of promoting such a trade agreement with American Samoa but there is lack of clarity regarding the appropriate instrument for formalizing such a relationship.

3.4.2 China

Samoa signed a Trade Agreement with China in 1997 granting China Most-Favoured Nation treatment. The agreement is automatically renewed every four years and remains valid as of today. Samoa benefits from a recently established scheme which provides preferential market access to the Chinese market for all LDCs. Beyond these specific initiatives, China-Samoa's bilateral relationships have great potential in terms of closer investment ties. China can is an attractive market for Samoa's tourism as well as investment in the sector. China as an important player in the Asian financial scene provides opportunities to Samoa's off-shore financial centre.

3.5 Impact of LDC Graduation

As noted by Scollay (2010), Samoa's imminent graduation from LDC status is a reflection of the success of the development process in Samoa which at the same time entails certain tangible benefits of LDC status which will be lost as a result of graduation. The main focus of the study undertaken was on the tangible benefits and the implications for Samoa's trade policy environment in the event of graduation:

The implications for Samoa's trade were subsequently considered under each of the following five main categories:

- Preferential market access;
- Special treatment in relation to WTO-related trade obligations;
- Development financing and ODA: bilateral, regional and multilateral donors and financial institutions are expected to give LDCs priority in provision of concessional financing and other forms of ODA;
- Technical assistance: priority for assistance in the programmes of all UN agencies and other multilateral institutions;
- Financial support for participation by government representatives in some UN meetings and meetings of other multilateral agencies such as the WTO, WIPO and Codex.

Based on the analysis of these five key categories the main key issues highlighted as priority actions included the following:

- Priority should be given to identifying those arrangements and measures where negotiation of a transition period, during which these arrangements and measures would continue to apply in whole or in part, could be especially valuable for Samoa in meeting the challenges of integration into the global economy and in smoothing the transition out of LDC status;
- It is already clear that Samoa's Integrated Framework programme, and financial support for participation in key international organizations such as WTO, Codex and WIPO, should be high on the list of these priorities;
- Although an analysis of Samoa's exports indicated that graduation should have very little impact on exports to countries providing duty free quota free (DFQF) access to LDCs, there may be individual cases where the effect could be significant. An effort should be made to identify any such cases, with a view to exploring the possibility of mitigating measures, for example continuation of preferential access for a transitional period. Given the narrow range of Samoa's exports to the relevant countries, this should not be a difficult task;
- Care should continue to be taken in developing business support policies, to ensure that any measures introduced do not infringe the WTO rules prohibiting export subsidies;
- An assessment should be made of the economic implications of extending tariff concessions to protected businesses supplying the domestic market as well as to exporters. If the adverse implications for economic efficiency are found to be significant, consideration should be given to addressing this issue through an appropriate modification of Samoa's import tariff;
- Not enough is known about Samoa's WTO accession negotiations to make specific recommendations related to this process. In general terms, Samoa's approach to the graduation issue in its WTO accession negotiations should focus on seeking to avoid any abrupt disruption to its trade regime at the time of graduation (for example through introduction of changes in the terms of

accession to be applied post-graduation) while at the same time seeking the most favourable consideration possible for its development status;

- Some important effects of graduation on Samoa's trade prospects will be indirect, for example through the effect of changes in the cost or availability of development finance on programmes for infrastructure development, agricultural development, business development, education and health. Strategies for addressing these effects should recognise that the underlying issue is the competitiveness of the Samoan economy, and that this issue is also crucial in addressing the more formidable trade challenges facing Samoa, including PACER Plus, preference erosion in the Australian and New Zealand markets, and exclusion from the developing network of FTAs in East Asia. A coherent, well coordinated strategy to address these challenges, and the underlying issue of competitiveness, is essential. The potential contribution of the Integrated Framework programme²⁵ to development of such a strategy is the key reason for giving priority to the preservation of financial support for that programme;
- In more general terms it should be recognised that one of the implications of graduation, and loss of any preferential advantages associated with LDC status, is that the business environment in Samoa, and the impact of national policy frameworks and regulatory structures on the business environment, will become even more important factors in attracting investment into Samoa.

Conclusions

Samoa similar to other Pacific countries is engaged in a number of simultaneous and highly technical trade negotiations. Such negotiations create opportunities for advancing specific objectives of Samoa's trade strategy but also bring about challenges.

The WTO accession process represents a significant step in Samoa's path toward greater integration in the global economy by allowing the country to benefit from the multilateral set of rules managed by the WTO. With the accession negotiations almost complete, Samoa needs to look at the challenges of implementation of the accession commitments and how best to benefit from the advantages provided by the WTO-rules based system. Based on an analysis carried out for this report, the implementation of SPS Measures, Technical Barriers to Trade and Subsidies and Countervailing Measures agreements, as well as the TRIPs agreement may require special attention.

Samoa's trade with the EU is minimal thus the potential of the EPA negotiations in terms of tariff revenue will be very limited. The EPA negotiations has triggered the PACER Plus negotiations, however, whose tariff revenue impact will be significant for Samoa due to the importance of its trade with New Zealand and Australia however.

The Economic Partnership Agreement could provide a margin of preference for Samoa in the EU fish market once Samoa has graduated from LDC status (January 2014) and is no longer eligible for duty-free, quota-free (Everything but Arms/EBA) treatment²⁶.

²⁵ It is noted that in July 2010, the EIF Board decided to extend the EIF benefits to graduated LDC's for three years after graduation. Such benefits could be extended for two additional years on a case by case basis.

²⁶ The European Union, in July 2008, decided that the benefit of EBA treatment would be extended to any ex-LDC for a period of at least three years after the country has graduated from LDC status (*Council Regulation (EC) No. 732/2008 of 22 July 2008 applying a scheme of generalized tariff preferences for the period from 1 January 2009*

The regional integration agenda in the context of PICTA – now extended to trade in services, provide Samoa with interesting opportunities for the expansion of services, in particular professional services in the context of an integrated regional labour market.

PACER Plus negotiations seem to pose an important challenge for Samoa given the significance of the New Zealand and Australia trade relationship with Samoa. In addition to the loss of tariff revenue, the implications of this agreement for the competitiveness of the local industry have been raised with concern.

An analysis of Samoa's exports indicated that LDC graduation should have very little impact on exports to countries providing duty free quota free (DFQF) access to LDCs. However, there may be individual cases where the effect could be significant. An effort should be made to identify any such cases, with a view to exploring the possibility of mitigating measures, for example continuation of preferential access for a transitional period. Given the narrow range of Samoa's exports to the relevant countries, this should not be a difficult task.

American Samoa has become a very important partner for Samoa over time. The country represents the destination for 50 per cent of Samoa exports on average since 2007. It represents an important market for tourism and major source of employment and remittances. Given all these factors, the need for establishing a framework to embrace the bilateral relation with American Samoa stands out as an important recommendation of this report. The bilateral relationship with China has enormous potential. Emerging opportunities with China should be systematically explored.

The complexities of the trade negotiations require that Government and the private sector in Samoa have the capacity to participate effectively in negotiations and the capacity to carry out pre-negotiation analysis and post-negotiation implementation. Capacities on monitoring an evaluation including modelling and analysing of the impact of trade agreements in productive sectors and the economy at large would be important in this context.

Limited human and financial resources in Government and private sector are strained by the multiplicity of ongoing negotiations such as WTO Accession, EPA, PACER Plus and PICTA.

Recommendations

1. Map out and cost the needed reforms for the WTO accession process including in the areas of IPRs, SPS, Countervailing measures, Fisheries subsidies and technical barriers to trade. Identify priority technical assistance gaps and needs. (use legislative action plan from WTO accession)
2. Undertake an assessment of the economic implications of extending tariff concessions to protected businesses supplying the domestic market as well

to 31 December 2011 and amending Regulations (EC) No. 110/2006 and (EC) No. 964/2007: Article 11, paragraph 8, Official Journal of the European Union, L211/6). This announcement stood out as the first smooth transition measure on the part of a development partner, in the spirit of the UN General Assembly resolution 59/209 of 20 December 2004.

as to exporters. Consider the potential of specific trade agreements, such as EPA, to mitigate the loss of DFQF resulting from graduation from LDC status.

3. Undertake an assessment of the revenue and social impact of the PACER Plus negotiations under various scenarios based on assumptions regarding the extent of liberalization in EPAs. Such assessment will assist in formulating informed alternative negotiation positions and options.
4. Identify individual export products that may be impacted by the loss of DFQF related to LDC graduation and to explore possible mitigating measures and strategies including continuation of preferential access for a negotiated transitional period.
5. Study and quantify the implications of the canneries closure in American Samoa and identify policy options to address such impacts
6. Pursue consultations with American Samoa aimed at establishing a bilateral trade framework including the conduct of a study to inform decisions regarding the most appropriate legal instrument for a bilateral trade framework with American Samoa
7. Develop and cost an effective communications or outreach strategy for enhancing the existing mechanisms for regular information dissemination and capacity building relating to involvement of all relevant stakeholders in trade negotiations and for communicating likely impacts of negotiated agreements.

SECTION II: CROSS-CUTTING ISSUES

4 Chapter 4: Business Enabling Environment and Investment Policy

4.1 Introduction

The environment for doing business in Samoa has improved consistently over the past decade. Following the macro economic reforms of the mid-1990s that removed a number of the distortions in the economy, the Government has now shifted its focus to the private sector to not only lead economic growth but also in employment creation. The private sector requires increased levels of investments if it is to be effective to achieving its strategic development objectives in the Strategy for Development of Samoa

This chapter explores key constraints to creating an enabling business environment and priority private investment policy areas which need to be addressed if Samoa is to make any significant improvements to its strategy of using the private sector to lead economic growth and employment creation.

4.2 Strategic Policy Directions

Samoa's growth has accelerated following the implementation of key structural reforms from the mid 1990s and the introduction of medium term strategic planning frameworks through the Statement of Economic Strategy in 1996. The Government has given prominence to the role of the private sector in leading economic growth in every Strategy since then.

The Government's current medium-term Strategy for the Development of Samoa (SDS) - 2008-2012 focuses on ensuring sustainable economic and social progress to achieve its overarching vision of an "Improved Quality of Life for All". The strategy focuses on the following key priority policy areas and development outcomes.

Priority Area 1: Economic Policies

1. Sustained Macroeconomic Stability;
2. Private Sector Led Economic Growth and Employment Creation;

Priority Area 2: Social Policies

3. Improved Education Outcomes;
4. Improved Health Outcomes;
5. Community Development: Improved Economic and Social Wellbeing and Improved Village Governance;

Priority Area 3: Public Sector Management and Environmental Sustainability

1. Improved Governance;
2. Environmental Sustainability and Disaster Risk Reduction.

As the priority area 1, economic development is to be achieved through sustaining macroeconomic stability and using the private sector to lead economic growth and create employment. The private sector is to be stimulated by focusing on the development and maintenance of quality and cost effective economic infrastructure, development of a modern and robust business legal and regulatory environment, responsive and efficient financial services and a trade policy focusing on trade liberalisation.

4.3 Samoa's Business Environment

Creating an enabling business environment is critical if Samoa is to make considerable progress toward achieving the two development outcomes under the SDS priority area 1. A strong performing and confident private sector will also contribute to the achievement of the development outcomes under priority area 2 and to sustainable sustainability.

Positive impacts on the business environment since the structural reforms are highlighted by the following indicators of progress:

- The financial market reforms have had a positive impact on the availability of funding for investment. Competition in the financial sector has increased resulting in a wider range of financial services available.
- The introduction of the Polynesian Blue airline as a joint venture between the Government of Samoa and an Australian airline has helped develop the tourism industry, improved air services and lower fares—reflected through the current rise in tourist arrivals, and more importantly reduced demands on the national budget to fund and support the losses incurred by what was once a national airline wholly owned by the Government of Samoa.
- The reform of the telecommunications sector and opening it up to competition including the privatisation of the Government owned SamoaTel has already resulted in intense competition between mobile phone operators leading to close to a 100 percent national geographic coverage and very low call charges. There is a greater commitment to strengthening public-private partnerships and dialogue, which is leading to more coherence and improved public support for the reform process.

There are still a number of critical policy, legal and institutional issues identified by the private sector and also by the ADB and the World Bank that need to be addressed to improve the enabling environment for businesses development and investment and to assist in revitalisation of trade development in Samoa. Policies and institutional impediments identified through the World Bank Doing Business and Enterprise benchmark surveys include:

4.3.1 Lack of Scale

The majority of firms in the country are small because they cannot realize economies of scale. Most businesses find it difficult to attract potential business partners and most do not have the necessary collateral to access adequate financing. This also means they cannot allocate resources for necessary market intelligence or invest in new skills and technologies. Because of its size and isolation, the private sector may lack the skills and resources to generate innovative project and proposals or even manage aid projects funded by donors. This places high premium on the skills that foreign investors and skilled foreign workers can bring – both should be openly accepted but should not be accorded special preferences.

4.3.2 Distance from Major Markets

Samoa is remote and transport costs are high because of distance to key markets such as New Zealand and Australia and small cargo volumes. The high costs often create a monopoly position that freight carriers and airlines may try to exploit and thereby increase costs even further. High transport costs are equivalent to a tax on exports and imports and are an obstacle to overcome if Samoa is to compete effectively in the global markets. The transformation of the economy towards the services sector and the significant advances made in the telecommunications and information technology provides an opportunity to overcome some the constraints

arising from geographical isolation of Samoa. Therefore in addition to consideration of the traditional transport and trade facilitation issues, communications now are also important in facilitation of trade for Samoa.

4.3.3 Land

It is acknowledged that there is a continuing need to speed up the progress of the land reforms and ensure that land is more accessible for development on an equitable basis within a framework of customary land ownership. There is a planned review of Government's intention towards customary land leasing policy and how it may contribute to greater economic use of these lands and to trade and providing sustainable income for landowner beneficiaries as highlighted in **Box 4.3.3.1: Samoa: Tapping the Economic Potential of Customary Land.**

The current push by Government to promote greater economic use of customary land through leasing is a step in the right direction and will assist in attracting private investment on these lands and opportunities for the informal rural economy to access financing for cash crops by utilizing their land. These issues will be further discussed in chapter six.

Box 4.3.3.1: Samoa: Tapping the Economic Potential of Customary Land

The nature of land ownership in Samoa inhibits economic development. Customary land, which is owned by extended families represented by their chiefs, accounts for around 80 percent of Samoan land.¹²⁷ The chiefs direct the use of the land, giving entitlements to access land, although customary ownership rights flow from a mix of titles and ancestral transfers. The land cannot be transferred outside a village or turned into free hold land. As is the case in other Pacific island countries, establishing clear title to the land is costly and time consuming. Leases are legally possible²⁸, but are time consuming and expensive to arrange.

The government recognizes that increasing access to customary land for development is important and has undertaken legal and policy reforms to this end²⁹. In conjunction with a public outreach campaign, recent reforms have focused on facilitating land registration. In addition, legislation passed in the last couple of years allows banks to use leasehold improvements on customary land as collateral; however, no bank has done so, largely because of the uncertainty associated with contract enforcement.

Moreover, a new land registration system was introduced in March 2009, but less than 10 percent of the land has been registered so far. This reflects the difficulty and cost, in terms of time and money, in establishing title to land, which requires land owners to advertise notice of intent to title property for three months and survey the land. Disputes over land titling are handled through the Land and Titles Court and can take years to resolve.

²⁷ The government owns 16 percent of the land through the several agencies, including the Samoa Land Corporation, the Samoa Trust Estate Corporation, and the Land Board. The government seeks to increase access to this land through issuing leases. The remaining 14 percent of the land is freehold.

²⁸ Customary land can be leased for a 30 year period with an option to renew for another 30 years for hotel development and a 20 year period with the option to renew for another 20 years for all other purposes. The Ministry of Nature Resources and Environment (MNRE) assists landowners and potential investors in the development of customary land, including the drafting of customary land leases.

²⁹ The Asian Development Bank, through a Japanese trust fund, has recently supported technical assistance in this area

The pace of reform is likely to remain slow and deliberate. The government’s reform effort is tempered by a desire to foster balanced and equitable growth and a respect for Samoa’s traditional values and culture. In addition, the government’s commitment to address a key impediment – the inalienable nature of customary land – is unclear. Looking ahead, practical and likely politically feasible reforms the government could consider are establishing a “one stop shop” within MNRE for customary land matters, developing a database of leased and leasable land and continuing its outreach efforts and encouragement of land registration.

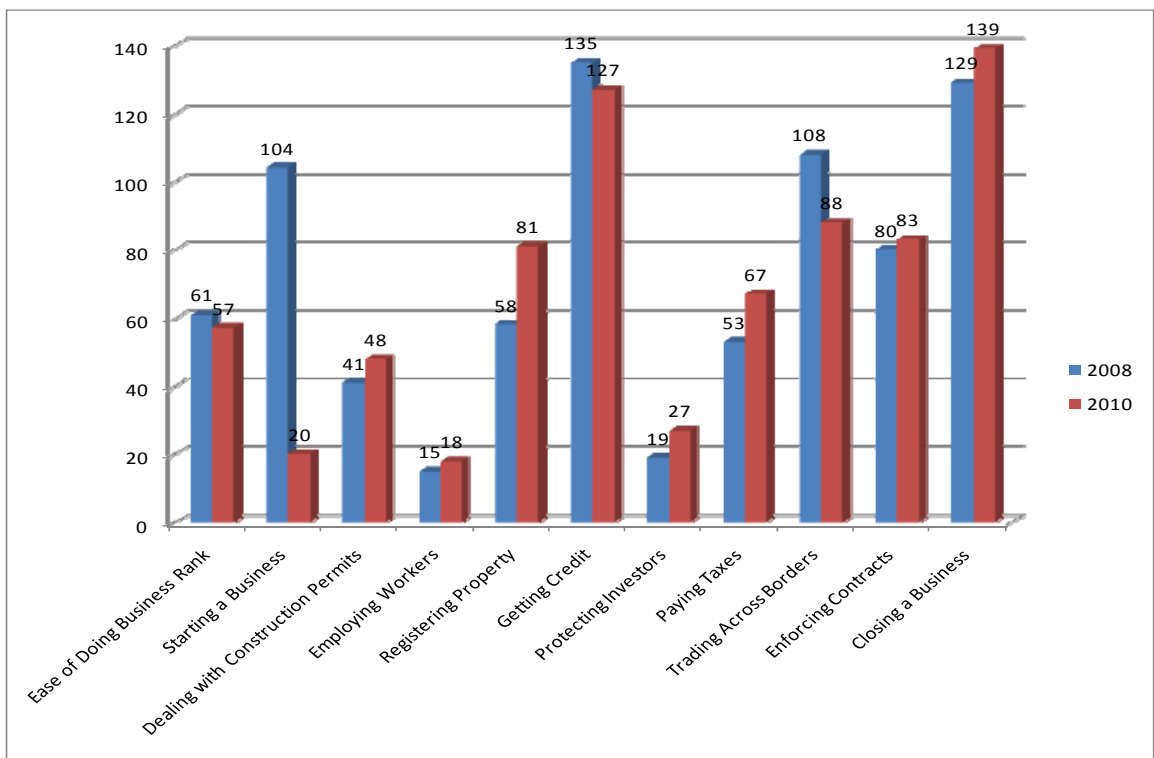
Source: Article IV Consultations 2010

4.3.4 Benchmarking of Samoa’s Business Environment

To gauge the extent to which Samoa has been able to improve its business environment through modernizing its business regulations and related processes and documentation, the Government has in its SDS recognized the use of the World Bank Doing Business survey (compiled by business services providers under the coordination of the USP for the Pacific region) as one set of the indicators.

For 2010, the World Bank Doing Business survey showed that Samoa has improved its global ranking from 61st in 2008 to 57th after having made significant improvements in streamlining of procedures and approval processes starting of a new business and employment of workers. At the global level the individual components of the business regulations covered by the survey (as shown in the **Figure 4.3.4.1**) shows that there is need for ongoing focus and concerted efforts to reform Samoa’s regulations and processes in the areas of closing a business, registries to facilitate getting information for credit access, documentation and port/terminal handling of imports and exports and enforcement of contracts.

Figure 4.3.4.1: Ease of Doing Business Indicators Samoa – 2008 & 2010

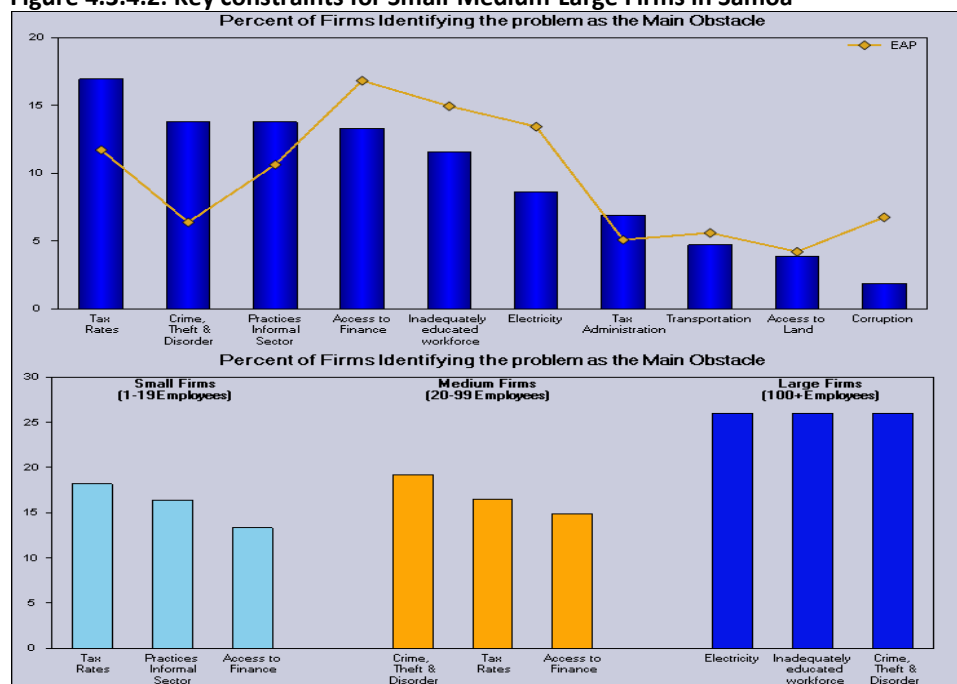


Whilst the World Bank Doing Business survey is helpful, it has a number of limitations. By focusing on the formal regulatory arrangements, the World Bank

Doing Business survey does not capture the situation in the informal sector. Other key limitations or important areas not covered by the survey include the economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across border), the security of property from theft, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions.

Some of the above limitations of the World Bank Doing survey could be addressed by using the World Bank Enterprise benchmark survey based on data supplied by the individual businesses themselves who actually participated in the survey. This Enterprise Survey in 2009³⁰ (refer to **Figure 4.3.4.2**) which was carried for the first time for Samoa in 2009 has identified the key constraints to include the relatively high percentage of time spent by businesses in dealing with documentation and dealing with Government regulations for payment of taxes, competing against unregistered businesses (Informality), the high value of security required for businesses to access finance and high security costs incurred by businesses in measures to prevent crime and theft. At both the regional and global basis Samoa stands out as having accorded crime and theft such a relatively high ranking in the 5 top key business constraints.

Figure 4.3.4.2: Key constraints for Small-Medium-Large Firms in Samoa



Source: Enterprise Surveys - Samoa Country Profile 2009

When taking a national comparison of the key constraints as perceived by the three different categories (small, medium, and large based on the number of employees) of businesses, the following were identified as the common key constraints:

- Tax rates were seen as critical for the small and medium firms
- Access to Finance were seen as critical for the small and medium firms

³⁰ The Enterprise Surveys are conducted by the World Bank and its partner across all geographic regions and cover small, medium and large companies. The surveys are administered to a representative sample of small firms in the non-agricultural formal private company.

- Crime, theft and disorder were seen as critical for the medium and large firms

For the bigger firms (100+ employees) the key constraints were more related to the poor performance of public utilities such as inadequate supply of water and electricity, inadequately educated workforce as well as crime, theft and disorder.

4.3.5 Infrastructure and Utilities

Although economic infrastructure is not identified in the top 5 major constraints by business enterprises for Samoa in the 2009 World Bank Enterprise benchmark survey, they were not, with the exception of telecommunications, seen as competitive when compared to the situations in the other countries in the East Asia and Pacific. Power outages averaging 5.19 and lasting 4 hours per outage a month are above the regional average of 4.04 and 3.2 hours. Incidents of water supply shortages per month averaged at 4.1 each lasting for average 9.8 hours compared to the regional averages of 1.8 and 7.8 hours.

The provision of quality and cost effective infrastructure is identified in the SDS as essential to generating economic growth and promoting private sector development. This section briefly describes the main providers of utility services and agencies currently involved in the management of infrastructure.

Power/Electricity

Electricity generation, transmission, and distribution are provided by the state-owned Electric Power Corporation (EPC). EPC's 35 megawatt (MW) generation capacity comes from eight hydropower plants in Upolu (12.2 MW) and diesel generators in both Upolu and Savaii (22.8 MW). This capacity is insufficient to meet peak demand requirements in Upolu, and blackouts have been frequent. Moreover, poor and ineffective transmission and distribution systems³¹ have often resulted in brownouts and power surges that destroy user equipment and raised costs for both retail and commercial users.³² Demand has been growing at an average annual growth rate of 4.3 percent from 2001-2009, with the addition of several new hotels in 2007-2009 and the spike in use related to the 2007 South Pacific Games. It is estimated that additional capacity of 2.7 MW will need to be added to the existing 35MW to meet this growing demand. Furthermore, this estimate is based on a long term growth rate trend of 3 percent. If other private sector oriented reforms are successful, the potential growth rate of the economy will increase, placing further demands on generating capacity.

According to the EPC Act of 1980, EPC is the only entity allowed to generate power in Samoa, although EPC can issue temporary licenses to other power generators to generate power for their own consumption in periods of peak loads. In reality, these licenses have been issued very sparingly, but private owners of generator sets have generated their own power illicitly on an as-needed basis. It is estimated that up to 9 MW of additional generation capacity is available within the existing gensets of captive users,³³ and that some of these are large enough to generate and resell

³¹ Line losses are estimated at 15-20percent.

³² Hotels are particularly critical of the electricity supply, indicating that the quality is erratic and cost can represent over 10percent of total hotel operating costs.

³³ A more precise estimate of this existing generation capacity will be developed by ADB's ongoing TA, Preparing the Power Sector Expansion Program (TA No. 4791-SAM).

power to other consumers. Given the growing demand for power, unleashing the generation capacity already available within the private sector will be an important step in meeting this demand and preparing the market for greater private sector participation.³⁴

Over the longer term, both existing and new power producers could sell electricity to EPC for transmission and distribution through the grid.³⁵ This would allow competition in power generation, inciting efficiencies and driving down costs. For this scenario to become a reality, a number of fundamental reforms will need to take hold, both at the sectoral level and within EPC:

1. Amendment of the EPC Act or introduction of a new Electricity Act to allow private power generation and resale;
2. Establishment of an independent regulatory environment, putting EPC and private generators on a level playing field;
3. Restructuring of EPC to provide clear of generation, distribution, and customer service activity costs;
4. Investment by EPC in an adequate monitoring and control system of generation plant and distribution networks;
5. Revision of the current EPC Act, requiring EPC to be solely responsible for tariff-setting at cost-recovery levels and on the basis of stakeholder consultations;
6. Tariff restructuring to provide price signals that would improve management by customers of peak loads;³⁶
7. Upgrading of EPC financial management and reporting so that tariffs can reflect the true cost of individual plant generation and electricity distribution;
8. Institutional strengthening of EPC to improve demand forecasting, system planning, and capacity to control multi-source generation;
9. Corporate governance reforms to a) comply with the Public Bodies Act and strengthen the current board of directors so that it represents the full interests of EPC as a commercially-oriented institution; and b) establish a rigorous CSO identification, costing and contracting process.

Water & Wastewater

In the water sector, the state-owned Samoa Water Authority (SWA) supplies 85 percent of the population³⁷ with a combination of raw and treated water, while the remaining 15 percent of the population is serviced by 24 village-operated schemes. The SWA operates four water treatment plants in Upolu and one in Savaii which are sufficient to meet the growing demand of the population for at least the next 5 years. Inadequate maintenance and metering systems have resulted in very high non-revenue water losses of 40 percent. With poor payment recovery systems and the added burden of community service obligations (CSOs),

SWA revenues cover only 60–65 percent of its operating costs on average. SWA remains in a very weak financial position, with 2005 losses of ST5.9 million on revenues of ST9.3 million. Accumulated losses exceed ST45 million, or close to 50

³⁴ It should be noted that EPC has its own plan for adding 4MW of capacity to Upolu in 2007-2008 with an A\$6 million investment in coconut-based fuel plant.

³⁵ As natural monopolies, transmission and distribution activities would remain with EPC.

³⁶ For example, introducing time of use tariffs could incite customers to reduce consumption at peak hours. (The current tariff structure is flat.)

³⁷ 18,000 households

percent of total assets, while net trade receivables totalled ST3 million or 127 days of credit sales in FY2005. SWA continues to request CSO payments of between ST5–7 million per year to cover its operating deficit, yet is not able to more precisely define the costs of its CSOs. Government payments for CSOs have been averaging 50percent of the request. Commercial water tariffs remain well below cost-recovery, and are among the lowest in the region. Tariffs for commercial users have just been increased. While the company's financial position remains precarious, improvements are to be expected from reducing non-revenue water and improving collections, initiatives which are currently underway.³⁸ Beyond these measures, efforts must also be made to effectively define and cost CSOs so that they can be contracted through output-based subsidy agreements.

Sewage is managed through individual septic systems and industrial wastewater by the producers of the wastewater. Private sector participation in the sector today is focused on the operation of village schemes, the installation of pipes, construction of reservoirs, and septic pumping. There is scope for more private sector participation in a number of areas, namely:

1. support to SWA to detect and repair leaks;
2. operation and maintenance of pipe systems;
3. village system repairs; and
4. DBO for a new wastewater treatment plant in Apia.

Through the ADB-financed Sanitation and Drainage Project,³⁹ Samoa's first sewage treatment plant has been constructed.

Telecommunications

The telecommunications sector has undergone significant restructuring with communications connectivity of Samoa with the rest of the world improving significantly over the last 5 years. The modernisation and liberalisation of the telecommunications sector in recent years has resulted in an estimated geographical coverage of 95percent and a tele-density of 55 percent in 2009. Costs of international phone calls have dropped by an average of 60 percent when compared to the international phone rates prevailing in the late 1990s. Overall, the World Bank has estimated that gains from the liberalisation of the telecommunications sector, using the consumer surplus methodology is in the range of .9 to 2.9 percent of GDP per annum. Further improvements are expected in the telecommunications sector with the increase in the competitiveness of the sector to be brought about by new infrastructure and privatisation of the Government-owned telecommunications service provider, SamoaTel. International connectivity has significantly improved with increased competitiveness in the international gate business with the phasing out of the exclusivity arrangement for SamoaTel in 2009.

While the opening up of the telecoms market to competition has provided immediate cost savings to consumers, it has also created regulatory challenges. Chief among them are the development of an equitable interconnection rates regime, the regularization of the licensing procedures, the management of international gateway

³⁸ Unaccounted-for water was reduced from 72percent in 2001 to 44percent in 2002 and 40percent in 2005. Billing collection rates have also improved from 52percent in 2001 to 80percent in 2002. An ongoing program to further improve pipe leakage detection and repair is supported by the €19 million Water Sector Support Program funded by the European Union.

³⁹ Sanitation and Drainage Project (Loan No. 2026–SAM) approved in 2003.

access and the establishment of a compensation regime for SamoaTel's universal service obligation (USO). These are currently being addressed by the new Office of the Regulator. Looking forward, the sector reform agenda will also include an assessment of options for the privatization of SamoaTel.⁴⁰

Underpinning the liberalisation of the telecommunications is the strengthening of the planning and policy capacity of the Ministry of Communications and Information Technology (MCIT) and the regulatory functions of the Office of the Regulator.

Information Technology

Growth in information technology has been underpinned by the significant advances made in the telecommunications infrastructure. A National Information Communication Technology (ICT) Committee chaired by the Prime Minister has been developing a national strategy on how best ICT could be utilised to support the achievement of Samoa's development objectives. The secretariat for National ICT Committee is the MCIT. A National ICT Strategy has been developed for the 2009-2012 period to guide the proposed transformation of Samoa ultimately into a predominantly knowledge-based economy consistent with the expansion in the services sector.

Development of ICT will be dictated mainly by the quality and reach of Samoa's broadband communications capabilities through international satellite and marine cable links. The introduction in 2009 of the American Samoa Hawaii (ASH) international cable facility to augment the international satellite connections is also expected to enhance the bandwidth for international communications and further reduce the average unit costs. This international infrastructure is expected to be further developed with the operation of the South Pacific Island Network (SPIN) to augment the capacity of the ASH fibre optic cable. The estimated capital costs of the option of a Fiji-Samoa cable link is estimated around US\$45 million. The investment costs are high but this is an investment in the long term future development of Samoa and its capability to remain competitive in an increasingly IT and ecommerce based global economy.

The internet industry is developed under the 1999 Postal and Telecommunications Act. It is estimated that there were at least 9,000 internet users in Samoa in 2009. There are currently more than three internet service providers (ISPs) with services ranging from normal dial up (56Kkpps) up to 2Mpps under broadband access, and the regulator has received applications for more. The ISPs contract access to data lines through SamoaTel. The pending privatisation of this government owned business is expected to contribute to a further modernisation of telecommunications and IT services and products in Samoa.

4.3.6 Creating a Competitive Business Environment

Providing a level playing field for competition has been one of the key drivers for the privatization of SOEs.

Accelerating Privatisation of SOEs

With the passage of the Public Bodies Accountability Act in 2001 and subsequent Policy Paper by the Ministry of Finance on SOE Ownership, Performance and

⁴⁰ Technical Assistance (TA) financed by the World Bank's ongoing Telecommunications and Postal Sector Reform Project.

Divestment (“SOE Policy”),⁴¹ the Government of Samoa established the principles by which it would place its SOEs on a commercial footing and divest all SOEs not deemed strategic.⁴² In the absence of a formal legal and policy framework, these divestitures were conducted in the past on an ad-hoc basis, with mixed results. The new framework provides a sound basis for the restructuring of SOEs, the strengthening of their corporate governance practices, and the creation of a privatization pipeline so that non-strategic SOEs can be transferred to the private sector. Despite the successful divestiture of three minority holdings and 45percent of Polynesian Airlines in 2004–2005,⁴³ implementation of the new SOE framework has proven difficult.

Of the three SOEs that were initially prepared for privatization since 2007, only the Samoa Broadcasting Corporation has been sold. The other two companies maintain non-viable business activities which will, at best, depress the overall value of the SOEs, or, at worst, deter investors altogether. In the case of SSS, the crewing and training operations, which represent the bulk of the company’s activities, are structurally loss-making.⁴⁴ Only the shipping agency business appears viable and potentially attractive, and is reportedly of interest to the company’s management.

The Agricultural Stores Corporation (ASC) also combines marginally profitable retail activities with a loss-making cattle farm.⁴⁵ As is the case with SSS, potential investors are likely to only be interested in one of the company’s business activities, so that the retail business and cattle farm (or underlying plantation lease) will need to be sold separately. ASC’s management has expressed interest in purchasing the retail business, although a formal financing plan has yet to be developed.

The Government in 2010 has launched a new SOE called the Unit Trust of Samoa (UTOS) which has been created under the 2008 Unit Trust Act. This unit trust vehicle is envisaged by the Government as providing an opportunity to assist in addressing to some extent the risks of compounding the concentration of wealth from privatization of the SOEs, a critical social consideration which has contributed to slowing down the pace of privatization. The unit trust vehicle will be allocated a certain portion of the shares of SOEs to be privatized, which are in turn sold to the general public as investment units. This Unit Trust of Samoa will have its first shareholding participation ever when Samoa Tel is privatized in 2011.

Government has identified a number of potential opportunities to privatise some of the key infrastructural SOE’s. The Table below summarizes the current and potential future forms of private sector participation (PSP) in the infrastructure sectors.

⁴¹ Approved by Cabinet decision FK 03/27–23 July 2003.

⁴² Strategic SOEs are the Airport Authority, Electric Power Corporation, Samoa Ports Authority, Samoa Water Authority, and the Samoa Shipping Corporation. All others are to be divested.

⁴³ The Polynesian Airline transaction has relieved a significant burden on government finances, as the airline had been absorbing the equivalent of 1percent of GDP per year in subsidies and transfers.

⁴⁴ The existing contract with Hartmann Group for crewing service has locked SSS into providing crewing services below-cost. It is not known if crewing services could be provided profitably by SSS without this contract.

⁴⁵ The cattle farm replaced a loss-making plantation operation in 2006

Table 4.3.6.1: Private Sector Participation in Sectors of Infrastructure

Sector	Current Forms	Potential Forms
Power	Limited outsourcing of maintenance services	Provision of existing private generation capacity to the Electric Power Corporation; Build-operate-transfer (BOT) or build-operate-own (BOO) for new hydro plant in Savaii
Water	Village schemes providing water to 15percent of the population	Design-build-operate (DBO) for proposed new water treatment plant in Apia (ADB loan); BOT or BOO for new hydro plant in Savaii
Airports	Contracting out of light maintenance and retail concessions	Contracting out baggage handling, heavy maintenance, and remote airport operations
Ports	Stevedoring, cargo handling, and heavy maintenance	None
Roads	Engineering, construction, and maintenance	None
Transportation Services	International passenger ferries and airline services	None

Source: Data supplied by the Samoan Authorities.

Competition Policy

Samoa's competition policy is regulated by the Fair Trading Act 1998 and is aimed at encouraging competition and fair market behavior. MCIL is the central focal point for competition policy matters and it meets regularly with relevant stakeholders including the private sector in the conduct of its competition and fair trading mandate.

The Fair Trading Act 1998 controls the mark-up of wholesalers and retailers for basic grocery products to prevent distributors from taking advantage of their local position. The WTO Working Party Committee⁴⁶ have noted that the first-best solution to address a monopoly position is to increase competition, and inquiries about the rationale of the measure and possible future plans to replace price control measures by effective competition policies have been raised. Current price controls are aimed at preventing local distributors - one to three per village on average - from imposing excessive prices on basic goods, which would adversely affect the purchasing power of low and middle-income families. It is noted that the measure would be lifted when competition would be considered healthy. .

Samoa's competition policy currently deals with only national anti-competitive practices and there are no measures in place for dealing with cases of anti-

⁴⁶ WTO Working Party Report May 2009

competitive practices conducted by an enterprise in more than one country. Improving competitiveness requires continued and effective dialogue between private and public sectors. This is essential for ongoing and institutionalizing long term competitiveness and it is noted that the business forums which have been established under PSSF are initiating this dialogue process between the private and public sectors. However, both public and private stakeholders have raised concerns in terms of how effective these business forums have been especially in terms of identifying projects that add value or improve the competitiveness of businesses.

Labour Policy

The government has recognized the need for regular reviews of labour laws to better respond to changing market changes and needs while maintaining adequate levels of protection for workers. The ongoing review of the current Labour and Employment Act 1972 is now at the final stages following consultations with community stakeholders and the private sector. The main objectives of the current reforms:

- for Samoa to have a set of labour laws that fully comply with International Labour Organisations (ILO) standards and conventions;
- to allow the continual provisions for the protection of workers while ensuring that these provisions do not become too onerous, restrictive and costly on businesses that they will constrain labour mobility and the creation of new jobs, and
- to improve the effectiveness and efficiency of MCIL in dealing with labour matters, improving labour relations and helping increase productivity through better labour policies and laws

The institutional changes required to make the labour market more efficient will require considerable capacity building of MCIL, public awareness and education, and collaboration with employers. An additional difficulty arises from the lack of comprehensive and timely statistics on labour markets, which hampers informed discussion on desirable changes in labour legislation.

Some of the key concerns highlighted through public consultations included:

- **Restraint of Trade Clauses** – concerns that proposed clauses in contracts should be made illegal. Unfair to have them in such a small community.
- **Foreign or Migrant Workers** – concerns that the provisions are too strict and that they are not clear on migrant workers. This is particularly important in cases where either there are insufficient numbers of skilled and experienced Samoan nationals to fill critical positions especially at the managerial and technical levels, or where particular skills may not be available in the country.
- **Employment Agencies** – suggestions to perhaps encourage and recognize the existence of employment agencies in Samoa. Need Regulatory control over such agencies as they can be quite beneficial for most private enterprises.
- **Leave entitlements** -
 - **Increase of Annual Leave** – too onerous on employers. Together with maternity leave, it appears that women are not going to be hired because

of the number of leave they would be entitled to in any given year if they are of child bearing age.

- **Maternity Leave:** Maternity leave is encouraged but the costs associated to such leave may be crippling on small private business operators. Concerns were raised in this concern about the costs of leave on employers. Concern was also raised that if maternity leave is to be taken because it is for the health of the mother, then the woman should not be allowed under the law to have the leave paid out to her. She either takes it or return to work if she is well enough to do so and it was not clear where maternity leave is to begin and when it ends.
- **Sick Leave Medical certificates-** concerns were raised with certificates for each day a person is on sick leave. No one wants to have to get a medical certificate for each day taken for sick leave, it is an administrative problem. Three days is reasonable and should be reflected in the Bill.

4.4 Investment trends and policy

Support for private sector development requires the creation of a conducive environment for encouraging mobilization both domestic and foreign private investment. The inward flows of foreign direct investment into Samoa in 2009 amounted to USD 1 million which is below average when compared to the annual FDI flows of USD 3 million between 1995 and 2005. In comparison to Fiji and the present scale of the Samoan economy, Samoa has the potential to attract an average of USD 54 million per annum⁴⁷. Whilst significant progress has been made in maintaining financial and macroeconomic stability, there is concern that such a situation has not led to an increase in foreign direct investments. However, private investment flows into Samoa are masked by the foreign remittances inflows i.e. it is estimated that at least 10 percent of foreign remittances could be in the form of long term investment projects.

Table 4.4.1: Foreign Direct Investments - Inward Flows (USD millions)

	1995-2005	2006	2007	2008	2009
	Annual Average				
Samoa	3	12	1	13	1
Fiji	77	412	337	313	238
PNG	189	7	96	30	396
Oceania	379	1,314	1,303	1,900	1,863
Asia and Oceania	123,886	284,426	338,226	374,639	303,230

Source: UNCTAD, World Investment Report 2010

4.4.1 Investment Policy

The investment policy statement developed in 2008 sets out the Government policies for promoting and facilitating private sector investment. Key components include:

1. Investment Guarantees
2. Industry Policy
3. Investment Policy
4. Priorities Sector
5. Industrial Infrastructure

⁴⁷ Taking into consideration Fiji's annual average of FDI of USD 325 million during 2006-2009 and its level of GDP which is approximately 6 times greater than Samoa's GDP.

6. Access to Land
7. Environmental Protection
8. Employment Policy
9. Fiscal Policy
10. Monetary Policy
11. Trade Policy

Investment policy has focused mainly on encouraging foreign private investment. The Foreign Investment Act 2000 highlights foreign investment as the involvement of any non-citizen, or any company in which a non-citizen holds a shareholding of at least 10 percent in any business or economic activity in Samoa.

The Industry Development and Investment Promotion Division of MCIL facilitates, promotes, approves, registers and monitors foreign investment in Samoa. Under the current Foreign Investment Act 2000, businesses with foreign shareholding are required to have a Foreign Investment registration certificate from MCIL prior to obtaining a business license from MfR. A Cabinet Investment Advisory Committee has also been established to speed up the facilitation of major investment activities.

The selection criteria for any investment proposal are governed the following parameters:

- Economic activities that are consistent with the priority sectors in the SDS and investment policy statement;
- As per Business License Act 1998 prohibited investments for both local and foreign investors include as nuclear and toxic waste disposal or storage; export of products that are prohibited under any law; prostitution; processing and export of endangered species; production of weapons of warfare;
- Investments reserved for nationals including buses for transportation of the general public, taxis for transportation of the general public, vehicles for hire, retailing and saw-milling.

The investment environment in Samoa is relatively open with only a handful of regulated sectors. The Act establishes restricted and reserved activities that could only be carried out by Samoan nationals, including public transportation buses, taxis, and vehicles for hire, retail trade and saw milling⁴⁸.

The Act 2000 is currently under review as well as the development of the Restricted Lists (**Table 4.4.1.1: Proposed Restricted Activities**).

⁴⁸ The proposed Foreign Investment Bill 2008 reserved lists includes bus transport services for the general public, taxi transport services for the general public, rental vehicles, retailing below the threshold of SAT\$78,000 (Retail sale via stalls and markets), handicraft businesses, tailoring services, beach fale, (hut) operations, saw milling, elei garment designing and printing, purified distilled water.

Table 4.4.1.1: Proposed Restricted Activities⁴⁹

Sector (Sub-sector)	Conditions
Services	
[Beauty Salon services]	[Only through incorporation in Samoa. A foreign investor engaging in hairdressing and other beauty treatment must have at least \$250,000 in fixed assets]
Mechanical Engineering services	[Only through incorporation in Samoa. A foreign investor engaging in the maintenance and repair of motor vehicles must have at least \$500,000 in fixed assets and at least 50 percent equity for investments up to \$1,000,000 in fixed assets]
[Customs Brokers services]	[A foreign investor engaging in a Customs Broker business activity must have a maximum 40 percent equity]
[Real Estate Services]	[A foreign investor engaging in real estate management must have a maximum of 40 percent equity]. [A foreign investor engaging in real estate development must have a maximum of 40 percent equity].
[Fumigation & Pests control services]	[A foreign investor providing a pest control and fumigation service must have at least 50 percent equity held by Samoan citizen(s)]
Shipping services	[A foreign investor providing an inter-island shipping and passenger service must have a maximum of 60 percent equity.]
Advertising & Marketing services	[A foreign investor engaged on advertising and marketing business must have maximum of 60 percent equity.]
Management & Consultancy services	[A foreign investor carrying on a management and consultancy business must have maximum of 40percent equity].
Retailing (of goods other than groceries) services	[A foreign investor carrying on a retailing business of goods other than groceries above the threshold of SAT78, 000 must have at least \$250,000 in fixed assets.]
Distribution services	[A foreign investor engaging in a distribution services business must have at least \$500,000 in fixed assets].
Architectural services (CPC 8671)	[A foreign investor providing an architectural service must establish a joint venture with a local partner]
Professional Engineering Services (CPC	[A foreign investor providing an engineering service must be incorporated in Samoa]

⁴⁹ As per Foreign Investment Bill 2009 [Involvement in any aspect of a business listed in Column 1(Sector/sub-sector) of Schedule B is subject to the conditions specified in Column 2 (Conditions).]

8672)	
General Construction services (CPC512)	[Only through incorporation in Samoa. Non-Samoan natural and juridical persons are limited to projects valued above SAT\$500,000].
Civil Engineering (CPC513)	
Earthmoving	[A foreign investor engaging in earthmoving business must have at least \$1,000,000 in fixed assets.]
[Environmental services	
i. Sewage services (CPC 9401)	[A foreign investor providing a sewage service must establish a joint venture with a local partner]
ii. Refuse Disposal (CPC 9402)	[A foreign investor providing a refuse disposal service must establish a joint venture with a local partner]
iii. Sanitation and similar services (CPC 9403)]	[A foreign investor providing a sanitation and similar service must establish a joint venture with a local partner]
[Carpentry & Joinery services]	[A Foreign investor engaging in a carpentry and joinery business must have at least 30 percent equity].

Source: Draft Foreign Investment Amendment Act and Regulation 2009

It is noted that the criteria for inclusion and exclusion of a business activity in the reserved and restricted lists is being developed as part of the review of the Foreign Investment Act 2000 and its implementing regulations.

The draft Foreign Investment Amendment Bill 2008 which would include a revised list of reserved and restrictive list of activities would benefit from more consultations between the private sector, the MCIL and the Office of the Attorney General to ensure some of the issues and concerns raised in this report are taken into consideration before the draft is finalized and submitted for approval by Cabinet.

4.4.2 Financial Services

Financial services are important institutional means of mobilizing savings and directing them to investors primarily in the form of their lending activities. The domestic financial services are highly accessible by business enterprises. Since the financial sector liberalization reform of the 1990s, financial services have become increasingly competitive in terms of the range and quality of products and services on offer although the general public and the private sector continue to advocate for improved delivery and more competitive pricing of these services. The 2009 World Bank Enterprise benchmark survey has shown that at least 50 percent of the business enterprises surveyed had lines of credit from financial institutions compared to the regional of 40 percent and global average of 34 percent. However the businesses covered by the surveys highlighted the fact the average security cover requirements of the commercial banks in Samoa of at least 200 percent were relatively more restrictive than both the regional and global averages of 150 percent.

The banking and finance infrastructure is regulated by the Central Bank of Samoa . The main players are:

- two foreign owned banks (ANZ and Westpac) and two locally owned banks (Samoa Commercial Bank and National Bank of Samoa);
- the Development Bank of Samoa,
- the National Provident Fund, which lends to individual Samoans using their contributions as security, as well as to businesses;
- two microfinance and one small business finance scheme, the latter operating through guarantees; and
- five life and non-life insurance companies

The current structure of the financial system and percentage share in terms of balance sheet totals at end June 2009 are highlighted in **Table 4.4.2.1**.

Table 4.4.2.1: Structure of the Financial System

Structure of the Financial System as at 30 June 2009 Percentage shares in totals - Balance Sheets	
Ministry of Finance	0.1
Central Bank of Samoa	13.5
Commercial Banks	51.8
ANZ (Samoa) Ltd	23
Westpac Bank Samoa Ltd	14.5
NBS Ltd	7.3
SCB Ltd	7
Non-Monetary Financial Institutions	34.7
NPF	22.4
DBS	7.1
NPI Ltd	1.6
SLAC	1.8
Public Trust Office	0.5
Samoa Housing Corporation	1.3
Total	100

Source: Central Bank Bulletin, September 2009

Commercial Banks

Samoa has two privately local banks and are fairly new entrants in the market. They hold about 14.3 percent of the total market. National Bank of Samoa entered the market over 10 years ago and is privately owned. Samoa Commercial Bank is a more recent entrant to the sector.

By far the largest players are regional operators ANZ (23 percent) and Westpac (14.5 percent) and both have made major expansions of their service in terms of points of representation. This has led to more ATM's, embracing new technologies such as electronic banking and EFTPOS that have assisted with the delivery of remote banking services, and helping the expansion of the tourism sector by enabling online booking and reservation services.

- ANZ – this is Samoa's largest commercial bank, with five branches and close to 150 staff. Strong focus is on the business and government sector

- Westpac – is Samoa’s 2nd largest commercial bank when it took over the Bank of Hawaii’s Samoan operation in 2001.

As highlighted in **Table 4.4.2.2**, commercial bank lending to key productive sectors such as agriculture and fisheries, manufacturing and trade has declined by a total of 6.1 percent since March 2005 and now only constitutes 22.8 percent of the total commercial bank lending portfolio at end June 2009.

Table 4.4.2.2: Commercial Bank Loans to Private Sector, June 2009

Percentage shares in totals			
	March 2004/05	June 2008/09	% Change
Agriculture, forestry and fisheries	2.3	1.5	0.8
Manufacturing	5.2	4.3	0.9
Building, construction, installation and purchase of land	40	48.3	-8.3
Electricity, gas and water	0.6	2.9	-2.3
Trade	21.4	17	4.4
Transportation, storage and communication	6.7	6	0.7
Professional and business services	16.3	10.1	6.2
Other Activities (1)	7.4	9.8	-2.4
Total	100	100	
Notes			
(1) Including personal loans not classified elsewhere			

Source: Central Bank Bulletin, September 2009

Non-Monetary Financial Institutions

Both the Samoa National Provident Fund and the Development Bank of Samoa have played an important role in supporting the growth in the local economy especially with regard to the key productive sectors for trade.

- Samoa National Provident Fund – has assets which grew by 9 percent in 2006/07 to just under US\$350.
- Development Bank of Samoa - a state owned bank that was founded in 1974 with the core aim of promoting development and lending to the agricultural and industrial sectors.

The non monetary financial institutions lending trends also indicate that the total percentage of lending to key productive sectors such as agriculture and fisheries, manufacturing and trade has declined by a total of 3.3 percent and as at end June 2009, constituted only 23.7 percent of total lending portfolio (**Table 4.4.2.3**).

Table 4.4.2.3: Non Monetary Financial Institutions Loans to Private Sector, June 2009

Percentage shares in totals			
	March 2004/05	June 2008/09	% Change
Agriculture, forestry and fisheries	12.4	10.5	1.9
Manufacturing	2.8	2.4	0.4
Building, construction, installation and purchase of land	21	16.9	4.1
Electricity, gas and water	0	0	0
Trade	11.8	10.8	1
Transportation, storage and communication	3.2	2.8	0.4
Professional and business services	8	7.1	0.9
Other Activities	40.7	49.6	-8.9
Total	100	100	

Source: Central Bank Bulletin, September 2009

Box 4.4.2.1: Enhanced Private Sector Support Facility (PSSF)

The Private Sector Support Facility is a harmonized donor fund that was established following the 2006 scoping study “**A Harmonized Funding Mechanism for the Private Sector Economy of Samoa**”. Co – financed mainly by NZAP and the United Nations Development Programme (UNDP) with some financial contribution by the Government of Samoa, the Facility channels funds into the promotion and development of the private sector and trade. Targeted sectors include but are not limited to tourism manufacturing and value added agriculture and fisheries.

The main objectives of the Facility are Private Sector Development and Trade which are recognized as pre-requisites for achieving sustainable economic growth. Improving private sector and trade performance is expected to directly contribute to improving livelihoods and to enhancing the quality of life of every Samoan.

It is envisaged that the strengthening of the Private Sector will lead to expansion of the export base and more trading opportunities for the country. Identifying the markets for goods and services will be beneficial for the development of Samoa.

Outcomes of a draft review of the Facility after one year of operation is pending but it is envisaged that the adoption of key recommendations based on the review will enhance and streamline the current processes and procedures as well ensure more targeted measures for private sector development and trade.

Microfinancing Institutions

Access to competitive financial services is critical to the private sector generally, and more specifically for the Medium, Small and Micro Enterprise (MSME) sector to improve and expand their operations in an increasingly competitive market environment.

The key microfinance institutions include:

- South Pacific Business Development – this is Grameen-style microfinance banking operation which has lent over US 20 million in small loans to women since it was established in 2000.
- Women In Business and Development Inc. (WIBDI) – operates a smaller scale microfinancing scheme that mainly targets women in the rural community.
- Small Business Enterprise Center (SBEC) – provides business advisory services and guarantees for small business operators. Total lending by SBEC increased

from SAT 2.1 million (146 approved loans) in 2004/05 to SAT 3.8 million (243 approved loans) in 2008/09. The agriculture, services and retail sectors received 81 percent of total lending in 2008/09 compared to 74 percent in 2004/05.

Off-shore Financial Center

Samoa has a successful off shore finance centre operated by SIFA. The centre has developed into a globally recognized and efficient and credible operation. It has become a major revenue earner for the Government and has also contributed to income and employment opportunities for Samoa's legal, accounting and financial service providers working through the Trust Companies.

Box 4.4.2.2: Samoa International Finance Authority

Samoa has sought to diversify its economy and attract much-needed foreign exchange by providing offshore financial services. These services are provided through the Samoa International Finance Authority (SIFA), a statutory corporation under which Samoa's offshore entities are registered, regulated and supervised.

It was established in 1988. In contrast to the open ended model by Vanuatu, Samoa opted to use the Cook Island model of restricting the operation of the offshore centre through internationally recognised Trust Companies. The main strategy underpinning the operations of SIFA has been the development of a highly efficient and innovative center which can be depended upon and trusted by the financial community. In this context, the key administrative features are the timely registration of companies with minimum red tape and the continued review and identification of changes by the Authority and its operators to strengthen its competitiveness in the international market.

It offers a diverse base of corporate vehicles to the investor, including international companies, segregated funds, banks, insurance, trusts and most recently the introduction of a new product in the form of international mutual funds which can be public, private or professional and closely follow similar legislation in the Caribbean.

SIFA has recently improved its efficiency by introducing the first phase of an online registration system to facilitate direct online name checks by locally licensed trustee companies, based on the 2008 Electronic Transactions Act. The long term objective is to operate a paperless registry. To this end, the local authorities are committed to ensuring that the new computerised system to handle all documentation electronically will eventuate in the very near future.

Other competitive advantages offered by Samoa when it comes to the provision of offshore financial services, include political and economic stability, innovative user-friendly laws, strict confidentiality, foreign language registration, and its geographical location just east of the International Dateline. This last feature gives SIFA the ability to incorporate a company yesterday for the Asian client, and also gives Samoa the distinction of being the last International Finance Center in the world to close business for the day. Given the high patronage from many companies in the far East, it is clearly evident that Samoa as an offshore jurisdiction is well perceived by the Asian Markets.

The main challenge for SIFA is working with the increasing restrictions being imposed by the OECD countries to contain the operations of offshore tax havens. Therefore SIFA has recently promoted legislation and entered into a number of bilateral international agreements to facilitate a secure and formal exchange of information between SIFA and the relevant overseas countries on potential tax evasion and money laundering activities

Source: Adapted from Business Advantage, Samoa 2008/09

Conclusions

Samoa has clearly articulated in its SDS the leading role of the private sector to lead economic growth and employment creation which makes the creation of an enabling business environment an important national policy priority. The policy and legislative reforms on improving the enabling environment in the last decade has resulted in Samoa being currently ranked 57th out of 183 economies surveyed by the World Bank Doing Business survey. Whilst major progress has been achieved with streamlining regulations and documentation for approvals for starting a business and employing of workers, Samoa has a lot more work to improve the business environment and to build the capacity of the private sector, including access to finance for the MSME sector, to help achieve sustainable private sector led economic growth. More work is also needed in the streamlining processes for documentation for Customs clearance and Samoa Ports Authority port and terminal handling requirements if it is become more competitive and effective in international trade.

The Government has an opportunity also to make a significant contribution to improving Samoa's overall competitive regional and global position in ranking of its business environment by working on streamlining documentation and dealing with Government regulations for payment of taxes, improving enforcement for registration and monitoring of unregistered businesses, stepping up measures to clamp down in increasing petty crimes now become a major constraint for businesses.

Although Government has made major investments and sector plans and reforms for the power and water sector, the quality and reliability of such key infrastructural services need to be monitored and improved to enhance business competitiveness in Samoa. Although Samoa has made major investments into telecommunications and ICT infrastructure, there is no clear national e business strategy in place to guide and fully capture the opportunities from such technology.

With the establishment of a fully functional Unit Trust of Samoa, the privatization programme of Government is expected to be accelerated which together with an updated competition policy will further improve the competitive environment of the business community.

The national investment and trade policies can only be effective in delivering their development outcomes when the capacities of the relevant public agencies mandated to formulate, implement and monitor these policies and implementing strategies are sufficiently strengthened and resourced, including the capacity to collect and analyse data to inform future improvements.

The primary target of the investment policy measures to date has been on foreign investors. Effective monitoring and administration of restricted list of activities for foreign investors under the Foreign Investment Act 2000 needs to be accorded priority if the vulnerable local small business owners are to be given time to become competitive against foreign business operators.

Access to finance is especially difficult for farmers and producers in the agriculture sector because the commercial financial institutions do not now accept customary owned land as collateral. The Government will need to explore the possibility of using the Development Bank of Samoa as the principal medium for providing credit to the agriculture sector until such time a properly functioning collateral framework

is fully developed which will enable the collateralisation of customary land in support of Samoan farmers and investors.

The success of the offshore finance centre will rely on the continued proactive and timely policy and legislative adjustments to stay fully in compliance with the international regulations set by the OECD countries to control the global operation of off shore finance centres. Having attracted relatively large flows of international capital through its offshore centre, Samoa with its relatively stable socio-political systems could be positioned to develop a regional onshore financial centre.

Recommendations

1. Deepen understanding of the causal factors of the constraints to businesses identified in the World Bank Doing Business and Enterprise benchmark surveys. Undertake targeted sample surveys prioritizing the following areas:
 - i) processes for documentation by importers and exporters for Customs clearance and Samoa Ports Authority port and terminal handling requirements;
 - ii) documentation and processes for payment of taxes;
 - iii) enforcement for registration and monitoring of unregistered businesses;
 - iv) measures to address increasing misappropriation of funds; and
 - v) monitoring power outages and water shortages.
2. Encourage businesses to network and cluster to achieve economies of scale and reduce unit costs of common overheads. Establish a national networking database under NPSO with the assistance of MCIL.
3. Increasing access to customary land is critically important for growth and trade expansion especially in sectors such as agriculture and tourism identified as priority in the SDS and this report.
 - Mobilize support towards a national consensus on the need to accelerating the pace of legal and policy reforms in this area.
 - Review the land registration system to identify reasons behind low rate of use and take appropriate action.
4. Define and cost CSOs so that they can be contracted out through output based subsidy agreements.
5. Strengthen the policy and analysis capacity of the Ministry of Communications and Information, and the regulatory capacities of the Office of the Regulator. The liberalization of the telecommunications sector has brought a number of benefits to consumers and the overall economy but it has also created regulatory challenges.
6. Given the growing demand for power, it is critical that the necessary regulatory reforms are undertaken to allow increased generation capacity with the private sector playing an important role. The following reforms are considered priority:
 - Amendments of the EPC Act or enactment of a new electricity Act to allow private power generation and resale;
 - Establishment of an independent regulatory environment putting EPC and private generators on a level playing field;

- Tariff restructuring to provide price signals that would improve management by customers of peak loads;
 - Institutional strengthening of EPC to improve demand forecasting, system planning, and capacity to control multi-source generation;
 - Corporate governance reforms.
7. Undertake a complete update and review of the business enabling environment to identify specific areas where Samoa's competitiveness may be enhanced. These will include capacity building and training for private sector organisations and businesses as well as access to finance to help the private sector contribute to the achievement of sustainable trade development and economic growth
 8. Undertake a full review to prepare a national e business strategy and identify the policy and legislative reforms to position Samoa to become competitive with ecommerce for both the domestic and global markets.
 9. Revise the Investment policy statement to improve the consistency and transparency of investment measures for domestic and foreign investors. Accelerate and finalise the review of the Foreign Investment Act and prepare an institutional plan to ensure effective administration of the restricted activities list for foreign investors.
 10. Establish country credit risk rating through internationally recognized ratings agencies to facilitate commercial risk assessment by international investors.
 11. Prepare a plan to develop Samoa as a possible on shore regional capital market hub capitalizing on the success of the offshore finance centre.
 12. Implement the recommendations from the review of the Private Sector Support Facility to better streamline procedures and to expedite the approval and disbursement of resources to support trade and private sector development.
 13. Fast track approval of key policies such as Foreign Investment Amendment Bill and Labour and Employment Amendment Bill and associated regulations for Intellectual Property Rights.

5 Chapter 5: Trade Facilitation

5.1 Introduction

Trade facilitation is central to effective participation in modern international trade that demands that all actors, be they governments, corporations, or individual firms to operate on the cutting-edge of technologies not only in the production processes, but also in chain management. It covers all the steps that can be taken to smooth and facilitate the flow of trade. Businesses suffer both direct border-related costs, such as expenses related to supplying information and documents to the relevant authority, and indirect costs, such as those arising from procedural delays, lost business opportunities and lack of predictability in the regulations. Inefficient border procedures cost governments in terms of lost revenue, smuggling and difficulties in implementing trade policy, for instance because of failure in determining the origin of products or in collecting accurate statistics.

This chapter provides an overview of key existing non tariff barriers that currently impact on trade facilitation at the border as well as an analysis of core institutions with roles at the border and examines the impact of existing transport infrastructure, telecommunications and logistics on trade facilitation.

5.2 Overview

The trading across borders category of the IFC Doing Business 2010 survey noted for Samoa that many businesses faced numerous hurdles to exporting or importing goods, including delays at the border. The three key indicators used to assess trading across borders include (i) documents to export and import, (ii) time to export and import and (iii) cost to export and import. As highlighted in Table 5.2.1, Samoa has not made any real improvement over the period 2008-2010, except the slight reduction in the 'cost to export' category. However, it is noted that Samoa has improved its ranking significantly compared to Fiji and Vanuatu with Tonga slightly ahead in the overall ranking for comparator economies.

Table 5.2.1: Trading Across Borders: Samoa and Comparator Economies

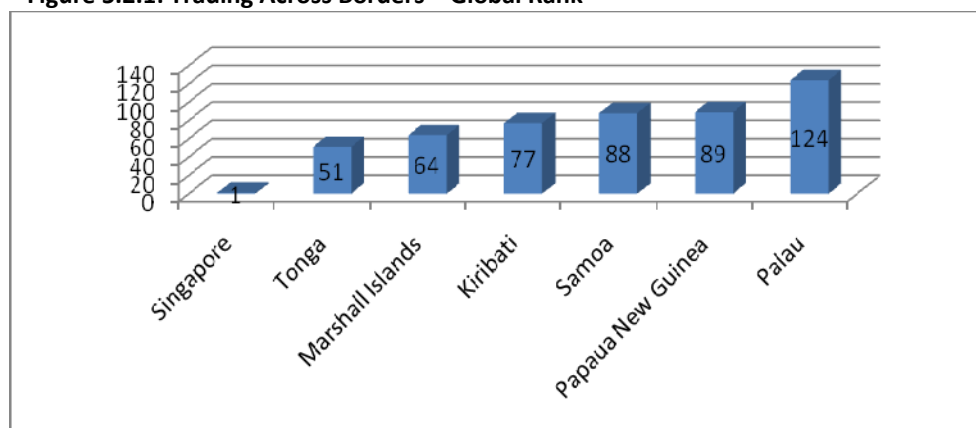
	Samoa			Fiji	Vanuatu	Tonga
Trading Across Border Data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2010	Doing Business 2010	Doing Business 2010
Rank	...	89	88	116	141	51
Cost to export (US\$ per container)	930	820	820	654	1,497	650
Cost to import (US\$ per container)	848	848	848	630	1,392	725
Documents to export (number)	7	7	7	10	7	7
Documents to import	7	7	7	13	9	6

(number)						
Time to export (days)	27	27	27	24	26	19
Time to import (days)	31	31	31	24	30	24

Source: Doing Business 2010 Samoa

The survey highlights the importance of efficient and effective trade facilitation to any trade development strategy.

Figure 5.2.1: Trading Across Borders – Global Rank



Source: Doing Business 2010 Samoa

The Doing Business indicators provide general guidance only on specific nodes of the trade facilitation chain that may be needlessly delaying exports and imports. The data is based on certain assumptions about goods traded that are not relevant for Samoa. There is need, therefore, to undertake more targeted assessments to address needless documentation requirements and delays in ports and customs in Samoa specifically.

5.3 National Coordination Mechanism

Border crossing involves many different agencies and stakeholders and requires effective coordination and an integrated approach to trade and transport facilitation. In the case of Samoa, these institutions include the MfR (Customs and Inland Revenue), the Quarantine Division of MAF and Immigration Division of MPMC. Other supporting agencies include Samoa Airport Authority (SAA), Samoa Ports Authority (SPA), MFAT, MCIL, Ministry of Health (MOH), and the Scientific Research Organisation of Samoa.

One of the national mechanisms established as part of the WTO accession process was the National Trade Facilitation Committee (NTFC). The key objective of the NTFC was to assess, link and prioritize issues that were related to trade facilitation. Substantial work has been undertaken by the NTFC especially in the areas of quarantine, customs and food safety. However, the NTFC's role has been relatively ineffective because it has not been adequately resourced to engage and dialogue on issues related to its mandate with key stakeholders. No formal meetings of the NTFC have been held since 2006. The NTFC functions will need to be reviewed as part of the enhanced institutional framework for trade policy and formulation discussed in this report.

Samoa participates in the ongoing Regional Trade Facilitation Program (RTFP) implemented by the Pacific Islands Forum Secretariat (PIFS) in conjunction with the Oceania Customs Organisation (OCO) and South Pacific Community (SPC). This program is funded by Australia and New Zealand under PACER over a period of five years starting in 2005. As part of this programme, a trade facilitation needs assessment workshop was held in May 2010 by OCO and Samoan Customs. The findings of this needs assessment are yet to be finalised and circulated. The same will further provide guidance regarding the support needed by Samoa in this area, complementing the recommendations of this report. The outcomes of the recent needs assessment workshop, once it's finalised can further inform the development of a flexible and nationally-focused program for Samoa in this area, building on the findings of this report as well.

5.3.1 Customs

Samoa recognizes the benefits of strengthening the role of Customs as the facilitator of trade rather than its traditional role as collector of revenues from trade transactions. There already have been major benefits from reforming and harmonizing customs processes and procedures. These benefits include increased revenues from reduced smuggling and fraud, faster processing and clearance of exports and imports contributing to reduced losses from pilferage and damages in the port areas as well competitive pricing of goods through faster delivery to importers and end users.

Samoa Customs is a member of the World Customs Organisation and the Oceania Customs Organisation. Samoa Customs is in the process of acceding to the Revised Kyoto Convention and the Harmonised System although it has already adopted many of the provisions of these international instruments as best practices. The bulk of the current Customs operations are performed under the Customs Act 1977, the Customs Tariff Act 1975, the Customs Regulations 1986, the Customs (Computer Entry Processing System) Regulations 1998, the Customs Valuation Regulations 1998, the Value Added Goods and Services Tax Act 1992/1993 and Excise Tax Legislation.

5.3.2 Operating Environment

ASYCUDA has been installed in the customs head office at the main Apia port. Customs clearance for shipped outgoing and incoming cargoes is at present provided at the head office only but this will likely change when other ports at Aleipata, Asau and Salelologa have been fully developed. It is reported that clearance time has been reduced from days to hours. At present, the average clearance time is less than a day. About 75 percent of the declarations are lodged mainly through DTI, about 15 on floppies and 5 percent as hard copies which the customs officers have to key-in to the system. The clearance process for the three types of submission is different. A considerable number of functions such as, noting and registration in a register at the reception counter, keying in of declarations submitted as paper documents, keying in of manifest data, noting of declaration number on the declaration and writing the cargo inspection reports, are performed manually.

Thirty two external users which include warehouses, submit declarations through the DTI facility. On average, over twenty nine thousand declarations are processed in the system annually. There are three servers, thirty four customs client machines and seventy four external client machines in use. ASYCUDA in Samoa operates in a LAN environment. MODACC (Accounts module) and MODBRK (Customs Broker module for agents/brokers). But the use of MODSEL (Module for selectivity) and MODCHQ (Customs Head Quarters module) appear to be not partial. MODCAR (Manifest module) is used for electronic transfer of manifest data as well as manual

keying in of manifest data. MODTRS (Module for trans-shipment), MODSDI (Module to capture data offline as post entry) are not being used in Samoa⁵⁰.

5.3.3 Organisational Structure

For Samoa exports to receive preferential duty rates in foreign markets under various schemes, or international trade agreements such as PICTA, Customs is the main Agency tasked with certifying that the goods originate from Samoa. This also puts Customs in the frontline of protecting Samoa from revenue fraud for goods being imported under PICTA duty preference from neighboring markets in the Pacific. As the main certifying Agency in terms of Origin of goods being exported from Samoa, Customs will require further capacity building for its staff to perform effective manufacturing percentage evaluations.

Customs has approximately 70 officers based mainly at the Customs Headquarters at Matautu with offices at Faleolo International Airport, Fagalii International Airport and the Post Office. Customs officers are sent out to Aleipata Port, Asau Port, Salelologa Port and Maota Airport on an 'as required' basis. Given the increasing complexity in its functions and the need to be compliant with regional and international Customs Conventions and Protocols, Customs will need to have the organizational capacity with sufficient modern tools, equipment and information systems, as well as - trained staff in sufficient numbers to perform these functions and obligations efficiently and effectively.

5.4 Sanitary and Phyto-Sanitary Systems (SPS)

Samoa would need to review its whole SPS system to bring it into conformity with WTO requirements. The legislations need to be updated and the institutions involved strengthened. The current SPS measures relate mainly to plant protection and specific regulations dealing with food safety and human health need to be developed. Some measures in this regard have already been undertaken. In particular, an AusAID funded review of the quarantine legislation and a series of workshops have been organised to improve staff capacity.

It is also noted that the existing sanitary and phytosanitary measures are applied and regulated by the Agriculture, Forests and Fisheries Ordinance 1959; the Plants and Soils Importation (Disease Control) Ordinance 1950 and Regulations of 1951; the Guidelines for Pesticide Registration and Import Permits of 1991; the Food and Drugs Act 1967; the Produce Export Ordinance 1961; the Health Ordinance 1959 and the Quarantine Act 2005.

As in most countries, sanitary and phytosanitary measures are placed in a general development context of ensuring food security, increasing agricultural productivity, and protecting health, rather than focusing on meeting stringent requirements in export markets. Quality standards are a key to accessing most export markets, especially those in Australia and New Zealand. Businesses and products that receive certain quality certifications have a much easier time in finding an export market than those that cannot or do not receive such certification.

Samoa's SPS measures are based on information provided by the South Pacific Community, which collected pest data from relevant international organizations, with plants prohibited from importation including all fresh fruits, sensitive vegetables and seed covered with pulp imported from areas where harmful fruits are known to

⁵⁰ Report on customs automation systems – options for Customs modernisation in forum island countries by the Centre for Customs and Excise Studies of the University of Canberra, Australia, 2007

exist and other plants thereof. Authorization to import prohibited plants could be granted by the CEO of MAF granted that MAF set standards are met with all import permits granted by the CEO, MAF following an Import Risk Analysis. Fees charged for required SPS procedures on imported products amounting to about SAT\$110 (USD\$36.02) a year for commercial importers and SAT\$5 (USD\$1.64) per shipment for private importers. Furthermore, all export shipments have to be accompanied by a phytosanitary certificate issued by the MAF Quarantine Service at the point of exit following inspection and subject to prior notification.

There is no clear picture of how the SPS regime currently operates in Samoa however; based on a framework developed by UNCTAD a snapshot of how the SPS regime in Samoa can be classified under the following broad functional areas is highlighted in **Table 5.4.1**:

- Animal health protection
- Plant health protection
- SPS Certification
- Quality Assurance and Standards
- Food Safety

Table 5.4.1: Key Organizations in Samoa’s SPS Framework by Output/Function

Function	Key Activities	Government Agencies	Private Sector
Animal Health	Disease surveillance Border inspection Fumigation/incineration Butchery inspection Information/training	MAF (Quarantine) MAF (Fisheries) MAF (Livestock)	Cattle Industry Fish Industry Chamber of Commerce
Plant Health	Pest surveillance Border inspection Fumigation/incineration Emergency response Information/training	MAF (Quarantine)	Copra, kava, root crop and fruit and vegetables industries
SPS Certification	Issuing SPS certificates SPS market research Negotiation of protocols SPS diplomacy	MFAT (Trade) MfR (Customs) MAF (Quarantine) MCIL (Codex Committee)	SROS SAME Other industries seeking further market access
Quality Assurance and Standards	Developing standards Enforcing standards Training	MAF (Crops and Quarantine) MCIL (Codex)	SAME Famers Association
Food Safety	Inspection and licensing of food establishments Training	MOH (Public Health) MCIL (Codex)	Food Establishments

Quarantine Measures

The quarantine services in the Ministry of Agriculture and Fisheries, have introduced systems to screen and to physically inspect all goods entering Samoa. Goods considered to be of high risk to Samoa are required to comply with pre-Quarantine procedures before being imported.

The quarantine services for electronic import permit, release and certification database have a system in place called Samoa Quarantine Information Database (SQUID) which is used for the processing of electronic import permits, release and

certification of imports. This database and systems have greatly increased the efficiency of processing and issuing of import permits for several countries around the world as well as expediting directions for release or referrals for further treatment. The database also does certifications. The Ministry also maintains a website from which data relating to procedures and requirements can be accessed by a mere click of a button.

The current concern is around ensuring that all laws, regulations, judicial decisions and administrative rulings of general application, made effective by any contracting party, pertaining to the classification or the valuation of products for customs purposes, or to rates of duty, taxes or other charges, or to requirements, restrictions, or prohibitions on imports or exports or on the transfer of payments therefore, or affecting their sale, distribution, transportation, insurance, warehousing, inspection, exhibition, processing, mixing or other use, are published promptly in such a manner as to enable governments and traders to become acquainted with them.

Quality Assurance & Standards

Samoa, like many Pacific islands faces difficulties in assuring quality of many products that are potentially exportable – especially for small enterprises that seek to enter the export market. Quarantine compliance is one of the most formidable barriers for Samoa food exports to key markets such as Australia and New Zealand. Due to difficult quarantine controls, many agricultural producers in Samoa have expressed concerns on it. Key measures currently in place in this area include:

HACCP certification: The Hazard Analysis and Critical Control Point (HACCP) is an important document to assist in analyzing export items particularly in countries where food standards are very stringent. A case in point of an incident is the rejection of around 3 percent (or S\$706,725) of export tuna in 2000 by canneries in American Samoa due to poor post catch handling. This prompted the Fisheries Division of the MAFF to impose export processing standards based on HACCP in 2001 to avoid further fish export rejection.

CODEX standards: Samoa has also committed, under WTO requirements, to adopt relevant international standards such as CODEX and to draft a legislation that would clearly state that Samoa would adopt and follow such standards. The recent adoption of international Codex standards in the egg and poultry sub-sector is a positive step.

Loto Nu'u: It is a local trademark standard. Its purpose is to establish a local standards guideline and criteria for authentication of its 'Samoa Made' status.

Some success has been achieved in recent years in obtaining certification for value added and niche products, such as the WIBDI initiative with organic coconut virgin oil recently supplied to Body Shop as raw materials for their health products. This avoids quarantine restrictions, but will require HACCP compliance, a particular burden for the ANZ markets. This will require standards for growth and production as well as labeling and packaging to meet market demands.

SROS has recently announced that it has been granted international accreditation status as the certification institution in Samoa for food products. The key certification process entails a Hazard Analysis and Critical Control Point (HACCP) certification for food products, particularly seafood and agricultural products bound

for export markets. Likewise more expertise and training is needed on the various ISO standards, especially ISO 9000, to bring Samoan businesses up to world recognized standards and facilitate greater outside market access for Samoan products. The Samoa Association of Manufacturers and Exporters is currently undertaking ISO certification process for its members and is due to be finalized by end 2010.

Based on best practices in the region possible measures that can be undertaken by Samoa to address SPS issues include:

- Establish a SPS working committee to facilitate cooperation amongst key agencies and address issues pertaining to existing provisions and its enforcement, as well as a review mechanism and identifying specific products of interest.
- Samoa under PACER Plus could seek targeted quarantine review of key products such as fruits and vegetables. Samoa could build on certain precedents that have been established in agreements under the New Zealand and Thailand Closer Economic Partnership, under which New Zealand agreed to undertake pest risk analysis and develop an import health standard for certain Thai agricultural products.
- Advocate for the mutual recognition of certain standards or at least the recognition of the certifications of specified standards-certifying bodies (e.g. SROS) in trade negotiations under PACER Plus and WTO.

5.5 Transport and Related Logistics Support

5.5.1 Overview

The transport sector has strong links to the development of trade and this section focuses on the key organizations that between them manage the entire transport infrastructure of Samoa and which play such a key role in ensuring that the country's land, sea and airport infrastructure are well developed and managed to facilitate and support the country's economic, including trade and investment, strategies.

5.5.2 Transport

The Government has recently initiated a study which will enable the formulation of an overarching infrastructure policy framework to guide the future development of key infrastructural sectors such as roads, ports, aviation and telecommunications. Connectivity of these key sectors is vital for enabling trade in both domestic and international markets. The structures of these sectors are similar as they are all operated by companies (some government-owned and some private) and generate internal revenue by charging user fees. The private sector has been concerned that while Samoa has relatively well economic and transport infrastructure, their use has not been effectively translated into growth and development. The SOEs that manage and control the transport linkages have not been fully subjected to best practices requiring them to be cost efficient and accountable and responsive to users for their performances.

Roads

Roading infrastructure is already in very good condition and connects all the rural areas with the main centres namely Apia and Faleolo (for air freighting) and with Salelologa town. The management of the country's roading infrastructure has

undergone some major changes since 2002 under a World Bank funded Public Works Infrastructure Reforms and Asset Management Project. The initial major change was the total divestment of road construction and maintenance works from the Ministry of Works to the private sector leaving the planning, policy and regulatory functions only with the Ministry. The net effect of this change was a major improvement in the standard of road works and the considerable reduction in the cost of these works as a consequence of intense competition among private contractors. The second major change took place in 2009 with the separation from the Ministry of Works, Transport and Infrastructure of all land transportation responsibilities (except for policy, planning and regulatory functions) including those for vehicle registration and licensing, management of roading works including the setting of standards and contracting of road works, to the newly established Land Transport Authority. These changes are intended to improve the standard of the national road network and to enable sustainable funding for new works and for the ongoing maintenance needs of the roading infrastructure.

However, there is still room for further improvements especially in rural access roads. This will require additional funding resources as access roads will become an important part of Government's drive to reinvest in the development of the agriculture sector as a national priority.

Ports

There are currently three international ports operated by the state-owned Samoa Ports Authority (SPA). Apia Port is the major port and international gateway for almost all international sea freight traffic. The Salelologa Port handles international sea freight for the island of Savaii although the volume of traffic is very small. The third port is situated at Asau Savaii and currently caters for cruise liners that sometimes call into Savaii. The Asau port is less frequently used than the port at Salelologa. Two domestic ports are also operated by SPA for domestic travel between Upolu and Savaii. The newly built port at Aleipata is designed to facilitate travel between Samoa and American Samoa.

Box 5.5.2.1: Apia Port – Vital Regional Hub

Apia Port is the sole commercial port, handling 97 percent of all foreign trade cargos and is one of South Pacific's four largest ports. It is a vital part of Samoa's infrastructure and since 1999; it has been run by the Samoa Ports Authority, a self funding commercial organisation responsible for all the nation's ports.

The port's progress since the establishment of the SPA is impressive. Volume has doubled, storage facilities have expanded, wharves extended, a new 50-berth marina has been built (with another 30 berths planned). The port also now conforms to international security standards. Notably, Apia Port was described in AusAID's 2008 Pacific Economic Survey as one of the best-managed ports in the region.

Notably, outsourcing of the port's key operations to the private sector has enabled the SPA to run Apia port consistently at a profit. This in turn has allowed it to divert funds to develop much needed port infrastructure elsewhere in the country, most especially on the island of Savaii.

SPA's long term vision is partly driven by developments occurring over 10,000 kilometers away in Central America with the widening of the Panama Canal in 2013, this would allow for extra shipping lanes which would mean that American and European cruise

ships will have easy access to the South Pacific. Apia Port is now preparing to meet that demand when it comes.

In addition to the main facility in Apia, a wharf extension at Salelologa has enabled cruise ships to berth there since 2007 and it has had four to five visits there already. SPA's target is to reach at least 50 cruise ships a year for the whole of Samoa and it's currently 25.

SPA has also recently gone into partnership with the Reddy Group, operator of Fiji's largest hotel chain, to build a four-star hotel on land adjacent to Apia's port. Such a project will only develop Samoa's tourism sector, but will also generate much-needed additional development capital for SPA.

Shipping

Samoa is well served by container ships operating international routes with fortnightly shipping line services provided to New Zealand and Australia via the Fiji Islands, Tonga and Cook Islands. The Greater Bali Hai line also operates fortnightly to and from Apia, Japan and Korea as well as fortnightly services between Fiji, Apia, Pago Pago, Papeete, Nukualofa, Noumea, Santo, Honiara and Noro. The Polynesia Line services Apia, Los Angeles and San Francisco.

Sea freight between Samoa and its main trading partners especially Australia and New Zealand will continue to remain costly because of Samoa's geographic location vis a vis these countries and the relatively low cargo volumes being carried especially on the outbound sailings from Samoa.

The state-owned Samoa Shipping Corporation (SSC) provides passenger and freight services between Savaii and Upolu and also operates international passenger and freight services between Apia and American Samoa. The ports' infrastructure and ferry services play a major role in the movement of people and of trade between the two main islands of Samoa, whilst the ferry services to American Samoa has supported trade from Samoa, mainly the export of agricultural produce, fish and beer.

Domestic freight services are handled by a regular vehicle and passenger ferry service, which travels between Upolu and Savaii several times a day. As noted, domestic shipping is essential but low demand for freight and low passenger numbers combined with low fares make the economics of current domestic shipping routes marginal at best.

Aviation

Samoa Airport Authority operates the main international airport linking Samoa with the outside world. At present flights to and from Los Angeles and Hawaii in the United States, to Australia, Fiji, New Zealand, Tonga and also to American Samoa use Faleolo, while Polynesian Airlines owns and operates a much smaller airport close to Apia from which it operates international flights to American Samoa and domestic services to Savaii island. A major problem facing exporters of highly perishable products particularly fish is the inadequate air freight capacity and high freight costs currently provided by airlines on the important Australia, New Zealand and USA markets.

The increase in seat capacity resulting from the introduction of additional Polynesian Blue flights, has not led to a corresponding increase in air cargo capacity due to the configuration of the aircrafts used for the low cost airline concept. This restriction of

cargo capacity has adversely affected the ability of local fresh fish exporters to target expansion in overseas markets. Similarly airfreight capacity for fish exports to the USA market is limited. For domestic flights there is a need for more competition and private sector involvement in order to improve domestic air services. Involving the private sector in providing domestic air services, either through joint ventures or direct operations, generally leads to more sustainable services and/or reduces demands on funding support from government

Rapid growth of traffic through the international airports requires ground handling and related support aviation services to be upgraded if bottlenecks are to be avoided in the handling of increased traffic through the airports. The Samoa Airports Authority should actively explore the possibility of a public-private partnership approach in the management and operation of the main international airport to ensure technical professionalism and commercial outcomes are met without continuing expectation of Government funding support.

Box 5.5.2.2: The Polynesian Blue Joint Venture and Development Impact on Samoa's Economy

The Government of Samoa with the assistance of the IFC sought proposals from interested airline companies to partner with for the provision of long haul international jet operations primarily to ensure increased services to Samoa; eliminate the burden on Government finances and to support the development of the tourism sector.

The joint venture between the Government of Samoa and Virgin Blue was formalised in 2005. The joint venture called Polynesian Blue assumed the long haul international jet operations with Polynesian Airlines (Government owned national airline carrier who had previously provided such services) maintaining the short-haul international services from Samoa to Tonga and American Samoa as well as domestic services.

Since the formalisation and commencement of operations in late 2005, the joint venture has made an impact in the following areas:

- Mobilisation of private investment of USD\$13.4 million.
- Increased consumer choices for airline travel and increased inbound and outbound seat capacity for the main tourism markets of New Zealand and Australia by 72 and 360 percent respectively.
- The competition provided by the joint venture has resulted in lower airfares for consumers of up to 40 percent and savings to consumers of approximately USD\$60.0 million.
- The increased seat capacity, frequency of flights and lower airfares resulted in a significant increase in visitor arrivals of 13.8 percent between 2005 and 2006.
- The increase of visitor arrivals had stimulated additional investment in tourism infrastructure of USD\$4.0 million, additional employment of up to 1,000 persons and a positive impact on foreign exchange earnings of up to USD\$ 9.0 million.
- The positive net impact to Government's fiscal position is estimated at USD\$10.0 million from settlement costs and payment of Polynesian Airlines debt; savings to the national budget from avoided annual grants; dividends from Government's investment in the joint venture and additional indirect tax revenues from additional tourist spending.
- Introduction of commercial discipline and a low cost, efficient and effective business model. The restructuring of Polynesian Airlines and the establishment of the joint venture has shown that a commercially successful venture can generate a significant development impact on the Samoan economy.

Whilst the most significant impact has been for consumers and the tourism sector in general, there is potential for increased access to export markets through lower cost air freight services and improved and more frequent transportation links.

5.5.3 Logistics

Effective and efficient freight forwarders, distributors, and other logistics service providers make it possible for importers and exporters to connect with each other at a minimum cost and with minimum delay.

At present there are only two major freight forwarding and stevedoring companies⁵¹ in Samoa. Both companies offer reasonable services that include a tracking service which provides up to the minute tracing and tracking technology and ensures that no package, parcel, pallet or container encounters extreme delays or goes missing. Key constraints facing current freight forwarding companies include:

- Access to modern tracking tools and technology that makes the process easier and saves time and money;
- Competitive prices;
- Ensuring customers' needs are taken into account as well as the type of goods that will be sent in order to select the best mode of transport.
- Connections with businesses, airports and seaports all over the world is essential for a respectable freight forwarder and they should have a handy list of schedules and time tables to ensure that consignments arrive in a timely fashion.
- As they are also responsible for the goods they are transporting, they must stay abreast of rules, regulations and safety measures concerning freight shipments to key markets.

Conclusions

Samoa is a remote economy with relatively low economies of scale and high transport costs that inhibit the competitiveness of exports. As such, it needs to seek to minimize any unnecessary costs which relate specifically to trade facilitation measures and establish priorities for technical assistance based on in-depth assessments of the key components of the trade facilitation process.

Many countries require Samoa Customs certification on origin to obtain preferential entry into their markets. In addition, revenue earned from import related duty, VAGST and excise tax form a large bulk of Government revenue and this trend does not look likely to change in the near future. As Customs facilitates the clearance of all imported and exported goods, customs processes therefore are vital in any trade policy formulation to ensure that export/import times and processes are reduced and simplified while at the same time maintaining adequate control to reduce revenue fraud and security risks to acceptable levels. Customs is also responsible for the collection of the raw data for statistical purposes and therefore is vital in this area as well.

Capacity constraints within key institutions such as Customs and Quarantine relate primarily to the regulatory and operational aspects of their role in trade facilitation.

⁵¹ Betham Brothers Enterprises Ltd and Transam Samoa Ltd.

The technical capacity for implementing and enforcing SPS and ROO rules and regulations is limited and is compounded by a chronic shortage of qualified staff.

The World Bank's Doing Business indicators provide general guidance on specific nodes of the trade facilitation chain that may be needlessly delaying exports and imports, but these data are based on certain assumptions about the goods traded that are not relevant for Samoa; remedial action to address needless documentation requirements, and delays in ports, customs, or inland transportation require much more targeted assessments in Samoa.

Samoa undertook a trade facilitation needs assessment in conjunction with OCO under the PACER – RTFP (Regional Trade Facilitation Programme). Based on the finalization of the assessments by OCO, the technical assistance recommendations derived from the assessments will provide further guidance for priority action by Samoa in this area, complementing this report.

There is a great need for harmonizing trade facilitation measures such as OCO standards on a regional basis, to better facilitate trade under PICTA and any agreements developed under the PACER Plus process.

Recommendations

1. Revive the National Trade Facilitation Committee and strengthen its role to:
 - Develop a trade facilitation program based on the findings and recommendations of this report, and the outcomes of the National Needs Assessment Workshop on Trade Facilitation once available.
 - Develop a plan for strengthening the capacity of key border agencies Customs, Quarantine, Immigration and implementing agencies MCIL, MFAT, SROS and SAME.
2. Explore through the Samoa Airport Authority the possibility of adopting a public-private partnership approach in the management and operation of the main international airport and especially of airport services are better suited to outsourcing and more commercial orientation.
3. Undertake an in-depth assessment of the existing SPS measures and develop a program for ensuring SPS initiatives are effectively implemented and adequately resourced as well as identifying key roles and responsibilities of key agencies in the SPS architecture.
4. Create a data base of SPS measures and specific handling requirements affecting Samoa's export products and disseminate information to exporters on a timely basis.
5. Promote the harmonization of trade facilitation measures such as those produced by OCO, at the regional level.
6. Undertake an in-depth assessment of the existing transport infrastructure network to determine the weak links in the "whole supply chain" process. Prioritize further improvements in the road network in rural areas to enhance the overall standard of the network and to also ensure sustainable funding for ongoing maintenance of these assets.

6 Chapter 6: Climate Change and Energy

6.1 Introduction

New national and international policies, changing consumer preferences and emerging markets in response to climate change are stimulating new trade and investment opportunities. There are significant opportunities for developing countries to attract foreign investment through carbon markets, in particular the Clean Development Mechanism (CDM). There are also significant opportunities emerging in new and fast-growing markets for sustainable natural resource products, environmental technologies and services. In Samoa, the niche markets being targeted have focused on the sustainable natural resources through organic certified agricultural products to date.

This chapter provides an overview of energy and climate change, the opportunities provided for trade and investment, the existing policy framework, the types of donor assistance available and lastly key recommendations to stimulate energy and climate change exports.

6.2 Situational Analysis

6.2.1 Overview of Climate Change and Energy

Climate change is unequivocal and impacts are already being felt locally on many small island countries of the Pacific including Samoa. As climate change worsens, as it surely will, impacts will increasingly harm economic growth in all sectors and threaten livelihoods and lives.

Samoa is ranked amongst the most vulnerable countries in the world to climate change, in particular, extreme weather and climate events such as droughts, floods and cyclones as well as the risks of rising sea levels and increased average temperatures. Projected climate changes that Samoa is likely to experience by 2050 include:

- 36 cm rise in sea level
- 1.2 percent increase in average rainfall
- 7 percent increase in extreme wind events
- Average increase in maximum temperatures of 0.7°C

Samoa's First National Communication to the United Nations Framework Convention on Climate Change (UNFCCC) and National Adaptation Plan of Action (NAPA) both identified the critical sectors and areas that would experience adverse impacts of climate change and variability as:

- Food security and agriculture;
- Water supply;
- Health sector;
- Biological diversity;
- Energy supply;
- Tourism;
- Forests; and
- Coastal areas

Although climate change may have some positive impacts for certain regions of the world, general knowledge suggest that the impacts of climate change on the above

sectors will be largely detrimental to agricultural production and subsequently, trade in Samoa.

Climate change is not just an environmental concern for Samoa; it is also a development issue that strikes at the very basis of our existence and survival. Climate change could adversely affect business and tourism infrastructure, agriculture systems, GDP, balance of payments, budget deficits, foreign debt, employment, and living standards.

Tourism and agriculture - two of the most important sectors for Samoa's economic development - are amongst the most at-risk to climate change. The implications of disruptions to these sectors in the face of lack of adaptation strategies will be immense in the sense that a large percentage of the population depend on these sectors for their subsistence living.

There will also be risks associated with the impacts of climate change on business facilities, infrastructure, equipment, employees and supply chains. As a result there will be uncertainty regarding long term investment projects, particularly in sectors most likely to be directly affected by climate change, such as tourism, transportation, agriculture, and construction. Businesses are likely to suffer from interruptions and/or irregular supply of electricity, water and transport services. The net effect is likely to be a rise in the cost of doing business. All these risks will have to be considered in business and trade projections and planning.

It follows that all businesses and therefore trade will be affected by climate change in one way or another. In the manufacturing and energy sectors, it is anticipated that economic competitiveness will increasingly be determined by carbon intensity and resource efficiency. Responses by governments and business sectors to climate change challenges will increasingly affect the way businesses operate in the future.

Opportunities will arise for businesses which are able to design new products and services in response to market demand for energy friendly products such as cooling systems, infrastructure, hybrid vehicles, and alternative energies. These opportunities for energy friendly products and low carbon technologies could become an avenue for increasing private investments and developing export markets. Samoa is in need of both these. Niche markets, based on energy friendly products and low carbon technologies, could be developed and, like with any investment venture, the first movers have an advantage.

Climate change may also instigate a change in consumer preference for certain types of products. One possibility is that products that are relatively more sensitive to heat or make use of relatively more water may be less preferred to substitute products. This means that large public and private consumers of such low carbon emitting products will change their indifference curve towards energy efficient products. This is likely to stimulate demand for green goods and services.

Building the resilience of farmers and the rural poor to cope with climatic fluctuations is key to a sustainable trade in agriculture produce and products. Matching usable science-based climate change prediction information needs to farmer needs by taking into account traditional practices incorporating existing local knowledge and experience is crucial in this case. Strengthening the capacity of farmers and producers to manage their resources (e.g. savings, credit schemes, agriculture inputs, agricultural production, land use, etc) is equally important. Providing incentives to encourage the private sector to invest in the expansion and

commercialization of research results from the Scientific Research Organisation of Samoa (SROS) and other research institutions would form a significant basis for agriculture trade exports in future.

Building economic resilience means strengthening competitiveness to take advantage of international trade opportunities which in turn contributes to economic growth by creating jobs, enhancing the private sector, and raising the standard of living.

6.2.2 Policy Framework

Whilst it is recognised that increased access to energy and its use are key to economic growth and sustainable livelihood, energy generation and use are heavily fossil fuel based and are the largest contributors to carbon dioxide concentrations in the atmosphere further driving climate change.

Dealing with climate change therefore requires a substantially new manner of thinking and perhaps changing course for the energy and transport sectors. Economic development must shift to a low-emissions path. For this to happen, both the government and the private sector hold the key:

- Government because they set the policy framework to implement such a significant change; and
- The private sector because it spurs innovation, implements technology and holds an important part of the investment capital to deal with alternative sources of energy.

It is important that the energy and transport sectors are transitioned onto a low-emissions pathway that can meet the demand for renewable, clean and affordable energy. Ultimately, the world will advance towards a low-emissions future and Samoa needs to move with the times. Actions need to focus on climate friendly technologies as well as providing climate friendly, sustainable energy. There is an important need for the development of policies and strategies that will help Samoa:

- Prepare now to help protect from the risk of another ‘oil crisis.’ Another more serious, global oil crisis may occur in the next decade or two hence the country should start to prepare now and not react in panic after the event which might result in dramatic increases in petroleum fuel prices and supply disruptions. It is important that plans are put in place for the energy industry to transition onto a low-emissions pathway that can meet the demand for renewable, clean and affordable energy in the next decade and to cushion against the serious impacts of another global oil crisis. There may be opportunities for localized trade in this regard. An impact assessment should be prepared to gauge the effects of another disruption to supply and the transition to renewable alternative energy sources.
- Investigate potential for small scale, low cost, clean renewable energy technology for use of local communities in rural areas. Support the role of SROS in this regard. Establish specific criteria for and carry out preliminary assessment on the potential for carbon sequestration as a trade option for the future.

Greater support for plant breeding programmes could lead to the selection of crops and cultivars that are more tolerant to abiotic stress caused by climate change. This could in turn, lead to the development of a number of locally-adapted food crops and trees that may form the basis for Samoa’s future agriculture exports and trade. Strengthening and expanding the research capability of the Scientific Research Organization of Samoa (SROS) will be crucial in this context.

The local impacts of climate change on agriculture and trade in Samoa is not fully understood. This is extremely important for the development of trade policies and action strategies that are directly relevant to the local conditions and situations. The considerable efforts needed for climate-related impacts and time required for agriculture, forestry and fishery production systems to adapt to climate change is a crucial point. Success depends on factors relating to biology, ecology, technology and management regimes. Countries like Samoa with limited economic resources and insufficient access to technology will be least able to keep up with the changes.

Furthermore, there is an important need to develop new legislation to incorporate climate change policies and adaptation measures in other development sectors. Climate change and energy issues are closely linked and are difficult to differentiate. Incorporating climate change and energy considerations in trade policies and strategies will be necessary especially in light of Samoa's application for membership of the WTO.

Energy is a critical element underpinning the Strategy for the Development of Samoa 2008 – 12. During the 1990's, Samoa experienced a rapid transformation in its energy consumption pattern, shifting from heavy use of traditional indigenous biomass toward a more commercial energy supply. Nevertheless, biomass still accounts for about 50 percent of the total primary energy supply while petroleum products account for about 40 percent. Solar energy usage is currently limited to water heating and some photovoltaic systems on the smaller islands. Other sources of renewable energy (wind, bio-fuel, gasifiers) are under investigation.

It is recognised that there is a proposal for major reforms of the energy sector in Samoa, including changes to coordination mechanisms, regulatory processes and legislative systems – including those that will be analysed through the Power Sector Expansion Project, which is supported by the Asian Development Bank (ADB) and the governments of Australia and Japan, including:

- A comprehensive reform programme, including regulatory framework that would enable the private sector participation and enhance efficiency in the sector;
- Development of a programme to reform the Electric Power Corporation's (EPC) internal business and management procedures to enhance governance and cost efficiency;
- The preparations of an investment road map to diversify the country's energy resources, meet future load growth, and reduce the burden of diesel imports.

Significant growth in all forms of commercial energy demand is expected to continue over the years supported by the rapid increase in vehicle numbers and changing lifestyles. Samoa has little to trade in terms of energy-based products but has potential to increase its own local energy production capacity through renewable sources thereby off-setting the high cost of petroleum importation. The global economic crisis presents an opportunity to reorient economies to low-carbon development, building greater self-reliance and resilience for the future.

6.2.3 Existing and Planned Donor Assistance in the Sector

The GEF has played an important role in providing funding support for climate change adaptation and mitigation in the Pacific islands especially through the Least Developed Country Fund (LDCF) and the Special Climate Change Fund (SCCF). The GEF/UNDP Small Grants Programme is poised to play an increasingly important role in the implementation of small-scale adaptation measures at the community level.

As an LDC, Samoa received funding to complete a National Adaptation Plan of Action (NAPA) to identify priority activities that respond to their urgent and immediate needs to adapt to climate change. **Table 6.2.3.1** below summarises the NAPA priorities, profile and implementation projects. The government of Samoa developed specific project applications to implement the nine NAPA priorities into four discrete NAPA Implementation Projects – termed NAPA 1 to NAPA 4.

This process resulted in the recent approval (2008) by the GEF – LDCF of the Full-Sized NAPA 1 Project *Integrating Climate Risks into the Agriculture and Health Sectors in Samoa*. The Project scheduled for implementation from April 2009 to March 2012 has a total value of US\$4.1M (with US\$2.0million GoS funding). MNRE, MoH and MAF will execute NAPA 1.

NAPA 2 project is being implemented through the *Pacific Adaptation to Climate Change Project* (PACC) which is a regional project funded through the GEF Special Climate Change Fund to implement long term adaptation measures to increase the resilience of a number of key development sectors in the PICTs to the impacts of climate change. Total project cost is US\$58m.

NAPA 3 and NAPA 4 projects are under development. NAPA 3 was planned for submission to the GEF LDCF in 2009 while NAPA 4 project remains unfunded.

Table 6.2.3.1: NAPA Priorities, Profile and Implementation Projects

NAPA Implementation Project	Priorities	Sectors	Project Profile	Est. Cost (USD\$ m)
1	4,3,5	Climate Health Agriculture	Early warning system Climate health Programme Agriculture & food security	\$2.0
2	4,7	Climate Coastal	Early warning system Coastal protection (hard & soft solution)	\$0.8
3	4,8,2	Climate Environment Forestry	Early warning system Biodiversity conservation Forest fire prevention	\$2.0
4	4,6,1,2	Climate Land use planning Water Forestry Tourism	Early warning system Zoning & strategic management planning Protection community water Reforestation and rehabilitation Sustainable tourism development	\$2.5

In much the same manner as the NAPA, the Government of Samoa has also developed into project profiles the priorities of the National Green House Gas Abatement Strategy as shown in **Table 6.2.3.2**.

Table 6.2.3.2: National Green House Gas Abatement Strategy Priority Profiles

Sectors	Intervention	Est. Cost (USD\$ m)
MNRE, LTA, MWTI, SROS	Energy efficiency in land transport and substitution of fossil fuel with coconut oil	\$1.3
MNRE, EPC, MWTI, Electricity	Energy efficiency in the electricity sector-demand side management	\$1.5

consumers		
MNRE, EPC, MAF	Emissions reduction from biomass gasification - pilot	\$1.0
MNRE, EPC	Emissions reduction from renewable energy e.g. solar, thermal	
MNRE, EPC	Emission reduction from waste	
MNRE, MAF	Emissions reduction from deforestation and degradation	
MNRE, MAF	Emissions reduction from agriculture and livestock	

Samoa has also been an active participant in the following regional renewable energy projects (coordinating organizations shown in brackets):

- Biomass resource assessment (SOPAC)
- Pacific Islands Green House Gas Abatement through Renewable Energy Project (PIGGAREP)
- Renewable Energy and Energy Efficiency Programme (ADB)
- Promotion of Renewable Energy, Energy Efficiency and Green House Gas Abatement (ADB and Government of Netherlands)
- Regional Energy Programme on Poverty Reduction (UNDP)
- Energising the Pacific (World Bank)
- Pilot Programme for Climate Resilience (World Bank)

In addition to the GEF and multilateral partners, the Government of Australia also funds several ongoing regional climate change activities that also benefit Samoa.

- The Sea Level and Climate Monitoring Project Phase 4 (\$9m: 2006-2010) collects high quality, long term data on absolute sea level movements across the Pacific to assist PICTs monitor and plan for changes in sea level. Total funding is \$32m (1991-2010);
- The Climate Prediction Project Phase 2 (\$3m: 2007-2009) builds capacity of meteorological services to interpret weather and climate data and provide climate prediction support to industry, government and community stakeholders. Total funding is \$5.3m (2003-2009);
- The Vulnerability and Adaptation Initiative (\$4m: 2004-2009) provides practical adaptation assistance such as increased water storage, improved food security through crop diversification, and coastal stabilisation through replanting mangroves;
- The International Climate Change Adaptation Initiative (ICCAI) will enhance Australia's efforts to assist the Pacific and East Timor through a \$150m investment over three years (2009-2012). The Initiative will have four principal components namely: (i) improve scientific information and understanding of climate change impacts; (ii) strategic planning and vulnerability assessments; (iii) financing the implementation of priority adaptation measures; and (iv) contribute to major multilateral adaptation funds;

The above summary tends to suggest that there is increasing support for climate change adaptation and mitigation in the PICTs including Samoa. The key question is whether there is adequate capacity at national and community levels to effectively utilise available resources.

6.3 Growth Opportunities in the Energy and Climate Change Sector

Given the expected increase in the cost of imported fossil fuel, it makes good planning sense for the energy and transport sectors to be transitioned onto a low-

emissions pathway that can meet the demand for renewable, clean and affordable energy. This will present new trade and investment opportunities in Renewable Energy technology and marketing for Samoa. There are potential trade opportunities if the following actions are considered.

- Scale up research on bio-fuel generation and seek investment in their mass production and marketing. While Samoa is unlikely to be able to be involved in the trade of equipment and technological knowhow, opportunities exist in the mass production of raw material for commercial production of such fuels whether locally or in neighbouring developed countries.
- Greater focus to achieving a better balance between improving the efficiency and effectiveness of current energy use and the development of sustainable and renewable energy supply needs. Improved knowledge and understanding of local energy sources (hydro, solar, wind, geothermal, biomass) and how to sustainably exploit them will be critical in this case.
- Investment in small scale, low cost, clean renewable energy technology for use of local communities. To do this, there is a need to establish specific criteria for, and carry out preliminary assessment on the potential for carbon sequestration as a trade option for the future.
- Strengthen the capacity of farmers and producers to manage their resources (e.g. savings, credit schemes, agriculture inputs, agricultural production, land use, etc) is extremely important. It is recommended that government provide incentives to encourage the private sector to invest in the expansion and commercialization of research results from the Scientific Research Organisation of Samoa (SROS) and other research institutions to form the basis for agriculture trade and export in future.

New national and international policies, changing consumer preferences and emerging markets in response to climate change are stimulating new trade and investment opportunities. These opportunities are being picked up by big business however; Small-Medium Enterprises (SMEs) are reportedly structurally disadvantaged and poorly prepared to seize the new opportunities. The greatest potential is found in two key areas for SMEs.

- The Clean Development Mechanism (CDM) allows a country with an emission-reduction or emission-limitation commitment under the Kyoto Protocol⁵² to implement an emission-reduction project in developing countries and such projects earn saleable Certified Emission Reduction (CER) credits, each equivalent to one tonne of CO₂, which can be counted towards meeting Kyoto targets⁵³. There are significant opportunities for developing countries to attract foreign investment through carbon markets, in particular the CDM. However, in the first commitment period, it has proven difficult for SMEs to participate in CDM projects and to benefit from the foreign investment and technology transfer advantages the mechanism offers. There is growing consensus that the next multilateral climate change framework needs to improve the CDM towards a simpler mechanism, with broader geographic coverage and scaling up to cover programmes and sectors. In addition, SMEs need creative solutions such as

⁵² Kyoto Protocol is a protocol to the UNFCCC adopted in 1997 and entered into force in 2005. Samoa is a member of UNFCCC and signed the KP in 1998 with ratification and acceptance in 2000.

⁵³ Wikipedia 2010

“bundling” small projects together to access the CDM, supported by clear policy frameworks and public-private partnerships for infrastructure projects. In the case of Samoa, Polynesian Blue through its links to the Virgin group has been the first Samoan SME to directly participate in giving its clients the opportunity to buy carbon credits when purchasing airline tickets.

- Market based instruments such as the CDM and emissions trading may also provide the most effective tool for improved technology transfer. However, as identified in the UNFCCC Technology Needs Assessment, there are many information and other barriers to technology transfer that need to be addressed. SME require support to engage their governments to ensure their business interests are incorporated into needs assessments, programme of activities and negotiations for new financing mechanisms.

Conclusions

Policymakers worldwide are wrestling with potential policy responses to climate change, including national and global cap-and-trade systems, fuel efficiency standards, research subsidies and other measures. Decisions on these issues can turn quickly as beliefs about the economic damages of climate change vary. If broad and aggressive economic damages are expected, aggressive measures may be called for. But if the expectations are for mild or narrow effects, the measures may be just as lukewarm. The more we know about what climate change might – or might not – do, the more accurately we can guide policy.

A “narrower view” argues that climatic change would affect agriculture but not much else. This view is hardwired into many mainstream climate-economy models, and therefore into the predictions that are often relied on by policymakers. Broader views move substantially beyond agriculture. However, it has been seen in recent micro-analysis of the US economy that labour productivity declines in hotter weather (Graff-Zivin and Neidell 2010), especially in the absence of air conditioning. More broadly still, climatic effects may extend to health, crime, conflict, and migration, all of which could have first-order implications for measuring the policy response.

Climate change will have adverse impacts on trade in Samoa. However the nature and extent of local impact is not fully understood. Hence there is an important need to carry out site specific impact assessments and develop trade policies and action strategies that are directly relevant to the local conditions and situations.

Market based instruments such as the CDM and emissions trading may provide the most effective tool for improved technology transfer necessary to deal with the impacts of climate change. However, there are many information and other barriers to technology transfer that need to be addressed. Government need to ensure that SME interests are incorporated into needs assessments, programme of activities and negotiations for new financing mechanisms.

Trade opportunities will arise for businesses which are able to design new products and services in response to climate change induced market demand for energy friendly products such as cooling systems, infrastructure, hybrid vehicles, and alternative energies. These opportunities for energy friendly products and low carbon technologies could become an avenue for increasing private investments and developing export markets. It is recommended that Samoa explore and develop such niche markets, based on energy friendly products and low carbon technologies, to

take advantage of new business opportunities resulting from national and international responses to climate change.

Recommendations

1. Develop integrated climate change adaptation measures in the key sectors of agriculture, fisheries, manufacturing and tourism.
2. Possible integrated measures in the key sectors agriculture, fisheries, manufacturing and tourism.
 - Strengthen the capacity of farmers and producers to manage their resources (e.g. savings, credit schemes, agriculture inputs, agricultural production, land use, etc).
 - Provide incentives to encourage the private sector to invest in the expansion and commercialization of research results from the Scientific Research Organisation of Samoa (SROS) and other research institutions to form the basis for agriculture trade and export in future.
 - Make available greater financial and human resource support for plant breeding programmes. Strengthen the integrated climate change adaptation measures in crop and ground cover and water irrigation for farming
 - Ecosystem Approach to Fisheries Management (TMDP, CBFM, NAPA)

SECTION III: SELECTED SECTORAL STUDIES

The success of Samoa's trade strategy relies on the performance of the key priority sectors which have been identified as critical to providing a robust productive base. The report has adapted the approach taken by the National Export Strategy 2008-2012 in the selection of the priority sectors for export expansion and were based on their impact on the following criteria:

- i. Sector's contribution to GDP;
- ii. Sector's contribution to employment;
- iii. Sector's trade potential;
- iv. Sector's contribution to poverty alleviation;
- v. Sector's comparative advantages and potential growth.

The priority sectors are in line with the key development sectors in the SDS 2008-2012 and a few of these sectors have established their own vision, overview, assessment of critical factors and value options, sector strategies and implementation plan. Priority sectors highlighted in the sector studies therefore include:

1. Agriculture
2. Fisheries
3. Manufacturing
4. Tourism
5. Labour Mobility (Professional Services and Sports Development) and E-Commerce

The successful implementation of the sector plan relies heavily on the government and private sector partnership in order to create an enabling environment. From the Government perspective, this involves all the relevant Ministries and Corporations having suitable policies and procedures in place and from the commercial standpoint, taking the leading role with particular emphasis given to exporters. The key contribution of these priority sectors to Samoa's GDP, employment, trade potential and poverty reduction is depicted below.

CRITERIA				
Sectors	GDP	Employment	Trade Potential	Poverty Reduction
Agriculture	Currently contributes 12 percent to GDP.	Employs well over 75 percent of the working population aged 15 and over	Key exports such as coconut based products, nonu based products and taro only contributes less than 10 percent of current account. However has high potential for import substitution.	Has substantial contribution through subsistence agriculture and impact on livelihoods
Fisheries	Grouped with other agricultural sub-sectors it only contributes 12 percent to GDP.	Grouped with other agricultural sub-sectors it employs well over 75 percent of the working population aged	Key exports such as fresh fish is declining due to the closure of canneries in key markets such as American Samoa and depleting tuna	Has substantial contribution through subsistence fishing and impact on livelihoods

		15 and over	resources.	
Manufacturing	Only contributes to approximately 8 percent of GDP	Employs approximately 5 percent of total labour force	Key export beer is declining due to less demand from key markets such as American Samoa. Only new prospects are bottled water for the international markets and agro-processing for import substitution.	Has no substantial contribution
Tourism	Contributes at least 20 percent of GDP	Employs approximately 10 percent of total labour force	Substantial contribution to balance of payments with sector expected to bounce back from post tsunami developments	Has substantial contribution in providing employment and income opportunities to the rural areas.
Emerging Services (Labour Mobility – Professional Services, Sports Development; and E-commerce)	Contributes at least 63 percent of GDP	Employs approximately 40 (inclusive of tourism) percent of total labour force	Substantial contribution to balance of payments through remittances and services fees	Has substantial contribution in providing employment and income opportunities in the rural areas.

Given the significance of the crosscutting climate change issues, a separate matrix is presented below to illustrate the effects of climate change on each of the sectors being reviewed:

Impact Matrix				
Agriculture	Fisheries	Manufacturing	Tourism	Emerging Services (Labour Mobility & E-Commerce)
Greatest impact on the capacity of farmers and producers to manage their resources (e.g. savings, credit schemes, agriculture inputs, agricultural production, land use, etc).	Rising ocean temperature and ocean acidification are radically altering aquatic ecosystems. Climate change is modifying fish distribution and the productivity of marine and freshwater species. This has impacts on the sustainability of fisheries and aquaculture, on the livelihoods of the communities that depend on fisheries, and on the ability of the oceans to capture and store carbon (biological pump). The effect of sea level rise means that coastal fishing communities are in the front line of climate change, while changing rainfall patterns and water use impact on inland (freshwater) fisheries and aquaculture.	Greatest impact is on agro-processing capabilities and supply of agricultural raw materials.	Climate change may directly influence tourism via the decision-making process. Climate has a direct impact on such decisions as: 'When to go on holiday?' and 'where to go on holiday?' Weather and climate influence decisions both at the destination and at the source region.	More broadly still, climatic effects may extend to health, crime, conflict, and migration.

7 Chapter 7: Agriculture

7.1 Introduction

Agriculture continues to be the major contributor to subsistence activities for the Samoan economy and it plays an influential role in the development of the rural areas. Opportunities for agriculture are constrained first by access to land and second by the nature of potential markets. The domestic market is small and is catered mainly by subsistence rather than commercial production. The domestic market is steadily increasing driven mainly by the demands of the tourism industry and export opportunities. These new demands will require investment in production of local products to meet high quality and supply requirements that will be best met through a combination of enhanced subsistence and commercial farming. The competitiveness of export products will require efforts in reducing the cost and logistics of transport given Samoa's relatively remote location

With a thriving services sector centred around the urban areas in contrast with the stagnating rural-based agriculture, poverty and income disparities between the rural and urban areas have worsened. Development of agriculture is also seen as the most effective means to address the poverty and income disparity concerns.

7.2 Situational Analysis

7.2.1 Agriculture Activity

Based on the 2006 Census it is estimated that at least 75 percent of the households engage in agricultural activity. Notably, many wage-earning households also engage in supplementary subsistence production. However despite the economy growing consistently since the 1990s, agriculture has been stagnating for a number of years and now only accounts for just 6 percent of GDP, compared with 22 percent a decade earlier, and three times that in the early 1990s.

Stagnating Agriculture Sector: The agriculture sector presents the biggest potential to reduce poverty given that at least two thirds of the population rely primarily on the sector for their livelihood. However the agricultural sector which has stagnated over the last decade could threaten the social structure of the rural village communities and national food security if its declining productivity and poor performance are not effectively addressed. The situation could be further aggravated by the pockets of labour shortages for commercial farming which are starting to emerge as the rural-urban drift continues.

Subsistence and Commercial Farmers: Of the 18,800 rural households, 14,000 households (approximately 75 percent) produce mainly for subsistence purposes⁵⁴. The remaining households are deemed to be commercial and semi-commercial farmers. An increasing number of farmers are becoming market oriented. Nevertheless, the policies and strategies have not fully captured the different investment needs of the two groups of farmers and fishermen and the rapid transition into market oriented farming and fishing.

⁵⁴ 2006 Census

A Relatively High Risk Sector: The deterioration of the agricultural sector also largely reflects the lack of investment and financing in the sector over the last decade. Profitability of the main long term crops, coconuts and cocoa have become marginal given the increasing developmental and maintenance costs and declining trends and increasing volatility in world market prices. The short term crops like bananas and taro have also been devastated by pests and diseases. The situation has been compounded by the lack of clarity in legal, policy and administrative processes to access and secure customary land property rights has been a major factor in investors and financiers shying away from the use of customary lands. There is a lack of timely agricultural data and business statistics to allow more vigorous analysis of the constraints and opportunities in agriculture. Whilst there is relatively adequate capital and labour from existing village resources to meet the demands for subsistence farming, it is clear that commercial farming will require significant inputs of capital investment and skilled labour. Although there is an income tax holiday in place for primary producers, this measure has not been able to attract the level of capital investment and financing required for the commercial farming.

The following table is a representation of the SWOT analysis of the Agriculture sector:

Strengths	Weaknesses
<ul style="list-style-type: none"> • 75percent of households engaged in the sector; • There are a number of relatively disease resistant local crops which become the base of future developments. • The weather and volcanic soil conditions are conducive for accelerating the growth and shortens the gestation period for crops ; • Geographical isolation allows a natural quarantine protection for agricultural crops • Extensive research facilities with the Ministry of Agriculture and the USP. Also Regional Training Meat Processing Unit in place at Avele; • High Temperature Forced Air treatment plant in place. – the current machine has limited capacity but the Government has interest in investing in another bigger HTFA to facilitate & improve fruit export; • Recognition of NGO’s contribution e.g. the producer associations; • Government and Private sector have a strong partnership. 	<ul style="list-style-type: none"> • Rocky volcanic terrain restricts mechanization in cultivating arable lands; • Poor access to appropriate infrastructure-(water and roads; • Lack of clarity and certainty with customary land tenure; • Lack of organized domestic supply-chains to obtain consistency of supply and quality of products at competitive and stable prices; • Limited knowledge and management skills; • Rural-Urban migration has siphoned labour supply from rural areas; • Culture and tradition not compatible for commercial discipline required for commercial farming; • High costs of production. Expensive importation of animal feed, pesticides, equipment and general agricultural inputs; • High staff/labour turnover; • Lack of commitment and perseverance to sustain cultivation particularly of long term crops; • Excessive use of herbicides & insecticides; Lack of knowledge of bio-diversity which can promote crop production and forestry generation; • Inconsistent agricultural extension

	<p>advice and inefficient farmer support services from the Government Ministries;</p> <ul style="list-style-type: none"> • Under investment by private and public sectors in agriculture in the last decade.
<p>Opportunities</p> <ul style="list-style-type: none"> • Support for a national central organization to assist with marketing and maintaining quality standards for agricultural exports. E.g. proposal for a Samoa National Export Authority; • Capacity for agro processing particularly in the coconut industry has been built up with the plants for coconut oil and coconut cream fully operational; • Increasing demand from niche markets centered around organic farming and the Fair-trade arrangements; • Offseason markets with neighbouring countries like New Zealand and Australia; • Increased capacities for R & D to develop potential exports and maintain quality certifications through SROS and other regional research organisations; • Effectivity of PICTA trade provides basis for access to markets in the neighbouring islands. 	<p>Threats</p> <ul style="list-style-type: none"> • Natural disasters and their impact on tree crops; • Migration of people overseas through NZ Quota schemes and Recognized Seasonal Employer (RSE) Scheme compounding the labour shortage for commercial farms; • Lack of discipline with border controls against introduction of new pests and diseases as country becomes increasingly open at both sea and air ports; • Increasing costs to control of pests and diseases as they build up resistance against existing pesticides; • Niche markets like kava and nonu juice are vulnerable to importing countries cultivating the niche market crops; • Vandalism and theft; • WTO Accession (SPS & TBT requirements).

Source: Adapted From National Export Strategy 2008-2012

7.2.2 Agriculture Policy and Strategy Environment

In efforts to ensure sustainable economic and social progress, the government has stated agriculture development will target increased agricultural activity for local consumption as well as commercial investment. The key sub-sectors within Agriculture are crops, fisheries (addressed in a separate chapter) and livestock. As such, improved crop production, fisheries and livestock development will also be intensified to accelerate agriculture growth in the SDS period 2008-2012 with key objectives including the following:

- Increase exports;
- Employment creation;
- Food Security;
- Import substitution;
- Sustainable environment.

Role of Private Sector: The private sector has been made a key platform for generating economic growth in the SDS 2008-2012. However the capacity of the private sector and NGO organisations to make a more significant contribution to increasing investment in the agriculture sector and to help reverse low productivity and the declining contribution of the sector to national income has been stymied by ineffective

engagement with Government to achieve clarity on policy and strategic directions for the sector.

Translation of Strategy into Practice: The Ministry of Agriculture has adopted a market oriented approach to modernising the agricultural sector, shifting strategic focus to facilitating and supporting farmers by ensuring that basic agricultural inputs and seedlings are made available and supported by appropriate extension services for farmers. However there has been slow progress in translating this new approach due to a number of information, institutional and policy constraints that need to be addressed as a matter of priority. An agriculture sector plan is being developed during the latter half of 2010 which will be based on an issues paper compiled from the 2009-2010 consultations undertaken by the Ministry of Agriculture and the Ministry of Finance.

Adoption of Improved Technologies and Good Agricultural Practices: Reinforcing farmers' capacity to respond to market opportunities and enhancing their competitiveness has been identified as one of the key components for improving the performance of the agricultural sector. This is to be achieved through dissemination of technologies and agricultural practices which are cost-efficient, responsive to market demand in terms of quality and food safety.

Market Oriented Infrastructure: Financing critical market infrastructure in the selected value chains where bottlenecks affecting market access and competitiveness have been identified as critical. These priority market infrastructure have been identified in existing plans of the Ministry of Agriculture include an abattoir for the livestock sector, storage and packing infrastructure and heat treatment plant to support fruit exports. Access roads are also identified as possible critical infrastructure for plantation-markets access.

7.2.3 Agriculture Related Institutions

Industry Coordination and Market Development: One of the major bottlenecks for development of the agricultural sector has been the lack of knowledge and access to profitable markets. This bottleneck has been compounded by the increasing complexities of current trade access arrangements, lack of market research information, a highly fragmented production base and the absence of organisational infrastructure and know-how to secure markets and to consolidate production and marketing linkages. The collapse in the 1980s of the commodity and producer boards which nationalised the export trade by private merchants in copra, cocoa and bananas in the 1960s created a vacuum in the marketing infrastructure for exports to date. Attempts by some SOEs like the Agriculture Store Corporation to become directly involved in production and marketing have been thwarted with a number of commercial problems. The relative success of Women in Business Development Incorporated (WIBDI) and Apia Export Fisheries in securing and creating export opportunities for organic products, virgin oil and commercial tuna provides good models for encouraging NGOs and private enterprises to act as brokers in the consolidation of small producers and vertically integrating marketing and production activities for niche markets.

7.2.4 Development Assistance to the Sector

Planned Increased Public Sector Expenditures for Agriculture: To assist in the rejuvenation of the agricultural sector, the Government has partnered with AusAID and World Bank planned significant investments into the sector. AusAID will focus on leading the policy and institutional reforms to foster the Ministry of Agriculture and other agriculture sector institutions towards a greater market orientation. The World Bank is

expected to reinforce the competitiveness of both traditional (e.g. livestock) and non-traditional (fruit and horticultural products) value chains. On the other hand the Government is expected to continue its budgetary support for development of the subsistence sector not only for addressing the key poverty alleviation policy objectives but also for securing national food security

7.3 Growth Opportunities in the Sector

As noted in the National Export Strategy the agriculture sector vision is:

To be the leading export earner through increased productivity and improved quality for crops and livestock

Key crops identified in the NES 2008-2012 include Bananas, Cocoa, Taro and Cassava whereas livestock includes Beekeeping (Apiculture), Cattle, Piggery and Poultry. The main markets for agricultural products are:

- (i) Domestic markets
 - a. tourism industry (livestock products, fruits and vegetables for hotels and restaurants)
 - b. local markets (local markets requiring lower grade produce, super markets)
 - c. local agro processing (feed, coconut oil, coconut cream, soap etc)
- (ii) Export markets
 - a. Exports (off season fruit and vegetables, niche markets, the expatriate Samoan and Polynesian communities in American Samoa, New Zealand and Australia.)
 - b. Exports of traditional crops like coconuts and taro to the expatriate Samoan and Polynesian communities in American Samoa, New Zealand and Australia
 - c. Exports for niche products like nonu juice and kava for Asian markets

As such based on the analysis of the current situation in the agriculture sector, the key opportunities for further growth in subsistence and commercial sub-sector include:

7.3.1 Subsistence Agriculture

Subsistence farming in traditional crops (taro, bananas, cocoa and cassava) and livestock (cattle, piggery and poultry) is primarily encouraged to enhance production for national food security and target poverty alleviation. Government has continued to promote a targeted program “Talomua” to encourage people to go back to the land and ensure adequate access to traditional crops and livestock (**Box 7.3.1.1**)

Box 7.3.1.1: Developing Village Economy: Talomua Program

One of the significant long term goals of the Ministry of Agriculture is to “revitalise traditional food production and other primary products within the village economy, to enhance food security for the nation”. This goal has been driven by the “Talomua Program whereby villages are encouraged by the Ministry to showcase their crops at certain intervals during the year.

This is an indication of the renewed emphasis of developing rural communities to encourage sustainability and increase the production of local food supplies to reduce reliance on imported food. By increasing participation in agriculture and primary products, rural communities are being encouraged to produce an adequate food supply

and generate a surplus for cash income to assist in the reduction of poverty in the villages. Inevitably this would also encourage communities to remain in the village, further reinforcing unity in households and sustaining the traditional family structures.

7.3.2 Commercial Agriculture

Commercial farming is seen as the main driver for enhancing exports and improving the merchandise trade deficit via increased development of sub-sectors with significant import potential.

An assessment of the current market opportunities over the last decade, shows that the key product that stands out with the greatest export potential in the short to medium term is coconut based products. Export earnings of nonu based products have decreased over recent years and it is believed that key markets such as Japan and China are now fully saturated as such minimal growth is expected for such products. Taro exports on the other hand are still recovering and are expected to have significant export potential in the medium to long term (Table 7.3.2.1).

Table 7.3.2.1: Export by Commodity (SAT'000), 2000-2009

Export by Commodity (SAT'000)										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Coconut Based Exports										
Coconut Cream	7	7	8	7	7	8	7	7	6	5
Desiccated Coconut					0	0.9				1
Coconut Oil			5	2	3			0.2	0.3	6.7
Copra Meal	0	0	0.6	0.2	0.3					1.1
Coconuts						1	1.3	1.6	1.8	
Copra					0	0	0	0	0	0
Sub-Totals	7	7	13.6	9.2	10.3	9.9	8.3	8.8	8.1	13.8
Nonu Based Exports										
Nonu Fruit	1	1	1	2	5	3	3	2	1	1
Nonu Juice	1	2	2	9	17	24	10	11	10	8
Sub-totals	2	3	3	11	22	27	13	13	11	9
Taro Exports										
Taro	2	2	3	4	4	2	2	2	4	3
Sub-Total	2	2	3	4	4	2	2	2	4	3

A Case for Development of the Coconut Industry

A recent study⁵⁵ undertaken by MCIL and technical assistance provided for under the Commonwealth Secretariat in April 2010 has proposed a strategic framework targeting product design and development for MSMEs in Samoa. One of the key products that have been highlighted with high export potential includes coconut based products. The following table presents the SWOT analysis of coconut products sector:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Availability of coconut trees in millions; • Some of the best quality coconut available in the country. The local 	<ul style="list-style-type: none"> • Non existence of an apex body for coconut development and research; • Dependence on ill-refined foreign

⁵⁵ First draft – Strategic Framework for Product Design and Development for MSME of Samoa, April 2010

<p>coconut is considered to yield one of the highest butter fat content in the world when converted into coconut cream;</p> <ul style="list-style-type: none"> • Best environment for the growth of coconut trees; 	<p>markets;</p> <ul style="list-style-type: none"> • The high costs of public utilities and infrastructure; • Most of the land is held under customary title and cannot yet be used as collateral to access financing; • Lack of technical know-how and trained manpower for the manufacture of various coconut based products; • No facility for design and development; • Very limited facility for training and skill development; • Most of the farmers are not using this for commercial purposes; • All the machinery and equipment need to be imported; • High cost of maintenance and repair;
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Opportunities for value-addition and product varieties. At present only value addition done in the form of coconut oil and some bakery items. • A lot of products and by products of coconut are possible. • Good possibilities of export to New Zealand, Australia, USA. 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Failure to provide marketing support may discourage potential investors • Prone to natural calamities like tsunami and cyclones • An increasing proportion of coconut trees have passed their most productive period.

The key findings are as follows:

- In Samoa, the coconut tree (*cocos nucifera*) has often been called “the tree of life” and the coconut tree has helped to sustain life in the Samoan Islands. Coconut is easily cultivated, highly adaptive, stalwart, and grows well in Samoa’s climate. Nearly every part of the plant could be used; the trunks, leaves, mid ribs, husks, husk fibers, shells, and nuts themselves are all utilised for sustenance;
- The coconut sector is Samoa’s largest renewable resource and government has recognized the importance of careful consideration on how this resource can be used to ensure that returns are optimized;
- Industrial coconut products, such as copra and coconut oil, are generally traded in international commodity markets that are well established. Through diversification of the product range, the development of industries based on coir, refined coconut oil and coconut shell products would have significant impact on the national economy and effectively the merchandise trade balance.

Key strategies that have been identified include:

Strategy	Actions	Agency Owners
Establish an apex body for coconut product development		MCIL
Identify the product to be developed and build technology and process	Market Research Technology Development Technology sourcing	SROS, USP, Apex body for coconut

framework	Technology transfer	
Identify/create clusters	Identify cluster Create awareness Identify the need of cluster Provide training	MCIL, SBEC, WIBDI, Apex body for coconut
Create common facility center	Develop infrastructural facilities Develop trained manpower	MCIL, SBEC, Apex body for coconut
Develop knowledge base for starting entrepreneurship in coconut products	Establish database Create knowledge base/project reports	SBEC
Establish consortia market	Create Branding Establish Supply Chain	Apex body for coconut, SBEC
Expand the business	Improve the quality Diversify the product	Apex body for coconut, SBEC

Import Substitution Potential

Key sub-sectors that have been identified for greatest import substitution potential include livestock and fruit and vegetables. As noted in **Table 7.3.2.2** below, total imports of such products now constitute 30 percent of Samoa's total imports.

Table 7.3.2.2: Imports Classified by Broad CCCN (1) Classification

IMPORTS CLASSIFIED BY BROAD CCCN(1) CLASSIFICATION					
Amounts in Tala thousands,fob					
Description	2005	2006	2007	2008	2009
Live animals and animal products	48,749	46,276	56,897	62,684	60,360
Vegetable products	20,789	22,762	26,695	32,864	33,616
Animal and vegetable fats and oils	3,983	3,633	3,598	6,688	4,590
Prepared food stuffs; beverages and tobacco	46,501	55,201	61,809	67,232	66,821
Sub-Total	120,023	127,873	148,999	169,469	165,387
Total	507,712	607,812	593,640	659,187	558,779
% of Total Imports	24%	21%	25%	26%	30%

Source: Central Bank, 2005 – 2009 Bulletins

For livestock potential per annum earnings for domestic farmers based on the current value of imported livestock related products is approximately SAT 32 million⁵⁶ and for the Fruit and Vegetable sub-sector around SAT 16.5 million⁵⁷. Notably the Fruit and Vegetable sub-sector have recently completed a comprehensive strategy to address these potential earnings and contribution to the overall growth of this particular segment of the agriculture sector.

⁵⁶ Based on assumption that domestic farmers can supply 50 percent of the domestic demand for live animals, animal products, animal and vegetable fats and oil.

⁵⁷ Based on assumption that domestic farmers can supply 50 percent of the domestic demand for vegetable products.

Conclusions

To support the transformational changes envisaged for the agricultural sector with production strategies driven mainly by private enterprises, the expertise and the new skill sets required to support and lead such reforms necessitate the redefinition of the role and responsibilities of the Government and in particular the Ministry of Agriculture in planning the development of the sector.

Timely availability of agricultural data and business statistics will be critical in the new role which the Ministry of Agriculture will be playing in the formulation of policies and strategies and related monitoring and evaluation. The capacity of the private sector to engage effectively in policy dialogue with the Government and to actively participate in the redevelopment of the agriculture sector will need be supported.

There is a need to establish mechanisms and procedures to secure access to market opportunities by farmers in a context of enhanced emphasis of market driven development of agriculture. For the predominantly subsistence farmers the priority will be on setting up a network of market facilities around the country. Information systems and databases are to be created to link up the producers to the growing markets like the tourism industry. For the commercial farmers focusing on overseas markets, the regional and international trade agreements are to be operationalised by ensuring that the detailed protocols and procedures necessary to allow access of agriculture products.

Trading conduits and clusters should be used that will consolidate and vertically integrate market opportunities and production to create the critical mass and economies of scale for farmers to be competitive. The predominantly subsistence farmers need to be encouraged to organise and cluster together to improve their ability to share new practices, reduce common costs and improve market access for their products. For the export oriented commercial operations, the function of securing markets and ensuring market demands and standards are to be developed for national private organisations and NGOs. Information on new market opportunities and related commercial profiles of agricultural crops are to be made more accessible to farmers and fishermen.

The farmers need to be encouraged and supported for the introduction of innovations; research and technology should be used to create competitive products for niche markets. Establishing a national research and technology capability with international accreditation is critical for verifying and certifying that the products for the markets meet the market standards required. Therefore the farmers will also be encouraged to work with the SROS in facilitating market access for their products. To assist the predominantly subsistence farmers, the Government will provide direct support for them to have ready access to improved inputs and seedlings accompanied by extension services.

Enhancing the quality of economic infrastructure and lowering the costs of doing business will also be critical to enhancing the competitiveness of the agriculture sector. The focus now is on the quality and cost effectiveness of the services to the business community. For the agriculture sector, an efficient and reliable economic infrastructure is not only needed for moving the product to markets but also for supporting agro-based manufacturing operators. Major investment programme is

needed into upgrading economic infrastructure and regulation of their service standards and pricing.

Equally efforts are necessary towards enhancing profitability of local primary and secondary production. Encouraging efficient and profitable operations at the primary and secondary levels is to be effected by selected and targeted tariff and income tax measures whilst striking a balance in encouraging local production and sector efficiency.

A robust market framework is to be promoted by taking steps to clearly define and fully secured property rights for customary lands and inshore lagoons. The commercial farmers will also be assisted to access new labour skills through a combination of overseas recruitment in the short term and development of educational curricula and training programmes.

Government and key stakeholders have also had recent discussions with the World Bank and ITC in terms of providing targeted assistance to support its existing and proposed sector strategies. As such, given that the overall Agriculture Sector Plan is soon to be finalised under technical assistance provided for by AusAID, it is anticipated that a coordinated and streamlined approach for implementing all the existing and proposed strategies for stimulating the agriculture sector will be in place by end 2010 aligned to the overall national trade strategy.

Recommendations

1. Implement the Agriculture Sector Plan with the role of government being the creation of an enabling policy and regulatory environment for increased private sector participation and investment in the sector as well as making the necessary investment in reliable and efficient economic infrastructure to support agricultural development.
2. Strengthen the capacity of MAF to provide technical and advisory assistance/services to farmers to better understand market opportunities for their products and the specific needs of these markets.
3. Support the development of community markets for the disposal of surpluses by predominantly subsistence farmers.
4. Strengthen private sector capacity to access and analyse opportunities for quality and niche products and to assist with technical advice to meet the often specialized requirements of these markets.
5. Establish appropriate incentives (non-tax and WTO compliant) and safeguards to encourage commercial farmers and fishermen to invest in production, processing and marketing of high value added products.
6. Provide the predominantly subsistence farmers with assistance such as planting materials and access to micro financing facilities to purchase required capital items and also technical support to adopt efficient land use and farming systems.
7. Take measures to respond to the demand by commercial farming and fisheries for skilled labour. New skill sets will need to be developed through the education system and other national training programs.

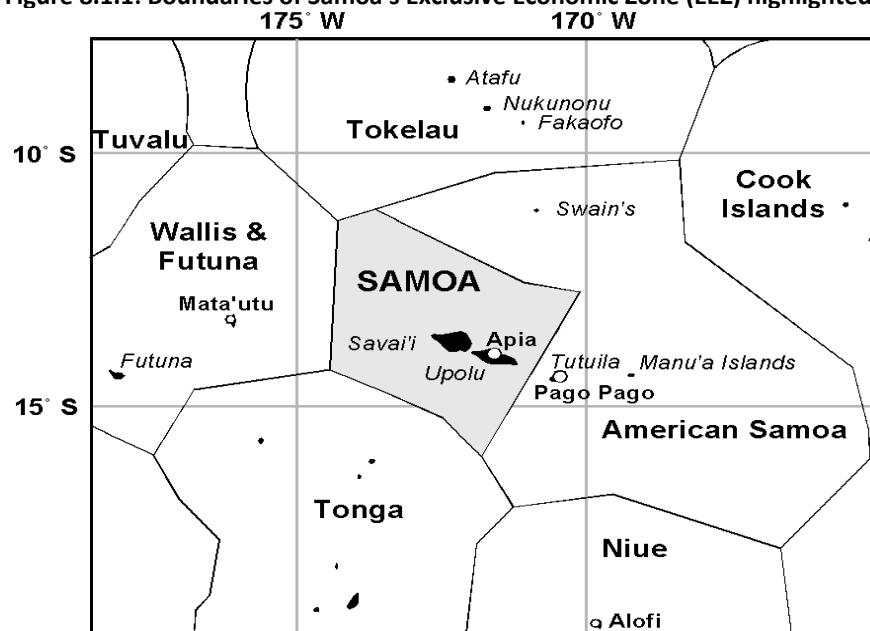
8. Design and make available innovative financing schemes through the DBS for channeling needed investments to the agriculture sector, particularly for initiatives that will enable more economic use of customary lands
9. Strengthen the SROS with the required human and sustainable funding to support its research capability and to sharpen the focus on more practical applications of research to support the creation of innovative and competitive products for both exports and import substitution.
10. Redefine the roles, reorganize and strengthen the key national institutions leading the development of the sector including the Ministry of Agriculture and Fisheries.
11. Enhance agriculture and related business data collection and analysis capacities to enable a more vigorous analysis and evaluation of policies and strategies being introduced for the future development of agriculture and fisheries

8 Chapter 8: Fisheries

8.1 Introduction

The fisheries sector production is comprised of offshore and inshore fisheries, and aquaculture. Recent estimates of the sector's contribution to Samoa's GDP in 2009 was 4.7 percent following variable growth over the years with peak performance in the late 1990's to 2002 where GDP contribution was 8.3 percent in 2001. The spectacular growth in offshore commercial fisheries since the mid 1990's has often been cited a successful story in the history of Samoa's economic development. This growth is attributed mainly to private sector investment, especially in long line fisheries which involved investment in fishing fleet and onshore infrastructure to support the fleets and to process and package products for export.

Figure 8.1.1: Boundaries of Samoa's Exclusive Economic Zone (EEZ) highlighted



From a policy standpoint, the importance of the fisheries sector has been highlighted in the Strategy for the Development of Samoa 2008-2012 as a key sector under Priority Area 1: Economic Policies – Goal 2. This acknowledgement of the contribution of the sector to Samoa's economy is reiterated in its prioritisation for development in the National Export Strategy of Samoa 2008-2012.

The continued development of the fisheries sector, however, appears to have slowed considerably in recent years with the decline in fisheries output and subsequent decline in exports. This has raised concerns from both the industry and management agencies, given the substantial benefits derived from the sector especially with foreign exchange earnings and employment. Investment in scientific research to advance development and management of the industry will provide the much needed impetus for sector growth.

8.2 Situational Analysis

8.2.1 Fisheries Activity

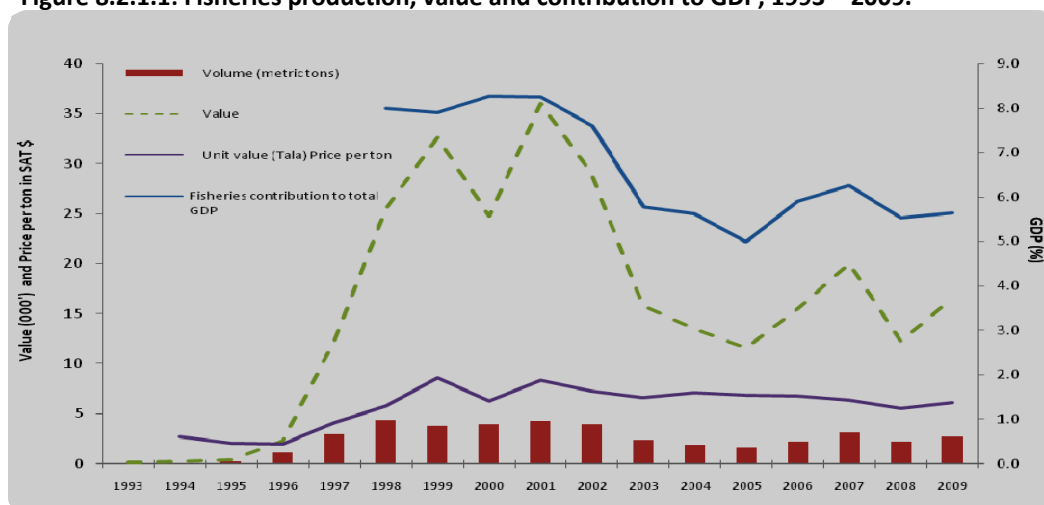
Samoa with its least size EEZ (120,000 km²), amongst Pacific Island states has relatively high productivity from domestic catches due to intensive fishing at 4-6 million hooks / year (U. Faasili Jr. pers. com.). Catches from the domestic fleet is comprised mostly of albacore with high catch rates experienced in the June – July period which has been consistent throughout the past years. Notably, concerns over tuna stocks in the region such as big eye is considered overfished while yellowfin is not far from these levels. Albacore stocks are considered healthy however should not be reason for complacency as fishing pressure from distant water fishing nations (DWFN) increases. Measures to better manage fisheries from over fishing are addressed in regional treaties and agreements.

Commercial Offshore Fisheries

The highly successful development of the commercial tuna long-lining industry since 1993 has enhanced the economic status of the fisheries sub-sector especially through its contribution to income and employment generation as well as earning foreign exchange from exports of tuna.

The total offshore fisheries output for 2001 was estimated at 6,180 mt valued at SAT\$50.7 million with 80 percent exported valued at SAT\$45 million (Faasili & Time, 2006). Official estimates from the Central Bank of Samoa have shown exports of fish have grown from zero prior to 1993, and from SAT\$0.015 million that year to more than SAT\$25 million in 1998 and SAT\$36 million in 2001. Export values post - 2002 have declined to as low as SAT\$11.5 million in 2005 with slight improvement in 2007 valued at SAT\$20 million but has continued to decline in the following years. Variability in the reported data is attributed to the periodic pricing of fish used by Fisheries to estimate values while CBS utilises an annual average to value production. Both agencies utilise the same provisional forms to record data however estimates for the value of Fisheries still differ emphasizing the need for quality control of the data (Gillet, 2009).

Figure 8.2.1.1: Fisheries production, value and contribution to GDP, 1993 – 2009.



Source: Extracted from CBS export data tables (extracted values). "000'" - Thousands of tala.

From late 2002, catch volumes have decreased significantly with the lowest volumes recorded for total offshore fisheries in 2005 (1,664 tonnes). This downturn of events was felt across the region with most countries experiencing low catch rates for albacore tuna and in some cases have not fully recovered (Langley, 2006).

Table 8.2.1.1: Catches (tonnes) and catch per unit of effort (number of fish hooks per 100 hooks) for Samoan longliners.

YEAR	VESSELS ACTIVE	DAYS FISHED	ALBACORE			BIGEYE			YELLOWFIN			OTHER	TOTAL	
			CATCH	CPUE	%	CATCH	CPUE	%	CATCH	CPUE	%	CATCH	CATCH	CPUE
1993	17	...	213	...	71	3	...	1	81	...	27	3	300	...
1994	25	...	641	...	76	14	...	2	73	...	9	116	844	...
1995	45	...	1,883	...	76	40	...	2	216	...	9	340	2,479	...
1996	90	...	1,775	...	65	27	...	1	573	...	21	355	2,730	...
1997	170	...	4,108	...	65	63	...	1	1,327	...	21	822	6,320	...
1998	200	...	4,742	2.65	71	334	0.08	5	801	0.36	12	801	6,678	4.22
1999	175	...	4,027	1.99	71	283	0.06	5	681	0.52	12	681	5,672	3.39
2000	154	...	4,067	1.48	69	177	0.04	3	1,120	0.6	19	530	5,894	2.82
2001	149	...	4,820	5.42	78	185	0.15	3	470	0.34	8	705	6,180	6.9
2002	68	...	4,223	3.45	83	137	0.11	3	369	0.31	7	363	5,092	4.55
2003	24	...	2,253	1.87	79	110	0.1	4	293	0.24	10	190	2,846	2.65
2004	17	...	1,233	1.4	64	104	0.14	5	444	0.51	23	155	1,936	2.53
2005	32	...	1,263	2.08	76	64	0.1	4	199	0.29	12	138	1,664	2.89
2006	54	...	2,113	2.68	78	128	0.16	5	264	0.33	10	210	2,715	3.74
2007	60	...	3,113	2.6	83	101	0.09	3	305	0.3	8	236	3,755	3.35

Source: WCPFC, 2008. Catches are reported in whole weights. Missing values are represented by an ellipsis ('...').

Declining fish exports is a direct result of decline in catches, with the fluctuating volume of catches over the years recently attributed to prevailing oceanographic conditions within the region (Langley, 2006). High catch rates for Samoa's fishery are experienced during the June – July period which has been consistent each year. The seasonality of the fishery however is substantially affected by abnormal oceanographic conditions influencing the distribution patterns of the species as experienced with the low catch rates post 2002.

Artisanal Fisheries

The inshore coastal fishery of Samoa plays a vital role in the livelihood of the village economy with an estimated subsistence catch of 7,169 tons valued at SAT\$ 45 million in 2000 (Passfield, 2001). Declining inshore resources has been linked to the use of destructive albeit efficient fishing methods, loss of habitat and increased commercial harvesting traded fresh or processed and for 'faaoso'⁵⁸ for family and relatives overseas. Emphasis for the fishery is conservation and sustainable management of coastal fisheries.

Commercial trade of inshore fisheries is mostly for the domestic market. Estimated landings of 2008-2009 inshore fishery products of 129.9 mt was slightly lower than the previous year's 145 mt comprised of fresh and processed products (Fisheries Division, 2009c).

Management of the fishery has seen the development of size limit regulations for fish and shellfish resources. Enforcement is carried out in the main domestic outlets and roadside vendors while the village fisheries management advisory committees (VF-MAC) undertake to enforce these regulations in the community. Co-management of fisheries resources developed during an AusAID funded Fisheries Extension and Training Project from 1995 – 1998 empowered communities to manage fisheries resources, establish fish reserves and develop village by-laws and undertakings stipulated in the village management plans.

⁵⁸ Consignments of seafood sent as gifts to relatives overseas.

Aquaculture

Samoa has little to no tradition of aquaculture. Development has experimented with farming trials of tilapia and other finfish, mussels, Pacific oysters, trochus topshell, giant clam, seaweed, sea urchin, mudcrab and freshwater crustaceans. With the limited fishery production expansion of the coastal fisheries due to high fishing pressure especially on the inshore reefs, fish farming offers an alternative to increasing demand of fish and fish protein.

Tilapia farming has proliferated over the last five years with nineteen (19) farms in 2009 established from subsistence to semi-commercial levels. The Chitrilada strain of tilapia was introduced in the 1990's from Fiji and has been the mainstay of local fish farms. In 2009, the Genetically Improved Farmed Tilapia (GIFT) was introduced to replace the inbred Chitrilada strain. The GIFT tilapia was produced during a selective breeding program for faster growth traits over a period of 10 years in the Philippines. This strain has been introduced around the Pacific region where it is the main farmed tilapia strain. Existing farms supply solely a small domestic market. The building of skills to capture the innovations of freshwater fish farming and the development of alternative crops have been facilitated under South-South cooperation arrangements with Asian countries such as China.

Supply and quality of feed ingredients continues to be a major issue as other industries (such as cattle, pig, and poultry) compete for the limited raw materials. Feed trials by Fisheries has led to research production levels for feeds and should the demand continue, government aims to consider collaborating with research agencies and the newly established feed mill, Farm-tech, to design, test and produce an improved formulation and determine viability of outsourcing production.

Other commodities with potential to be investigated for export include colourful giant clams for the aquarium ornamental trade and have potential as a community-based farming activity. The establishment of hatchery facilities is required to produce seedlings for sale and to assess the viability of this activity. Commercial farming typically requires high levels of input such as infrastructure (hatcheries, ponds), feeds and markets but central to any development is the technical resource crucial to sustainability.

Furthermore, availability of credit for infrastructure establishment and ownership are also some issues to be considered.

8.2.2 Fisheries Legal and Policy Environment

Legal Framework

The primary fisheries legislation, the Fisheries Act, has developed and expanded since its first incarnation was passed in 1988, which codified the conservation, management and development of Samoan fisheries, as well as licensing and control of foreign fishing. In 2009, Fisheries Division drafted for submission the Fisheries Management Bill 2010, with a stated objective as being "to provide for the sustainable use of the fisheries resources for the benefit of the people of Samoa". The most comprehensive piece of legislation pertaining to Samoa fisheries management and development to date, the Bill makes provisions for aspects of the Fisheries sector, including:

- Fisheries conservation, management, and development;
- Licences and authorisations;
- Monitoring, Control, and Surveillance (MCS);
- Port Measures and transshipment;
- Coastal fisheries; and,
- Aquaculture

Drafted in accordance with the undertakings of the Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean, the degree of detail in the Fisheries Management Bill 2010 outlines the progress that has been made in both the development, and the corresponding regulation, of the fisheries sector. It addresses gaps and weaknesses remnant of previous versions of the Fisheries Act, while also harmonising fisheries-related laws with measures outlined in regional and international regulatory and management instruments.

Fisheries Sector Plan

The lack of an over-arching fisheries sector policy has withdrawn and slowed down progress. Funding for Fisheries developments has not been utilized due to the absence of a guiding policy to advice donors on priority developments. As a result, activities for Agriculture and Fisheries over the years have been *ad hoc* lacking a long term guiding policy, but confined to a 3-year corporate plan and annual divisional plans.

Technical and financial assistance from the Forum Fisheries Agency (FFA) and International Finance Commission (IFC) can potentially be utilised for development of a Fisheries Sector Policy. It is anticipated that the policy will address issues such as investment rules and guidelines, licensing and registration, taxation of industry members, quality assurance and standards, regulatory role of government, management and development of commercial fisheries resources.

Tuna Management and Development Plan 2010 - 2014

The TMDP is a result of consultations with Commercial Fisheries Management Advisory Committee (CF-MAC) comprised of industry and government stakeholders. Each TMDP period spans five years and is reviewed continually through stakeholder meetings. Objectives of the development component of the TMDP include:

- Providing an enabling environment that will promote and encourage private sector development in commercial fishing, processing and support sectors ;
- Promoting the development of new markets ;
- Promote value-adding of tuna catches in Samoa, to maximise local employment, and produce a high value product for both domestic and export markets;
- Encourage the private sector to enter into joint ventures with foreign investors to establish viable fishing operations with shore facilities for processing and exporting fresh or processed tuna based in Samoa;
- Establishing an effective extension service to promote fish quality control, value adding processing, and safety at sea at the rural community level;
- Ensuring that all developments are sustainable and economically viable, with benefits flowing directly to the local people.

The progressive development of fisheries sector in Samoa requires sufficient funding and capacity building support.

National Aquaculture Development Strategy

A strategy to explore and fully exploit the technical and commercial potential and viability for aquaculture to contribute to the Samoan economy is needed. Samoa's economic growth over the last decade, especially as its tourism sector continues to expand, has raised the demand for seafood products and this can be substituted by Samoa's aquaculture products with positive benefits for import substitution, employment, food security, poverty alleviation and potential export markets in the region.

8.2.3 Fisheries Cooperation Arrangements

Multilateral Treaty on Fisheries Between Certain Governments of the Pacific Island States and the Government of the United States of America (aka US Treaty)

Samoa is one of 16 Pacific Island Countries signatory to the US Treaty, whereby US purse seine vessels are permitted to fish in waters of those countries. As a Party to the treaty, Samoa has received compensation for granting access to US purse seine vessels since the first signing of the treaty in 1987.

Western and Central Pacific Fisheries Commission (WCPFC)

Samoa is a member state of the Western and Central Pacific Fisheries Commission (WCPFC), the regional organisation established under the Convention as the central decision-making body for management of tuna fishing in the Western and Central Pacific Ocean. The Convention, which is built on international instruments such as UNCLOS and UNFSA, aims to ensure long-term sustainability of highly migratory fish stocks in the Western and Central Pacific Ocean through effective management. It employs a broad-based approach for the management of tuna and other highly migratory fish stocks in the region, both within member States' EEZs, and in areas beyond national jurisdiction.

The Niue Treaty on Cooperation in Fisheries Surveillance and Law Enforcement in the South Pacific, 1992

The Niue Treaty relates to Monitoring, Control and Surveillance (MCS), calling for cooperation between FFA members to combat illegal, unreported, and unregulated (IUU) fishing. Samoa, as a member State of FFA, is a party to this fisheries management instrument and its provisions, including that pertaining to information exchange and procedures for cooperation in monitoring, prosecuting and penalising illegal fishing vessels.

Vaka Moana Discussions

Samoa, along with other Polynesian countries (Tonga, Niue, Tuvalu and Tokelau) has engaged in discussions to build cooperation at the sub-regional level. Although the grouping is still in the early stages of working out the details of the Arrangement, working groups have identified fisheries management, development, MCS, and science as focus areas for cooperative efforts so as to realise the benefits of sustainably managed fisheries within and beyond fisheries waters.

8.2.4 Trade Agreements and Negotiations

Samoa WTO Accession Negotiations

One particular sticking point for the fishing sector will be WTO trade measures regarding what is referred to as 'harmful' fisheries subsidies (Campling *et al.*, 2009). Under the WTO's rules-based system, government assistance schemes currently in place to support fisheries exports and enterprises will need to be redefined or removed completely. Removal of the Duty Suspension Scheme (DSS) and VAGST refunds available for exporters and boat owners will potentially limit their ability to operate profitably and compete with overseas exporters. Samoa's negotiation process for WTO, regarding fisheries subsidies in particular, will need to make a strong case for the exemption of access agreements from subsidies rules (Bidesi-Ram, 2009). This is especially true in light of the concessions that Samoa and other PICs will have to make as part of the WTO accession process. With Samoa's limited EEZ, the 5 percent access for WTO members will potentially limit the competitive abilities of local fishing entities even further. An analysis of WTO accession requirements from the fisheries sector perspective should be conducted to gauge the true costs, and any long-term benefits, for Samoa's fishing industry.

Economic Partnership Agreements with the European Union

In the context of the EPA negotiations and as mentioned in Chapter 3, the PACP, including Samoa, are proposing a multilateral fishery treaty. More concretely, after the signature of PNG and Fiji interim agreements with the EU agreeing on rules of origin for fisheries on the basis of global sourcing, Samoa would aim at a similar approach for both fresh and frozen fish.

The EPA agreement would provide to Samoa to continue exporting duty and quota free –as under EBA- to the EU market after graduation from the LDC status. Otherwise, exports including fisheries would enter the EU under the EU Generalised System of Preferences (GSP) arrangement. While these arrangements afford Samoa and other PACPs preferential access to EU markets, such access would be less favourable than under proposed EPA market access offer by the EU. More importantly, similar preferential access is available to other regions, such as Asia, making it more difficult for Samoa to compete in the EU market.

The Fisheries Division intends to engage in a feasibility study of the viability of sending frozen albacore containers from Samoa to the EU markets during the next fiscal year (Fisheries Division, 2010). The outcomes of the feasibility study will provide critical information for the viability of continued fisheries exports to EU markets for Samoa.

PICTA and PACER Plus

Regional Free Trade Arrangements (FTAs) such as PICTA and PACER offer benefits for Samoa's fishing sector, but also raise some issues. The extension of PICTA to Trade in Services may provide benefits for Samoans involved in the fishing industry in terms of employment within the sector in other countries in the region.

Sector specific benefits for Samoa and other PICs, in terms of access to ANZ markets, will be smaller as both countries already maintain duty free or very low tariffs on fish and fish products. Furthermore, Samoa and other PICs will be in direct competition

with ASEAN countries that already have duty-free access under their own FTA with ANZ (MFAT, 2008b).

Samoa's fishing sector may benefit from PACER Plus through improved quality control, achieved with the provision of additional assistance by ANZ to comply with biosecurity regulations. On the other hand, PICs are concerned that PACER Plus arrangements will result in significantly reduced government revenues, as well as a loss of local businesses (and subsequent employment) due to competition from lower cost ANZ imports.

8.2.5 Fisheries Related Institutions

Fisheries Management Instruments

A number of international and regional fisheries management instruments, to which Samoa is a party, lend direction to the management and development of the fisheries sector. At the international level, Samoa has obligations under the UN Fish Stocks Agreement (UNFSA) - upon which the Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean was built, tailored to reflect the situation and characteristics of the Western and Central Pacific Ocean - and UN Convention on Law of the Sea (UNCLOS). These instruments relate to the management of fish stocks and the fishery area that fall within the Samoa EEZ. Recently, regional policies developed in response to the PIF Leaders' 2007 Vava'u Declaration (prioritising coastal fisheries and aquaculture to support food security, sustainable livelihoods and economic growth) include the Regional Tuna Management and Development Strategy 2009 – 2014 (prescribing measures for sustainable management of the largest tuna fishery in the world), and the Pacific Islands Regional Coastal Fisheries Management Policy 2008 - 2013 (ensuring the optimal and sustainable use of coastal fisheries and their ecosystems by Pacific Island communities). Fisheries partnership agreements include the Multilateral Treaty on Fisheries Between Certain Governments of the Pacific Island States and the Government of the United States of America (aka US Treaty), and the Niue Agreement on cooperation between FFA members in relation to monitoring, control and surveillance (MCS).

As a party to these regional and international management instruments, Samoa benefits from the protection of the provisions relevant to its fisheries. On the other hand, Samoa is also beholden to the same provisions, and must implement measures to put them into effect. Implementation has recently been identified by Fisheries Division as a growing concern, particularly in relation to fulfilling obligations of the Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean.

Limited resources, capacity and competencies are highlighted as adding to the increasing difficulty for the Fisheries Division to implement the growing number of conservation and management measures developed under that Convention. The need for further capacity-building for staff and awareness-raising for stakeholders is required so as to facilitate the effective implementation of activities and obligations under such instruments. A similar issue arises for trade negotiations relating to the identification of international markets for Samoa's fishery products. To date, the FFA has lobbied on behalf of PICTs in fisheries negotiations with the WTO and the EU. In a region so large and diverse in its fisheries resources, the interests of individual PICTs may not be properly served through such representation.

- **Community-based Fisheries Management Programme (CBFM):** The pioneering community-based fisheries management programme in Samoa in 1996 assisted village communities in the management of fisheries resources. Fisheries Division, in collaboration with communities, developed management plans, established fish reserves, formulated legally-binding village by-laws and established the extension services of Fisheries to oversee the program. To date, 81 village communities with fisheries management plans (Fisheries Division, 2009) participate in the program to manage and sustainably harvest their fisheries resources.
- **Ecosystem Approach to Fisheries Management (EAFM):** The Ecosystem Approach to Fisheries Management (EAFM) assists FFA member countries to use a process of management for their fisheries. Samoa, as a member State of FFA has adopted the approach in the management of both its coastal and offshore fisheries. Although Fisheries Division has a substantial data collection regime in place, more information relating to target species, interactions between target species and other species, food webs, and the direct effects of fishing on non-target species and their habitat is required to develop appropriate models for monitoring the ecosystem as a whole. Currently in the early stages of implementation, the EAFM is being integrated into Samoa's existing Community-based Fisheries Management (CBFM) Programme to bolster management tools currently being used to manage subsistence and artisanal fisheries. The offshore fisheries component of Samoa's EAFM, administered with guidance from FFA, and has identified 'high risk' issues to be addressed in the next TMDP period. Application and implementation of the EAFM in Samoa will facilitate the country's efforts to fulfil its obligations under various regional and international agreements.
- **EEZ Monitoring and Enforcement:** Surveillance activities are performed to monitor Illegal, Unregulated and Unreported (IUU) fishing activities in Samoa's territorial waters under Samoa's MCS obligations. Aerial surveillance monitoring activities are randomly carried out by the Australian and New Zealand Air Force while surface surveillance on the Nafanua national patrol boat is reportedly carried out on a monthly basis.
- **Data Collection:** Samoa Fisheries has a reputation in the region for allocating substantial time and effort into collection of valuable fisheries data translated into decisive national policies. This capability of the Fisheries should be maintained and further strengthened to continue the flow and availability of fisheries information.

Agencies (Fisheries, SBS, CBS, and Customs) involved in handling export data report values, but not volumes; also large volumes of fish exported with very low values were common, though suspicious. It is recommended that agencies involved in the handling of export data should take careful inspection of missing or suspicious data, queried and verified as estimates can be further exaggerated by false reporting. Re-iteration of the under-estimation of fisheries contribution to GDP as shown by Gillet (2009), quoting the 2007 official estimate at 5.4 percent, although when calculated using an alternative formula the proportion increases to 6.2 percent. These alternative estimates of fisheries contribution to

GDP serves as comparators and possibly indicate the need to modify the GDP calculation method and estimation of the value of fisheries to GDP.

8.2.6 Development Needs of the Sector

The fisheries sector, despite a recent decline in catch landings, is still a major revenue earner for Samoa's economy. Commercial fisheries in Samoa comprise the major export earner for the sector, primarily from the longline tuna fishery. In the context of national exports composition, fish exports make up roughly half the total national exports each year, averaging SAT\$17 million in revenue per annum. Challenges to the industry are climatic events and abnormal oceanographic conditions that affect the distribution patterns of tuna in the region. Potential to increase productivity and progress growth of the industry lies heavily on good and sound science-based advice and improved fishing technology. As the impact of the natural environment becomes more critical on fisheries resources, strengthened collaboration on research for tuna stock assessment programmes; oceanographic research relating to fisheries; strengthened data collection and management of the resource, is crucial to progress and sustain the industry.

Research and Development (R&D)

The high priority of Fisheries in the National Export Strategy 2008 – 2012 renders emphasis on R & D activities to improve current knowledge and practices towards developing potential export products. Priorities for expansion of the sector include development of other fish production technology for long term research to improve productivity and management of the offshore and inshore resources. The focus of aquaculture research is to increase and sustain fish protein production for domestic consumption and exports.

Collaborative scientific research between government and national institutions (NUS, SROS, USP) towards assisting industry and develop technology for potential exports such as value adding is recommended. Given the constraints on technical capacity faced by the Fisheries Division, collaborating with academic and research institutions will enable the Division to carry out research in priority areas that have been previously sidelined, without adding further strain on the workload of staff. At the same time, scientists and researchers from local institutions are able to gain experience and knowledge that adds to sustainable management and development of the fisheries sector.

Market development

This issue of air freight is a challenging one in that only a single airline, Air New Zealand, provides this direct air freight service to the US. Alternative routes to the US through New Zealand have been explored however risky as shipments can miss flights or sit on the tarmac for hours awaiting the US flight at Auckland Airport and spoil the quality of the fish.

Furthermore the price of fish at the StarKist cannery has declined during 2009 – 2010 but more importantly the future of the cannery, our major export market is also up in the air, and will impact the entire rejoin should it close. Alternative markets for our frozen tuna needs to be sourced. This issue is being discussed regionally and alternatively, the EU market will be assessed as a potential export market for Samoa's tuna products and the viability of exporting to the EU market is currently being assessed by the Fisheries Division.

Aquaculture

Much attention is accrued to offshore fisheries in the NES 2008-2012 and masks other areas with potential to export. Aquaculture development recently has been confined to tilapia farming introduced as an alternative to wild harvests to reduce fishing pressure on the reefs, food security and aid in poverty alleviation. Farming has proliferated in the last five years for local consumption with semi-commercial production for the local market. This could be a mainstay for the domestic market and potentially reduce imports of canned fish/ other meats.

The lack of a hatchery facility has prevented development activities particularly production of fish and invertebrates. Propagation activities are carried out in hatchery facilities requiring trained staff to operate and manage propagation programs. As the utilisation of inshore resources is currently maximised establishment of hatcheries to continue to supply and increase fish and shellfish protein production becomes critical to sustain protein supply.

8.3 Growth Opportunities in the Sector

8.3.1 Processing and Value-adding

Realizing the restrictions of a market monopoly in American Samoa, the fishing industry is looking into diversification of tuna and bycatch for (i) loining and filleting; (ii) fish sausages, flakes and patties and others, into more high value products is targeted by industry for high value markets but also for the local market. The possibility of seeking technical assistance from the International Finance Corporation, based on its investments and advisory services to build the private sector in developing countries, should be considered. Alternatively, the possibility of entering into sub-regional arrangements with neighbouring fishing countries with existing processing and value-adding infrastructure may also provide an avenue for product diversification for Samoa-caught fish.

The feasibility of these initiatives requires assessment as well as its economic viability. The Star Kist cannery in American Samoa is the closest and convenient export market for Samoa's tuna. However, with the closure of the Chicken of the Sea (COS) canning operations in American Samoa in September 2009, it has been noted that a gradual reduction of the cannery prices of tuna for Samoan exporters from USD\$2,849.00 per ton in November 2009 to USD\$2,557.00 per ton in February 2010.

In response to declining fish prices and a latent threat of closure of the Star Kist cannery should operations become un-economical, StarKist has held high level discussions with the Samoan government to discuss the possibility of setting up a tuna loining factory in Asau, Savaii. The industry has considered alternative markets and diversifying products for high value markets. Value adding, processing and market development to access the EU market have been identified as areas for assessment.

8.3.2 Aquaculture Development

Aquaculture has been identified for development to supplement the maximised harvests from inshore fisheries, explore its potential for import substitution, aid in food security and reduce fishing pressure on the inshore reefs.

The Fisheries Division continues to promote aquaculture as an alternative to artisanal fisheries, both as a source of protein, income generation, reduce fishing on the reefs, in accordance with the strategy outlined in the SDS 2008-2012 specifying the provision of public sector support services to facilitate fisheries development. The development of aquaculture in Samoa has been a slow-moving process, and is currently limited to a handful of tilapia farms, a mudcrab farm, and giant clam nurseries within 12 community-based fish reserves. Harvest and trading of aquaculture products, as such, comprise a minimal proportion of total harvest of Samoa's fisheries sector (Gillet, 2009).

Development of commercial aquaculture to boost fish production and as potential export commodities such as prawn farming highlighted by MCIL for investment for export markets within the region and oyster farming to supply Samoa's growing tourism industry. Potential of other species for development have yet to be fully elucidated. Key actions to be considered include:

- Establish hatchery facilities and investigate the prospects of commercial aquaculture development of potential species to export and the for the domestic (tourist) market.
- Sites to establish proposed infrastructure hatchery facilities are required preferably government owned real estate to avoid ownership issues.
- Availability of technical resource to manage programs and facilities will be issues to consider and therefore scale of operations requires assessment.

The cost of aquaculture production in Samoa versus importation needs to be assessed.

Conclusions

The closure of one of the canneries in American Samoa and the uncertainty of the second cannery's future operations have raised questions about the sustainability of the important American Samoa market for fish exports from Samoa. These recent developments have highlighted the need to seriously consider diversification of export markets and value adding to the fish resources caught in Samoan waters, as well as positioning Samoa to provide a cost effective alternative location for some of the labour intensive cannery operations that may need to be relocated because of the recent introduction of mandatory minimum wage increases in American Samoa that may result in these operations becoming commercially unsustainable. Government is encouraged to favourably support possible relocation of some of Star Kist operations to Samoa should the company downsize its operations in American Samoa.

The exploration of niche markets overseas in New Zealand, Australia, the USA and EU for value added fish products is also warranted. On-going negotiations such as PACER Plus and EPA should take into account the sector needs through specific provisions on areas such as flexibility in rules of origin and provide for the space necessary to continue critical support programmes for the sector.

The current fisheries port facilities have very limited space for either the expansion of existing onshore facilities or for the construction of new infrastructure to accommodate major increases in fish catches and any processing of fish products

for both the domestic and export markets. The relocation of any cannery operations from American Samoa to Samoa, and particularly to Savaii Island will require major investments to upgrade port infrastructure and onshore facilities such as for cold storage and processing, as well as improvements to power and water supply.

As the country with a relatively small EEZ in the South Pacific, Samoa is actively involved in maximising benefits from the fisheries sector while, at the same time, engaging in measures to facilitate the sustainable development of the industry. One of the avenues from which Samoa is able to obtain revenue from fishing resources is through fisheries partnership and access agreements with neighbouring States and distant water fishing entities. While bilateral access agreements can be beneficial for the Samoa fishing sector, the reciprocation of access to partners to Samoa's waters would be detrimental for the resources available in Samoa's EEZ.

Recommendations

1. Implement the Fisheries Sector Policy addressing issues related to investment rules and guidelines, licensing and registration, taxation of industry members, quality assurance and standards, regulatory role of government, management and development of commercial fisheries resources. Technical and financial assistance may be sought from the FFA, SPC, International Finance Corporation (IFC) or other donors.
2. Review the implications of WTO accession and LDC graduation for the Fisheries sector particularly the tariff reduction on all fishing business inputs.
3. Establish a funding facility and incentives to support the fisheries research and commercial developments.
4. Assess and cost industry needs for infrastructure and related onshore facilities that will enable industry to meet EU and other key markets access requirements
5. Review the implications of WTO accession and LDC graduation for the Fisheries sector particularly the tariff reduction on all fishing business inputs.

9 Chapter 9: Manufacturing

9.1 Introduction

Samoa's manufacturing sector is not large, but it is an important contributor to the country's balance of payments and provides vital employment opportunities. Samoa's low productivity, despite very low wages, is undermining its competitiveness. Based on the 2010 World Bank assessment of industrial performance and investment climate the capacity utilization of Samoan manufacturing firms is between 25-30 percent.

9.2 Situational Analysis

9.2.1 Manufacturing Activity

The sector plays an important role in the economy of Samoa as the sector employs one third of the labour force and accounts for 9 percent of GDP. The key sub-sectors include agro-processed food, beverage, tobacco, clothing manufacturers with other manufacturing activities comprising mainly of the Yazaki production line of automobile harnesses. Many of the small to medium sized companies have very little innovation in terms of product range. The only consistent export from the sector over the last decade has been beer and automobile harnesses (currently classified as re-exports) with key markets being American Samoa and Australia.

The low level of manufacturing technology and remoteness of Samoa's location to major markets has led to the slow growth of the sector. With the significant tariff reform introduced by government in the early 1990's, manufacturers and exporters had to adjust overnight to a much more liberalized market and to enhance their competitiveness over the last decade.

For manufacturing – particularly agro-processing sub-sector, high risks are faced arising from their being dependent on agricultural inputs that are vulnerable to external shocks which have resulted in relatively high interest rates. High freight costs, lack of economies of scale, inappropriate infrastructure (telecommunication, electricity and water), and lack of venture capital, are repeatedly cited as constraining factors. As to the tariff structure, examples were given from the poultry and sandals industries where imported materials faced tariffs as high as, or higher than tariffs on, directly competitive finished products.

However, the food processing and beverage industries remain the most competitive. The cigarettes and building-component industries could be made more viable if major constraints such as anomalies in the tariff structure between raw and finished goods, and between capital and finished goods were addressed. They are relatively capital intensive and rely on imported raw materials. Prospects for snacks, garments and others would be the least secure. Adjustments would therefore be necessary for those enterprises to improve cost-effectiveness, and diversify into higher value-added products and sources of intermediary products. Such adjustments however, would require large capital injections, but high interest rates and costs of financing limit their ability to adjust.

In effect there are only two main markets for Samoa manufactured products (i) exports (beer to American Samoa, wire harnessing to Australia and growing bottled water consignments to China and USA) and (ii) the domestic markets (food & beverages and agro-processing products).

The following table is a representation of the SWOT analysis of the Manufacturing sector:

<p>Strengths</p> <ul style="list-style-type: none"> • Availability of scientific research and validation certification; • Abundant natural Resource; • Established education facilities e.g. NUS IOT & USP, Alafua; • Good Infrastructure. • Strong government support/policies • Easy to train local workforce 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Low level of manufacturing technology; • Lack of relevant legislation; • Location – remoteness to major markets; • Poor administration of the incentive scheme (duty drawback scheme). <ul style="list-style-type: none"> • Limited supply of technical skilled/experienced workers
<p>Opportunities</p> <ul style="list-style-type: none"> • APTC – to improve/enhance skills. • Private Sector Support Facility – product/market development funding 	<p>Threats</p> <ul style="list-style-type: none"> • Vulnerability to natural disasters; • Phasing out of trade preferences; • Migration – brain drain, recruitment & retention of skill labour; • Tariff inequities and anomalies. • Import competition

Source: National Export Strategy 2008-2012

9.2.2 Manufacturing Policy and Strategy Environment

Manufacturing is classified as one of the key sectors in the national sector planning framework however there is no overarching policy or sector plan developed yet for the sector. Based on the National Export Strategy the manufacturing sector vision is:

Add value to our resources to achieve 100percent increase in export returns.

The lack of a sector plan with articulated strategies to help guide developments and future investments in the sector is an issue with public-private policy dialogue and industry coordination only recently gaining momentum. In addition, Samoa is still to develop more efficient industry support services (including a demand- and market-driven research and development system to facilitate the adoption of improved technologies).

The tariff restructuring reforms in the 1990’s meant many of the small industries had to adjust to more competition. The adjustment process involved a review of the efficiency and cost effectiveness of manufacturing and process activities, packaging and product presentation redesigning, and raw materials and plant and machinery sourcing. All these aspects are very costly and capital intensive. In the meantime, the influx of imported products reduced the market shares of producers. These factors have made most manufacturers and exporters cut costs immediately, increase the expenditure on advertising/promotion, look for additional product ranges and/or market outlets and, adjust methods of production to increase competitiveness and quality.

9.2.3 Manufacturing Related Institutions

The designated lead agency for the sector is the Ministry of Commerce, Industry and Labour (MCIL). The Ministry provides policy support and regulates the sector via its different mandates and policies. As noted, the Ministry currently administers twenty eight legislations which impact directly on most of the manufacturing businesses.

Notably, a number of manufacturers are of small size characterized by family-ownership, a limited scale of business and low profit margins. There are three categories of enterprises grouped by their competitive positions, namely those that are:

- adapted to greater competition owing to their competitive advantages;
- those that have the potential to compete but may be prone to vulnerability and;
- those that are vulnerable to competition.

Industry leaders have noted that economic reforms introduced over the past two decades have left local manufacturers struggling to compete with foreign import – which are now subject to much lower duties. Nonetheless, there are several well-established manufacturing operations supplying the local market, some of which are operated by foreign investors.

1. **Samoa Association of Manufacturers (SAME):** The purpose of the Samoa Association of Manufacturers and Exporters is to assist the development of an efficient, profitable, competitive, and quality based expanding manufacturing and exporting sector. In doing so, the Association will enhance the well-being of companies, through asset growth and improved returns to shareholders; to staff, through increased job security and opportunity; to communities, through social stability, and access to quality goods; and to the environment, through responsible resource management.

Whilst the association has followed through the strategic plan so far, it recognizes the main limitations it has in fully realizing the above objectives mainly in terms of limited finance, inadequate human resources, and the technical know-how available to it. On the other hand, it is also recognized that whilst export and trade promotion are key elements in enhancing members' competitiveness, members themselves have limited capital and human resources to fully participate in these activities. Whilst various manufacturers have taken the initiative to amend their production processes to enhance competitiveness, most have not been able to implement these due to the high capital costs involved. Various manufacturers have taken the initiative to look for more markets. However, additional working capital is a necessity.

2. **Yazaki EDS Samoa:** Most notably, Samoa's largest private sector employer is Yazaki EDS Samoa, a Japanese-owned company that produces wire harnesses. These are exported to Australian vehicle manufacturers under the SPARTECA concessional market-access arrangement. The company employs just above 800 staff locally and the manufacturing plant is internationally certified under ISO 14001. Interestingly, these exports are classified as re-exports by Samoa. The Yazaki plant makes up over 20percent of the manufacturing sector's total output with net receipts amounting to between \$1.5 million and \$3.03 million annually, although shipments from Yazaki are counted as services (export processing) and therefore do not officially appear as merchandise exports. It is essentially the leading manufacturer in Samoa and has contributed significantly to the growth of the Samoan economy (**Box 9.2.3.1**).

Box 9.2.3.1: Yazaki – leading Samoa’s manufacturing sector

Yazaki EDS Samoa Ltd is a wholly-owned subsidiary of the Yazaki Corporation in Japan. It commenced operations in Samoa in 1991, with the main factory at Vaitele, the largest of its kind in the country, and was officially opened on October 5, 1992. The factory only manufactures wiring harnesses, which are used in the distribution of electricity in cars and is supplied primarily to the Australian automotive industry.

Key advantages of setting up in Samoa include the following:

- The availability of a reliable and capable labour force;
- The competitive cost structure compared to Australia and New Zealand;
- The ability to access the Australian market through SPARTECA;
- Australia’s close relationship to the Pacific community;
- Stable currency aligned to the US and Australian dollars; and
- Steady growth in infrastructure and public facilities – roads, port telecommunications and power since it was established;
- Supportive government policy;
- Has a stable political environment.

Key contributions that Yazaki has made to the Samoan economy over the years include:

- Turnover is approximately 110 million Samoan tala (US\$39 million) per annum, which has provided significant net income;
- Facility generates employment and growth;
- Introduced greater diversity through the introduction of a manufacturing industry to complement Samoa’s farming, fishing and transport sectors;
- Yazaki in conjunction with the Government and Samoa Association of Manufacturers and Exporters are promoting the ISO standards (ISO9000 and ISO14000) to Samoan business entities.

Impact of global recession and current challenges:

The effect of the global recession and global downturn has impacted heavily on Yazaki with the company recently requesting the government for assistance to stay afloat during the financial crisis. At one stage Yazaki employed about 2,000 workers, however, the increasing cost of import components and decreasing orders from automotive brands such as GM Holden and Mitsubishi has put a strain on Yazaki’s cash flow. The factory now employs around 800 workers with most of the employees who worked in administration, engineering and other services or in-directs being made redundant. The key areas that Yazaki has sought assistance from the government included cuts in charges for shipping, electricity and Value Added Goods and Services Tax (VAGST). Notably, the government has responded very quickly to the request put forward by appointing a committee to look into a rescue package for Yazaki.

The Government’s support and its relationship with Yazaki has always been healthy and is a true partnership. The plentiful labour force and supportive Government policy is the key to doing business in Samoa. Global competitiveness and continuous improvement is essential, as with any regional manufacturing entity.

9.2.4 Development Needs of the Sector

Complying with international quality standards is a major weakness within the industry. However, continued reform and enforcement of legislation on food safety

standards in recent years has led to gradual acceptance by manufacturers that compliance is vital in order to improve its export performance. The adoption of CODEX standards as national standards is a major step in the right direction for the manufacturing sector in terms of adhering to international quality standards not only for its domestic products but exports in particular. Continued training on HACCP and ISO certification for key manufacturing businesses is a clear sign of the sector's commitment in complying with internationally acceptable standards.

The high costs of production due to the cost of utilities such as electricity and water is not very conducive for small businesses to operate competitively. Subsequently, there is very little investment in the way of new technology and re-investment finances.

It is fully recognized that these problems and handicaps are being addressed to some extent whilst others are clearly subject to market forces. The key factor though is that where adjustments are possible now, they must be undertaken. These constraints have been identified in the National Export Strategy 2008-2012 and adjustment strategies aimed at achieving the key vision for the sector over the next four years have been developed.

9.3 Growth Sub-Sectors

The manufacturing sector has become increasingly competitive and it is noted that an increasing number of Samoan manufacturing enterprises feel insecure about their prospects in effectively competing in such competitive markets. With the liberalized trading environment, various opportunities have been identified for manufacturers and exporters to consider evaluating their options for long term survival:

- Manufacturers and exporters using local raw materials, have a competitive advantage, with access to export incentive schemes such as duty concessions schemes and Code 121;
- Trading opportunities are available under the Generalized Systems of Preferences in the free trade area within the Pacific (PICTA), the EU (Cotonou Agreement), Japan and the United States under GSP schemes;
- With increasing accessibility to export markets, manufacturers and exporters have endless opportunities in the development of niche market products such as handicrafts and artifacts using indigenous raw materials. Information technology offers advantages in global market exposure with accessibility to market, consumer, and product information as well as to opportunities to promote trade. The internet is now being used by some manufacturers and exporters for marketing and promotion purposes.

9.3.1 Exports Market

- **Bottled Water:** Notably, one of the growing industries both domestically and internationally is the bottled water. A recent entrant in the international water bottling industry is the Pacific Water Company (PWC). The company launched a new Samoan brand of bottled water in 2008 to target the global US\$ 87 billion bottled water market. The new brand of unique aquifer water called "The South Pacific Water Co" represented the opening up of a new manufacturing sector in Samoa. Inspired by the global success of the Fiji Water brand, the Samoan brand has also focuses on leveraging the Pacific's – and Samoa's – growing reputation around the world as an environmentally clean source of water and agricultural produce

Box 9.3.1.1: Marketing Samoa's Purity

Pacific Water Company Limited (PWC), owned by the Grey family and its partners, is bottled water sourced from an aquifer beneath a 7000 acre rainforest on the island of Upolu. The water sits in approximately two million-year-old volcanic rocks and is bottled at source using a state-of-the-art bottling facility. The bottling plant is currently running at 60percent and has the potential to turn out 12,000 bottles an hour, or two shipping containers per day. In keeping with the high environmental standards set for the project, the brand's distinctive bottles are made from biodegradable polymer, and carbon emissions involved in the supply chain are offset with new tree planting.

The bottled water was initially launched in the New Zealand and Australian markets, before it expanded into the fast-growing markets of North America, India and China. PWC was also able to secure a deal with regional airline Virgin Blue to be the official water on board all its flights.

In light of the recent worldwide publicity Samoa has received with hosting the world renowned "Survivor Series" in 2009, PWC has recently launched a publicity strategy for its product by re-branding it as simply "Samoa" artesian water. Having such a prominent export product has therefore assisted with the merchandise trade balance and has also helped raise the country's profile internationally at a time when the tourism sector is gearing up for growth.

- **Beer:** production began in 1978 with exports starting in the following year. The main market is American Samoa with irregular shipments going to Tokelau, Cook Islands and NZ. Beer export has grown steadily over the years with the volume of exports expanding significantly starting in 1998 when the Carlton Brewery (Fiji) acquired a controlling interest in the beer and soft drinks company Samoa Breweries Ltd. Beer exports grew from \$252,000 in 1979, to reach a high of 2.2 million liters earning \$4.8 million in 2005.

The last four years has seen a total decline of beer exports to 0.8 million liters and revenues falling to \$1.7 million in 2009. Furthermore, the export price of beer has generally trended upwards over the years. The Vailima beer, which is the only brand that is exported, is mainly consumed by expatriate Samoans, with the continued emigration and brand loyalty, the overseas demand for Vailima beer is forecasted to hover around the same levels in the short to medium term especially given the uncertainties facing thousands of Samoan workers in American Samoa due to the recent closure of key employment agencies such as Chicken of the Sea.

- **Nonu** – products mainly juice and fruit were important exports from 2000. Market prices for nonu juice have declined since 2005, but total export earnings have increased slightly to approximately SAT 3 million in 2008 as a result of the high export volumes. Exports of nonu fruit have remain minimal with total export earnings declining from SAT 0.5 million in 2003 to SAT 0.12 million in 2008. Opportunities for potential exports of nonu products to the Asian markets, mainly to Japan, China and Korea appear promising but will require more detailed research into the product standards requirements of these markets.

- **Coconut Oil** – exports of coconut oil have resumed from 2008. The future of coconut oil a key export product is promising but will need to be supported by an aggressive and sustained national coconut replanting programme.

9.3.2 Domestic Market

In terms of domestic markets, the key sub-sectors with possible value added are Agro-processing (value added to primary goods such as coconut, papaya, banana and taro) and Labeling and Packaging.

Box 9.3.2.1: Niche Organic Agricultural Markets - Women in Business Development Incorporated

WIBDI is a small non-profit non-governmental organisation whose focus is to provide opportunities for rural people to earn income through the resources available to them.

The key programmes provided by WIBDI include:

- ♦ Microfinance and small business training;
- ♦ Skills training, for example, handicraft, printing, etc;
- ♦ Fine mat weaving and sponsorship programme;
- ♦ Organic certification of farms to international standards;
- ♦ Virgin coconut oil (VCO) production;
- ♦ Fair Trade labeling;
- ♦ Niche market linkages for VCO, bananas, coffee, vanilla, etc;
- ♦ Disaster mitigation;
- ♦ Regional outreach throughout the Pacific region;
- ♦ Facilitating export to international markets.

WIBDI has its share of agricultural exports mainly of Pure Coconut Oil and Bananas to export countries including the United Kingdom, Hawaii, American Samoa and New Zealand. In 2007, WIBDI made one shipment with a total of 18 liters of pure oil to the United Kingdom valued at SAT\$5,508. It took a remarkable leap the following year, with pure oil exports to the UK (which includes three shipments within the same year) and Hawaii totaling to 9,106 liters with earnings amounting to SAT\$156,219. WIBDI exports continued to rise in 2009 with two more export markets (American Samoa and New Zealand) added to the existing ones that raised SAT\$225,486 in earnings from 20,224 liters in pure oil. However, exports fell during the first quarter of 2010 with 5,595 liters exported compared to 7,706 liters in the same quarter of the preceding year. We note the absence of the UK in the first quarter of 2010 compared to the previous year's which caused the downfall in exports for this quarter. Total exports of SAT\$225,486 in 2009 was the highest WIBDI achieved. Judging from the current export figures in the first quarter of 2010, WIBDI's total exports for 2010 is not likely to exceed SAT\$200,000.

The organisation is facilitating regular export of certified lady-finger bananas (*misiluki*) to New Zealand, thus providing great opportunity to local farmers by availing access to an overseas market for *misiluki*. All bananas are sprayed on arrival into New Zealand. As a result, there is high demand for spray-free organic bananas and WIBDI is performing treatment trials and shipping processes aiming at removing the need for spraying bananas on arrival into New Zealand. WIBDI receives assistance from the government of Samoa through meeting the cost of organic certification.

However, WIBDI face a few challenges with their work. In terms of meeting the demands from niche markets and other demands, is the consistency of production to meet demand is an issue Given that the grass roots level often has other commitments (church, village and family faalavelave) that they prioritise over producing to earn money. In addition, WIBDI has to carry out site visits to make sure the quantity as well as quality of products are there and

maintained. With petrol costs on high, the cost of transportation is substantial as WIBDI makes extra trips (on top of site visits) to collect oil and banana for their exports.

There is an opportunity for WIBDI exports, especially of pure coconut oil to Asian markets like Singapore and Malaysia. These markets have demanded over SAT\$2.2 million worth of pure oil during 2009 and the beginning of 2010.

Conclusions

Manufacturing plays an important role in the economy as the sector employs about one third of the formal labour force and accounts for 9 percent of GDP. However, the low level of manufacturing technology and remoteness of Samoa's location to major markets has led to the slow growth of the sector. In particular, the agro-processing sub-sector faces high risks due to its dependence on agricultural inputs that are vulnerable to external shocks. High freight costs, lack of economies of scale, high cost of utility services and lack of venture capital have been repeatedly cited as constraining factors by manufacturing businesses.

National planning processes need to be developed for the sector including the development of a sector plan to help guide sector investments as well as ensure better coordination and dialogue among key government agencies e.g. MCIL, private sector agencies e.g. SAME and civil society organisations e.g. WIBDI.

Trading opportunities available under the Generalized Systems of Preferences in the free trade area within the Pacific (PICTA), the EU (Cotonou Agreement), Japan, China and the United States under GSP schemes need to be promoted and clearly articulated to industry members by responsible government agencies;

Government also needs to actively pursue and develop investment portfolios and programs similar to the one given to Yazaki for setting up in Samoa to target both domestic and foreign investors. This will lead to more employment opportunities and diversification of the industry;

Industries need to ensure compliance with international quality standards. In particular, the food and beverages needs to build their competitiveness by adhering to internationally accepted standards through continuous ISO and HACCP training programs. The role of the Scientific Research Organisation of Samoa (SROS), in particular its food technology division should be strengthened to research on value added benefits for locally manufactured produce.

The most competitive sub-sectors are food processing, agro-processing and beverages. There are two main markets for Samoa manufactured products with one being the export market for beer and bottled water and the other being the domestic market targeting the food processing, beverages and agro-processing based products. There is a need for companies to actively pursue innovative practices to diversify their existing products with the main aim of increasing higher value added finished products for both the domestic and export markets especially in the water bottled and agro-processing sub-sectors. In particular, niche organic agro-processed products should be fully supported and the work undertaken by WIBDI in this regard needs to be properly resourced to ensure the continued success of these niche initiatives.

Recommendations

1. Prepare a sector plan for the manufacturing industry led by the MCIL to guide its future development.
2. Develop and actively pursue sustainable investment portfolios and programs similar to the Yazaki Samoa incentives package.
3. Develop legislation on food safety standards and continue promoting HACCP training and ISO certification for industry members.
4. Strengthen and provide more resources (tax incentives) to SROS to research on value added potential for local produce and agro-processed based products.
5. Establish and promote fair trade standards, registration and regulation for export products.
6. Provide funding to assist organic certification of farming and manufacturing activities against international standards.

10 Chapter10: Tourism

10.1 Introduction

The tourism industry has always played a part in the Samoan economy and has only in recent years grown to become one of the key drivers for economic growth given the downturn in the agriculture and fisheries sectors, contributing approximately 20 percent to Samoa's gross domestic product. The estimated direct employment by the tourism industry is 5,400 persons, which represents 10 percent of total employment as per the 2006 Census. Of these 5,400 persons, 2,018 persons were employed within the hotels and restaurants sub-industry⁵⁹.

Tourism is a people industry and has been broadly defined as "the temporary short-term movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations, and the facilities created to cater to their needs."⁶⁰ The activities, industries and services undertaken include accommodation, transportation, dining and drinking establishments, retail shops, entertainment businesses, activity facilities and other hospitality services provided for individuals or groups travelling away from home.

The tourism sector is multifaceted and has strong links with other sectors of the economy (such as agriculture, transportation, food and beverage and the retail sector to name a few) as well as integrated links within the community, small non-tourism related businesses and tourism operators for the provision of a wide range of services supporting the sector as a whole.

The aim of the tourism sector is to work together with all stakeholders, both private and public, to achieve its vision (below) *underpinned by strong themes of nature, adventure, cultural appreciation, rejuvenation, indulgence and self discovery, safety and security*⁶¹ ensuring that Samoa is a preferred holiday destination.

"Promoting and delivering the truly unique and distinctive Samoan experience"

The National Export Strategy 2008-2012 vision of the tourism sector is:

"To continue to be the main foreign exchange earner in the economy"

10.2 Situational Analysis

10.2.1 Tourism Activity

Tourism in Samoa is still considered to be in its infancy compared to the more popular and established regional destinations such as Fiji, New Caledonia and Tahiti. Samoa has however over the years, as a destination, become increasingly popular not only for tourist travellers, but also as a cruise ship and sports tourism destination.

⁵⁹ KVAConsult Ltd. *Economic Impact Study December 2008.*

⁶⁰ *Mathieson and Wall (1982)*

⁶¹ *Tourism Development Plan 2009-2013*

Visitor arrivals have increased 57 percent between 1998 and 2008 with record growth recorded in 2006. The main source markets continue to be New Zealand followed by Australia and American Samoa as depicted in **Table 10.2.1.1** below. American Samoa has the most visitor arrivals entering Samoa considering the source population of the countries/regions of origin.

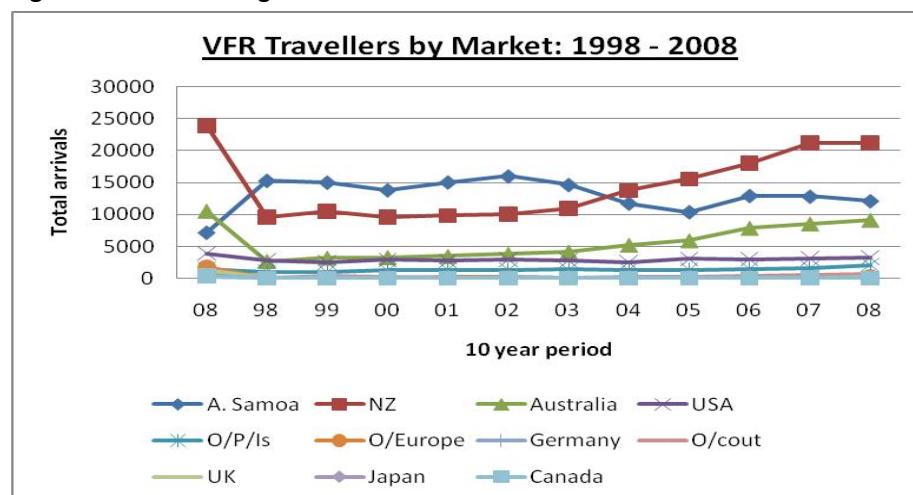
Table 10.2.1.1: Visitor Arrivals by Market via Air and Sea Transport

Visitor Arrivals by Market										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
American Samoa	30063	31016	31806	30326	27959	23433	26183	24139	23351	24285
New Zealand	22818	23337	23790	26977	32020	36179	42966	50306	51533	54574
Australia	10954	11224	11438	12103	13914	17724	23603	22103	22643	24497
U.S.A	9032	8467	8720	8552	7939	9237	8682	8055	8465	9247
Others - Pac. Islands	5503	5355	5912	6286	7564	6796	6099	9674	7052	3879
Others - Europe	2520	2147	2086	1837	1912	1858	1907	1800	2199	1520

Source: Samoa Bureau of Statistics & Samoa Tourism Authority

Since 2000 there has been a marked increase in the number of visitor arrivals from New Zealand. Moreover, statistics show that many of the visitors from New Zealand are Samoan nationals returning to Samoa to visit friends and relatives (**Figure 10.2.1.1** below)

Figure 10.2.1.1: Visiting Friends and Relatives Travelers



Source: Samoa Bureau of Statistics & Samoa Tourism Authority

In terms of accommodation and place of stay, over the period 2001 and 2008, an average of 30 percent of visitor arrivals stayed in hotel accommodation, compared to 60 percent staying in private residences and places of stay, the remaining 10 percent did not state their place of stay. **Figure 10.2.1.2** provides a comparative of where visitor arrivals stayed during visits to Samoa.

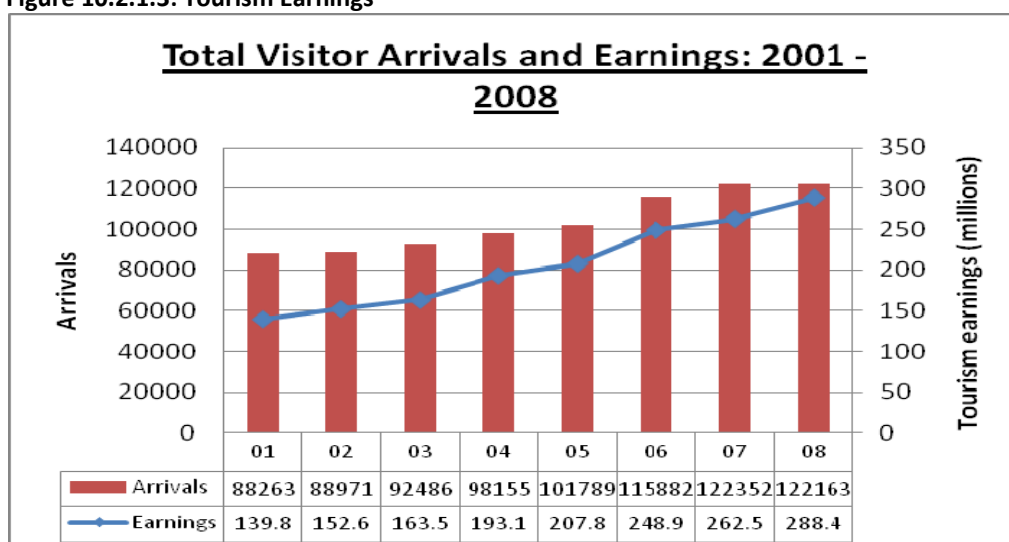
Figure 10.2.1.2: Visitors' Place of Stay



Source: Samoa Bureau of Statistics & Samoa Tourism Authority

Tourism earnings and receipts have also grown 106 percent between 2001 and 2008 representing up to 20 percent of Samoa's GDP as depicted in **Figure 10.2.1.3** below. By 2008, the total tourism earnings and receipts totalled SAT\$ 288.4 million.

Figure 10.2.1.3: Tourism Earnings



Source: Central Bank of Samoa & Samoa Tourism Authority

Cruise ships calling into Samoan ports have increased from 5 vessels in 2006 to 15 in 2008 and this is expected to increase given the joint efforts by STA and SPA to promote Samoa in the annual Miami Convention.

In terms of infrastructure, there has been a remarkable growth of 206 percent in room capacity since 1992. Introduction of the Unit Title Act in October 2009 is expected to facilitate the financing packaging of relatively large tourist facilities and attract more investment in capital infrastructure.

Accessibility has also improved with the establishment of the Polynesian Blue joint venture in 2005 which has resulted in increased inbound seat capacity, more direct flights from the main source markets of New Zealand and Australia and more competitive airfares and cost savings for travellers.

10.2.2 Tourism Related Institutions

The lead Government agency is the Samoa Tourism Authority. STA is responsible for the following:

- To encourage visits to Samoa by people from other countries and travel and holidays within Samoa by people from Samoa or other countries;
- To encourage the development and improvement of facilities for tourists;
- To co-ordinate the activities of persons providing services for tourists;
- To advise the Government on all matters relating to tourism; and
- To prepare, implement and maintain a comprehensive tourism development plan for Samoa.

The Samoa Hotel Association (SHA) is a private sector organization whose members are hotels and different accommodation operators (beach fale to deluxe properties) who have common interests and goals. SHA is a key organization who provides strong sector leadership and is active in promoting and representing the interest of its members and engages in dialogues with the Government on a regular basis.

The Savaii Samoa Tourism Association was established earlier this year and it comprises of businesses providing accommodation, transport, tours and leisure activities as well as souvenirs, handicrafts and attraction sites. The newly formed association sees the potential in improving product and service quality to promote Savaii as a tourist destination.

The success of tourism hinges on partnerships between the Government, through STA as the lead agency, in the development of tourism in Samoa and the private sector businesses that have invested in the sector. The TDP 2009-2013 recognizes that a *“partnership relationship between the Government, communities and the private sector must be cultivated in order to ensure most effective and efficient development and future management and regulation of the tourism sector in Samoa”*.

10.2.3 Development Assistance to the Tourism Sector

Donor assistance to the Tourism Sector has been widespread throughout the years with various donor agencies each contributing through their own individual programmes to the development of the Sector. In collaboration with the various donor agencies, the Government has ensured that the road to recovery and a better Tourism Sector, following the September 2009 tsunami, is smooth and the objectives for strengthening the Sector are met.

Improving and ensuring the economic viability and long – term sustainability of the newly reconstructed beach fale businesses, that were directly affected by the tsunami, is a goal paramount to the development and strengthening of the Sector. In addition to beach fale which were directly affected by the tsunami, assistance is also geared towards market studies as well as product and service audits to ensure Samoa meets expectations of the markets.

Tsunami Tourism Reconstruction Programme

Following the September 2009 tsunami, Government of Samoa, with assistance from the New Zealand Government, has put in place the Tsunami Tourism Re – construction Programme which is aimed at rebuilding the beach fale accommodation businesses that were directly affected by the tsunami. To be channeled through the Private Sector Support Facility (PSSF), funding will go towards the reconstruction of

damaged or destroyed tourist operations and provisions for technical assistance are also provided under the said Programme.

Spearheaded by the PSSF Steering Group, it is envisaged that the scheme will put in to place measures to ensure not only the reconstruction of these tourism operations but more importantly, to ensure that the quality is improved through the 'build back better' initiative proposed by NZAP and that the business operations meet the set standards of the Samoa Tourism Authority.

The long term goal of the Programme is to ensure the revitalization of the affected beach fale businesses and that the standards of the new structures will be in – line with the national beach fale standards set by the Samoa Tourism Authority and are conducive to environmental requirements whilst ensuring a stable generation of reliable economic benefits for the livelihood of families and the wider communities operating these businesses.

It is highly anticipated that the Programme will assist with the strengthening of the rural economy through employment which will ensure that income is generated for the communities involved.

The implementation of the Programme is undertaken by MCIL as the PSSF Secretariat and the disbursement of the funds is facilitated by the Ministry of Finance. Guidelines have been established and set into place for the smooth implementation of the Programme objectives. It is envisaged that the Programme will inevitably lead to poverty alleviation and this can be connected to the achieving of the Millennium Development Goals.

10.2.4 Tourism Strategy and Policy Environment

Tourism Development Plan (TDP) 2009 – 2013

The key themes for the development of the tourism sector, as outlined in the TDP 2009-2013 are:

- Effective branding, promotion and marketing of Samoa as an appealing, competitive and compelling country destination providing the *“truly unique and distinctive Samoan experience”*;
- Development of the tourism product, service and infrastructure to meet the needs and expectations of tourists;
- Sustainable resource management to ensure the conservation and enhancement of Samoa’s natural environment and biodiversity.

The key themes are underpinned by the following enabling strategies:

- Increasing access to Samoa by ensuring adequate aviation and sea transport links;
- Attracting investment in tourism business and infrastructure by addressing land tenure issues;
- Tourism capacity building and workforce development to address skills shortages and to also ensure high service level standards through training/certification programmes provided by the Australia Pacific Technical College (APTC) and on the job training;
- Research, planning and impact management of tourism development, specifically looking at relevant, timely and accurate information and statistical data that will enable proper planning and impact assessment. This will also

involve revisiting of the national accounts and construction of an input-output model specifically for the tourism sector;

- Institutions and industry framework and ensuring partnerships between the Government, Samoa Tourism Authority and the private sector operators and service providers.

Prior to the September 2009 tsunami, the TDP had forecasted an estimated 7.0 percent growth rate in the number of tourist arrivals with the hope of achieving their goal of 170,000 total arrivals and in excess of 1.0 million room nights by 2013. The targeted arrivals and room nights will require a total of 423 additional rooms at an estimated infrastructure cost of SAT\$127.0 million.⁶²

The TDP forecasts have been adjusted to reflect the estimated impact of the tsunami on the total number of visitor arrivals over the 5 year period ending 2013. It is assumed that the annual growth rate for 2009 will only decrease by 20 percent from 6.4 percent to 5.1 percent and that the target number of tourist arrivals is that forecasted in the TDP.⁶³ The tsunami disabled up to 569 rooms, resulting in a total of 992 rooms required to maintain the forecasted national accommodation stock to meet supply by 2013, at an estimated infrastructure cost of SAT\$161.0 million. The additional rooms will also require additional personnel and employment creation of 1,000 to 1,500 jobs in the sector.

Policy Environment

The Government has recognised the potential for the tourism sector to drive growth and boost economic activity. Since 2003, the Government has enacted a number of legislations providing incentives to attract further investment (both local and foreign) to ensure adequate infrastructure and capacity to support sustainable growth in the tourism sector. The legislation and incentives are briefly outlined below:

- **Tourism and Hotel Incentives Act 2003**

The Tourism and Hotel Incentives Act 2003 promotes the development and strengthening of the Tourism Sector through the provision of incentives for those who invest in a tourism related business venture, particularly accommodation.

The Act also provides a series of other related legislations that will directly assist with the development of the sector through the provision of the following;

- i. **Hotel Income Tax Exemption:** The Act allows for the provision of 100 percent income tax credits and income tax holidays to a person who invests in excess of SAT\$ 1.0 million in a certified tourism development venture, which must be approved by the Minister of Finance, acting on the advice of Cabinet):
 - Category 1 Hotels –capital investment between SAT\$1 million and SAT\$3 million (5 year income tax holiday),
 - Category 2 Hotels - between SAT\$3 million and SAT\$ 20 million (10 year income tax holiday), and
 - Category 3 Hotels – investment over SAT\$20 million (15 year income tax holiday).

⁶² KVAConsult Ltd Forecast June 2010

⁶³ Rapid Assessment of the Impact of the Tsunami on Tourist Accommodation Businesses and the Samoan Tourism Sector; Prepared by KVAConsult Ltd for Samoan Tourism Authority

- ii. **Import Duty Concessions (Hotel Import Duty Drawback):** The Import Duty Concessions provides the necessary assistance for the developer with duty concessions on the materials used for the construction and administration of the hotel development.

- **Unit Titles Act 2009**

The recent passing into law of the Unit Titles Act 2009 opens up the tourism market for the development of condominium and time share businesses in Samoa. The Act allows for the subdivision of freehold and Government land to be used for the development of condominiums. The Act also permits the leasing of customary land. This has become a source of debate amongst law makers who believe that customary land should not be included in the arrangements under the Act for fear of alienation of customary land.

*Tourism and economic boom periods have seen the construction of a large number of strata titled accommodation complexes in regions widely recognized for their significance as tourist destinations.*⁶⁴ Being one of the Pacific's prime tourist destinations, Government has hopes that with the implementation of the Act, the sector will begin to recover from the slump in tourist numbers since the 2009 tsunami thus further putting Samoa on the map. With the recent political and social upheaval in neighboring Pacific nations (i.e.) Fiji, Tonga and the Solomon Islands, widely known as popular tourist destinations, Samoa would do good to capitalize by marketing Samoa as a safe destination free from social and political problems.

There has been concern expressed that the Act allows the developers of the condominium complexes to be the primary beneficiaries (albeit only on a short – term basis) and that with the Act extending to the use of customary land, much of Samoa's land be alienated leaving little prime – land area for the people of Samoa to develop. The time period permitted for the leasing of customary land is also a concern for some lawmakers.

An extensive evaluation of the Act in terms of how it will be implemented and monitored, taking into consideration the use of customary land is strongly recommended as to alleviate the concerns of those opposing the Act.

10.3 Growth Opportunities in the Tourism Sector

The development of the economy relies much on the strengthening of the Tourism Sector. Second only to remittances, revenue from the sector contributes greatly to the development of the economy which in turn creates employment opportunities that assist with poverty alleviation and also the strengthening the of the rural economy as many of the tourism beach fale accommodation businesses are located in rural areas. Economic and social development through the strengthening of the sector ultimately leads to the realization of one of the Millennium Development Goals; the eradication of extreme poverty, by the target year of 2015.

Post-Tsunami Rehabilitation and Recovery

Following the September 2009 tsunami, the sector experienced a slump in the tourist arrival numbers due to fears of another tsunami striking the country. A rapid

⁶⁴ Investigation of the Strata – Titled Tourism Accommodation Sector in Australia; Legal Context and Stakeholders Views, by Chris Guilding, Allan Andill, Jan Warnken, Kelly Cassidy & Kimberly Everton - Moore

assessment of the impact of the tsunami on the beach fale accommodation market as well as the sector as a whole was commissioned by Government and was conducted from October 2009. Upon completion of the assessment, recommendations were presented to Government on how to best assist with the rehabilitation and recovery of the sector, taking on – board the financial and technical support pledged by the donor community and Samoan communities abroad.

Samoa Tourism Authority's marketing strategy after the tsunami focused on enhancing market confidence by communicating much of Samoa's tourism products and services were fully operational and that it was acceptable for visitors to travel to Samoa. This strategy was communicated as part of an overall campaign which used television and print media and carried the headline *"...It's a great time to be in Samoa"*. The industry stakeholders noted that a lot of booking were deferred rather than cancelled and although the main markets response has been relatively slow, the feedback from the industry on growing demand and visitor arrivals indicates that the response is gradually picking up. It is hoped that the participation of Samoa in the Shanghai World Expo 2010 will assist with the marketing of Samoa as a prime tourism destination in the South Pacific.

Tourist Source Markets

The presence of Samoa at the Shanghai World Expo provides an opportunity, not only for the promotion of trade of goods and services, but also for the promotion of Samoa as a tourism destination for the Chinese people given China's population of 1.3 billion people and the number of Chinese tourists that have visited Samoa (1,200 in 2009)

Development of Eco – Tourism

Eco-tourism is nature-based tourism that attempts to minimize the environmental impact and *"is responsible travel to natural areas that conserves the environment and improves the well-being of local people."*⁶⁵

There is great potential for the development of an eco – tourism market in Samoa given the abundance of Samoa's natural resources and the need to maintain Samoa's natural environment and biodiversity as identified in the TDP 2009-2013. Initiatives by the Government and the Samoa Tourism Authority, to promote and encourage the development of eco – tourism in the country will generate and promote awareness for there to be a stronger emphasis on the importance of environmental conservation.

The TDP 2009-2013 identified a number of potential eco – tourism sites (Upolu: Mt Vaea Scenic Reserve, Palolo Deep Marine Reserve, Lake Lanoto'o National Park, O Le Pupu-Pue National Park (Togitogiga), Saanapu – Sataoa Conservation Areas, Uafato Rainforest Conservation Area, Aleipata – Marine Protected Area, Safata – Marine Protected Area and in Savaii: Tafua Peninsula Rainforest Reserve, Alofa'aga Blow-holes, Sale'aula Lavafields, Sasina Conservation Area and Falealupo Rainforest Reserve) that have natural attractions to be developed and to ensure the protection of the natural flora and fauna of Samoa for future generations.

The development of eco – tourism in Samoa will depend greatly on the level of technical assistance provided through Government and various donor agencies. Eco – tourism is a relatively new initiative that has yet to be fully established in the

⁶⁵ The International Ecotourism Society (TIES) 1990

wider tourism sector and there is a need for Government through the Samoa Tourism Authority to produce a set of operational guidelines and standards to assist with the development of this form of tourism. It will be beneficial for the Government to take this on – board as there is now a stronger emphasis on 'going green' in the global tourism sector. Environmentally friendly tourism attraction sites are beginning to become the norm in established tourist destinations around the globe.

Samoa has the potential to develop into a regional hub for eco – tourism development around the region. With an abundance of natural surroundings and taking advantage of the existing eco – tourism related tourist operations, the development of eco – tourism in Samoa is highly feasible. Investment into this sector of tourism is a must if Samoa is to encourage the development of environmentally friendly tourist business operations.

Cruise Ship and Sport Tourism Destination

Samoa has also become a popular destination for many passenger cruise ships as well as special chartered tourist flights. This influx of passenger cruises and chartered flights into Samoa has assisted with the generation of income for the sector as well as for the national economy, with the ships and special chartered flights having to pay a 'docking/landing' fee to the Samoa Ports Authority and the Samoa Airport Authority, respectively.

Samoa has also become popular as a sports tourism destination following the hosting of the 2007 South Pacific Games (SPG). Since the completion of the SPG in 2007, Samoa has hosted a number of international competitions such as the Oceania Swimming Competition 2010, Oceania Shooting Competition 2010, ANZ Rugby Pacific Nations Cup 2010, Judo World Cup 2009, and EAP Cricket Championship 2009. The infrastructure investment in sporting facilities in 2006-2007 prior to SPG provides an opportunity for Samoa to further market itself as a host nation for many more international sporting events.

Conclusions

Based on the recent developments in the sector Government needs to adopt an integrated tourism redevelopment support framework comprising of the following key components:

- **Destination Promotion and Marketing:** There is a need to ensure that the market remains confident of the safety of Samoa as a destination. Target opportunity markets such as eco-tourism packages, cruise liners, niche markets such as surfing, diving, snorkeling, soft adventure and special interest groups including weddings/honeymooners/families/church groups and school group tours.
- **Product Service & Infrastructure Development:** there is a need for setting standards for the tourism product in terms of the infrastructure and also services. STA needs to closely monitor the standards of accommodation facilities and their operations to ensure adherence to truth in advertising and enable consumers to have clarity of expectations. STA has a standard classification of all accommodation properties which were operational before the tsunami which was used as a baseline in the Rapid Assessment of the sector post tsunami. However, it was apparent post crisis that there

was clear lack of capacity at STA in terms of human resources which has led to recommendations provided in the Final Rapid Assessment Report.

The importance of effective and on-going capacity building and workforce development in the tourism sector needs to be accorded priority. This applies to the STA as well as to the tourist accommodation businesses and support services. One of the recommendations from the rapid assessment is for the conducting of appropriate training programmes under the auspices of the SHA and APTC to up-skill the employees of the hospitality industry that have been displaced as a result of the recent tsunami .

There is a need to maintain on-going dialogue and formal communication channels with all stakeholders within the sector to enable a consultative and a participatory exchange of views on how best to address issues affecting the performance of the sector.

Ensure the markets remain confident of the safety of Samoa as a destination as post tsunami there was an obvious need to incorporate safety as an element in the marketing campaigns. As noted by the industry, safety has and will always be an element which will be incorporated when the need arises and care must be taken to ensure this is not overly stressed as perceptions may develop about safety being an issue.

The truly unique Samoan experience campaign and country branding needs to be developed and strengthened. A unique Samoan experience is not a single factor but rather a collection of Samoan elements which appeal to not one segment but rather multiple visitor profiles such as leisure, sports, VFR etc. One of the elements underpinning the unique Samoan experience is respect, not just for people but also for the environment. The bulk of STA's destination advertisements developed so far have incorporated or highlighted the pristine natural environment. The concept of branding is important and it is crucial that brand development considers the target audience's perceptions.

China is currently being targeted as a potential market and marketing activities in this huge market have been underway for some years. This is likely to increase as awareness and interest levels increase as access by air opens up and product development catering to Chinese speaking travelers takes form.

Samoa has in place the Samoa Cruise Shipping Working Group which is made up of STA, SPA, shipping agents, shore excursion providers etc and looks into facilitating and enhancing processes and promoting Samoa as a port of call. Annual attendance by representatives of the Group at the Seatrade Cruise Shipping Convention is part of this process. STA have also established a working relationship with the Samoa Sports Facility Authority to further enhance Samoa's appeal in terms of sports tourism.

There is great potential for the development of an eco – tourism market in Samoa given the abundance of Samoa's natural resources and the need to maintain Samoa's natural environment and biodiversity as identified in the Tourism Development Plan 2009-2013. Eco – tourism is a relatively new initiative however, that has yet to be fully established in the wider tourism sector. There is a need for

Government through the Samoa Tourism Authority to produce a set of operational guidelines and standards to assist with the development of this form of tourism from its inception phase.

The TDP identified the key risks that may potentially impact on the future development of the sector and the achievement of the 5 year goals. These relate mainly to the physical environment, human and institutional environment and also personal risks. The recent swine flu epidemic and the September tsunami clearly highlighted the importance of the sector understanding the risks to the future success and viability of the industry and the need to have mitigating strategies in place.

Recommendations

1. Develop and implement a National Emergency Response & Recovery Plan and required policy and regulatory framework for the sector.
2. Enhance and develop the level of skills of the workforce by encouraging and supporting skills standards development and certification process through SQA and other relevant International Agencies.
3. Strengthen the partnership and enhance communication between the Government through the lead tourism agency, STA and the private sector.
4. Develop guidelines/standards to promote the eco-tourism and other potential niche markets concepts.
5. Undertake the following:
 - Strengthen the country branding concept by focusing on the truly unique Samoan experience and the pristine natural environment.
 - Prepare and implement targeted marketing campaigns in potential emerging markets.
 - Continue to promote Samoa as a Cruise Ship and Sports Tourism destination
6. Revisit the National Accounts Statistics for the development of an input-output model to determine the direct impact of tourism on the economy.
7. Strengthen and develop the research and information capability of STA to ensure provision of timely, accurate and meaningful data to support proper planning and impact assessments of the sector.
8. Invest in accommodation infrastructure to ensure that there is sufficient room capacity to meet the demands of the 2009-2013 TDP forecasted increase in visitor arrivals. An additional 423 rooms are required as estimated in the TDP report.
9. Prepare a development/expansion plan for airport facilities to respond to expected increase in tourism demand.
10. Encourage the development of new routes to establish better access to and from source markets.

11 Chapter 11: Emerging Services

11.1 Introduction

The growing importance of Samoa's services sector has been reflected in recent policies and schemes developed to further enhance the contribution of the sector to the economy. The formulation of services policies and legislative amendments, previously within the Inter-Departmental Committee (IDC), is now dealt with by the Trade, Commerce and Industry Development Board.

This section discusses the growth potential for labour mobility and e-commerce and makes recommendations to realize such potential.

11.2 Labour Mobility

Samoa's major and most valuable asset and resource is its people. Labour mobility⁶⁶ is enhanced through the establishment of bilateral arrangements with developed neighbouring countries and through regional/international trade agreements. This section considers an overview of labour mobility (particularly professional services and professional sports development), explores the growth opportunities and proposes key recommendations in further stimulating this emerging sector.

11.2.1 Overview of the Labour Market and Situational Analysis

Labour Market

The total number of employed persons (based on the 2006 Census) is 53,928 persons compared to unemployed persons of 707 out of a total working population or labour force of 92,369 persons (between the ages of 15 and 55 years).

Based on the 2006 Census, employment levels in the key sectors indicated that services sector is leading employment figures, constituting 40 percent of the working population aged 15 and over. The Agriculture (including fisheries) sector was second with 39 percent followed by industry sector at 20 percent and 1 percent not stated.

Situational Analysis

Services make up an average of 63 percent of GDP including at least 50 percent of the current account inflows in the balance of payments. The estimated foreign exchange earnings contribution from professional services is at least SAT\$5m per annum including earnings by accountants, development consultants, seamen and professional sports persons. However, Samoa's services industry is still at a very early stage of development and although in terms of human resources, it is very well-placed by South Pacific standards. Furthermore, Samoa has a relatively high literacy rate and good English-language skills.

Samoa's market is relatively open for investment in the services sector with only a few reserved and restricted sectors. Service industries that comprise the services sector include telecommunications, finance and business, education, health, transport, construction, and professional services such as legal, accounting, consultancy etc.

⁶⁶ Defined as the socioeconomic ease with which an individual or groups of individuals who are currently receiving remuneration in the form of wages can take advantage of various economic opportunities.

The main challenge for the services sector at present is the need for reviewing, implementing and improving the existing regulatory framework across all industries in the sector. Samoa is committed to sports development as indicated in the current SDS. Being a sporting nation, Samoan rugby players have signed contracts with Australia, New Zealand and European countries which have largely contributed to the increase in remittances⁶⁷.

The labour force is also strengthened through existing scholarship programs of Government and development partners and also enhanced through established national academic institutes and the rising number of vocational schools. The Government through MCIL has an Apprenticeship Scheme that upgrades the qualification of the labour force of seven (7) different trades such as carpentry & joinery, refrigeration & air conditioning, welding, plumbing etc.

Services trade liberalization in Samoa should therefore focus on achieving more liberal immigration regimes to facilitate temporary movement of personnel and also opening up more to foreign investment. It is also about achieving more transparent, less discriminatory and less trade restrictive service sector regulation. As noted in the National Export Strategy 2008-2012, the Services sector vision is:

To improve the Quality of Services and enhance Access to Foreign Markets.

11.2.2 Growth Opportunities in Labour Mobility

Professional Services

The professional services sector is fairly well regulated by specific legislations and/ or formalized constitutions governing the operations and conduct for each professional body (this includes lawyers, accountants, engineers, doctors/nurses and so forth).

The selling of professional and trade standards for the supply of services, are developed by respective national institutions that include; the Society of Accountants (Public Accountants Act of 1984); the Law Society (Law Practitioners Act of 1976); the Medical Council (Medical Practitioners Act of 2007; the Nursing and Midwifery Act 2007; and the Dental Association (Dental Practitioners Act 2007).

Some professional services, such as the consulting services industry do not have formalized associations and regulations and are normally subject to a two tier procurement system for domestic and international consultants under which compensation is based on residency and not on qualifications and skills. By offering lower rates for domestic-based consultants the two tier system disadvantages these domestic professionals and inhibits their ability to be commercially sustainable compared to overseas-based consultants.

A review of the professional services as an industry would require identification of a strategy which would enhance the quality of services and strengthen the domestic-based professionals to compete at the regional and international level. The Samoa Qualifications Authority that was set up in 2005 to consider a national qualifications framework and its potential linkages with the Pacific Regional Qualifications Register will ensure the portability of qualifications and better facilitate labour mobility. An example of specific initiatives to enhance the portability of qualifications is the Australian Pacific

⁶⁷ The average earning of an elite Samoan rugby player in Europe is estimated at EURO 150, 00 per annum (Samoa Rugby Union).

Technical College which opened a Samoa campus in 2006 to provide world class vocational education and training for Samoans and other Pacific Island professionals.

The long-term benefits of opening up some protected sectors can overwhelm the short-term costs, and the possible sensitivities involved. At the regional level, some progress has been made but the process is at early stage (see below). Regional liberalization in professional services does provide opportunities for Samoa.

Sports Development

People are Samoa's greatest natural resource particularly through the combination of overseas and locally based Samoan sports professionals. However, the development of sports in Samoa has been on an ad hoc basis with primary investments in sports such as rugby (professional rugby development provided by internationally licensed training centres such as the Samoa Rugby Union High Performance Unit) and netball personnel, infrastructure and development programs. The large investments in sports facilities for the 2007 South Pacific Games has provided the basis for a national drive to develop a wide range of sports in which Samoans have natural relative competitive edge. The latest SDS recognises sport for the first time in national strategic plans as a potential income earning/development activity. Whilst there has been promotion for the export of sporting services through the overseas contracting of local athletes, there has been concern expressed on the athletes being able to return to Samoa to represent the country in international sporting events.

11.2.3 International arrangements on Labour Mobility

WTO Accession - Services Request List

As noted in Chapter 3 on the WTO section, Samoa is very cautious in opening up its services sector without first putting in place the appropriate laws governing the delivery of these services. Currently, Samoa has offered sectors such as; Education, Financial, Tourism, Professional services, Architectural services, Engineering services, Communication services, Environmental services and Telecommunications. These are subject to domestic regulations as stipulated in the Foreign Investment Act 2000 and the Business License Act.

PICTA Trade in Services/ Temporary Movement of Natural Persons

The Forum Island Countries (FICs), through the Pacific Island Countries Trade Agreement (PICTA) intend to consolidate themselves as an integrated regional unit which provides a stepping stone to participation in the wider regional and global processes – this has yet to be finalised. PICTA initially accommodated only trade in goods, however the Forum Trade Ministers in 1999 have endorsed/agreed on expanding PICTA to also include trade in services and a possible TMNP.

In the context of the further economic integration of FICs, and the potential offered by regional labour mobility, the Pacific ACP (PACP) Trade Ministers in October 2008, agreed to a detailed study for the development of a framework for a TMNP scheme that considers using a two tier approach, whereby recognized professionals could move freely amongst FICs, and semi-skilled/trades professionals would be subject to a quota mechanism.

The PICTA-TIS agreement will take into account the multilateral trade framework provided by the WTO as well as on-going trade negotiations the Forum Island countries are engaged in such as the EPA with Europe and the successor to the PACER Agreement.

EPA Negotiations

The EU for their part has indicated that its willingness to offer commitments on services trade to Pacific ACP states (PACPs) will be dependent on progress being made in liberalization of trade among the PACPs themselves. This follows from the principle that EPA liberalization should support regional liberalization among the ACP regional groupings. In particular the EU is understood to have indicated that it views progress on Mode 4 liberalization among the PACPs as a prerequisite for any commitments that the EU itself might make to the PACPs on Mode 4 Article 34 of the Cotonou Agreement states the following:

“Economic and trade cooperation shall build on regional initiatives of the ACP states, bearing in mind that regional integration is the key instrument for the integration of ACP countries into the world economy”

Implications on PACER Plus Negotiations

PACER requires that Australia and New Zealand be treated on the same negotiating basis as the European Union (EU). Any provisions granted by the FICs will therefore have a much wider ranging effect as negotiations toward an EPA with the EU including discussions on labour mobility.

In the context of the PACER Plus negotiations, the inclusion of professional sports development is essential for Samoa given the importance of the Australia and New Zealand markets. The negotiations provide an opportunity to eliminate the present practice of professional sports competitions (both rugby and netball) whereby non New Zealand and Australian sports representatives are treated as imports and therefore subject to a quota restriction. Under the Cotonou Agreement in contrast, Samoan professional sports persons are not subjected to import quotas.

Box 11.2.3.1: New Zealand Recognized Seasonal Employers (RSE) Scheme

Launched in 2007, the Recognized Seasonal Employers (RSE) scheme was designed to allow up to 5,000 seasonal workers to travel to New Zealand and work in the horticulture and viticulture industries for seven months in every eleven-month period. The cap was increased to 8,000 in 2008 as a result of employer demand and the early success of the scheme. Although all FICs are eligible (apart from Fiji whose participation was suspended), facilitative arrangements have been established with Kiribati, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu to “kickstart” the scheme.

The scheme is intended to be employer led, and it is a New Zealand employer in horticulture or viticulture who applies to become a Recognized Seasonal Employer and can then apply for an Agreement to Recruit (ATR) overseas workers. Pacific Island countries are then, in a sense, in competition with each other, and any other country around the world, to attract such employers (although there is a preference for the Pacific). A worker wishing to partake in the scheme must have an employment offer linked to an ATR. The worker can then apply for a Seasonal Work Visa, by supplying:

- ✓ A valid passport;
- ✓ A temporary entry chest x-ray certificate;
- ✓ A medical certificate;
- ✓ Police clearance;
- ✓ A return air ticket (which is half-funded by the employer).

Prospective workers undertake an orientation prior to departure. Employers can request the same workers in following years. In the six kickstart countries, the implementation of the RSE scheme varies slightly to reflect the different country contexts. For example, Vanuatu applying a minimum age of 21 years, and the other countries applying a minimum age of 18. The facilitative arrangements are set out in Inter-Agency Understandings between the New

Zealand Department of Labour and a counterpart government department in each kickstart state.

The RSE is an independent bilateral programme designed to fill shortages in the New Zealand labour market, while also providing development assistance to Pacific Island countries. Consequently, it is not part of any broader trade agreement, or GATS.

11.3 E-Commerce

E-commerce, technology and communications have seen vast improvements in the past 5 years and the opportunities for Samoa to capitalise on the improvements are large. The opening of the telecommunications sector since 2005 had also contributed largely to the improvement and modernisation of telecommunications. This section considers an overview of e-commerce, technology and telecommunications and looks at the growth opportunities particularly the growth of export related services.

11.3.1 Overview of E-Commerce and Situational Analysis

E-Commerce activities have increased with SME business, Government Ministries and Corporations as well as individuals utilising the internet⁶⁸ to increase exposure, to source information for development and maintain communications with the outside world. The use of electronic mail is prevalent and now common practice resulting in faster turnaround and response times – for both industry and service based businesses. Websites are used for information and promotion purposes and can be further used to assist with sale of export products. Online booking services within the tourism and travel industry has resulted in cost savings for consumers and businesses and also means a more convenient and accessible service. Commercial banks have introduced internet and telephone banking (for accessing information, paying of bills and for transferring of funds domestically and internationally) as well as accessing of banking information via mobile phone texting. Furthermore, international remittances are now primarily internet based.

Communications connectivity of Samoa with the rest of the world has significantly improved in the last 5 years. The modernisation and liberalisation of the telecommunications sector in recent years has led to Samoa being one of the leading Pacific island economies with an estimated geographical coverage of 95 percent and a tele-density of 55 percent in 2009. Costs of international phone calls have dropped by an average of 60 percent when compared to the international phone rates prevailing in the late 1990s.

11.3.2 Growth Opportunities in E-Commerce

The telecommunication sector has been undergoing reforms since 2004 and further improvements are expected in the sector with the increase in the competitiveness of the sector to be brought about by new infrastructure and privatisation of the Government-owned telecommunications service provider, SamoaTel. International connectivity has significantly improved with increased competitiveness in the international gate business with the phasing out of the exclusivity arrangement for SamoaTel in 2009. Underpinning the liberalisation of the telecommunications is strengthening of the planning and policy capacity of the Ministry of Communications and Information Technology (MCIT) and the regulatory functions of the Office of the Regulator.

⁶⁸ Based on International Telecommunications Union (ITU) statistics, in 2008, Samoa had 9,000 internet users and 200 broadband subscribers.

The introduction in 2009 of the American Samoa Hawaii (ASH) fibre optic international cable facility to augment the international satellite connections is also expected to enhance the bandwidth for international communications and further reduce the average unit costs. The linking of Samoa via the ASH fiber optic cable has also improved the access and connectivity with overseas countries especially with almost instantaneous access on websites, airline bookings and internet banking. It is expected that further connectivity will be required as Samoa undergoes a broadband revolution. This international infrastructure is expected to be further developed with the operation of the South Pacific Island Network (SPIN) to augment the capacity of the ASH fibre optic cable.

Investment in local infrastructure that will complement and augment the technologies provided by the ASH fibre optic cable and investment in SPIN will provide opportunities for Samoa to establish telecommunications/technology based and/or labour intensive ventures such as:

- calling centres;
- centralised back office processing facilities for commercial banks;
- The sale of educational services overseas (for example the OUM for medicine and NUS for Samoan courses);
- Establishment of operational links to overseas specialised skills and advice to augment the delivery of services such as medicine in Samoa;
- E-Government services and potential online customs clearances, online public business registries for example chattels registries and credit bureaus.

11.3.3 E-Government and E-commerce Strategy

The Government has initiated, with support from the World Bank, development of e-Government strategy which aims to facilitate the improvement in the delivery of public services. The ground work has started by focusing on how best to improve the institutional linkages among and within Government agencies on which the e-Government systems will be developed. The e-Government plan is to be completed in 2010/2011. An ecommerce national strategy to support the private sector is yet to be developed.

E-Commerce in Samoa which is in its formative stage has been stimulated by the introduction by the commercial banks of e-banking services and international merchant accounts for ecommerce sites. In the tourism sector the online booking engine allows for tourists to book and pay their accommodation from overseas. The offshore centre has also assisted in further development of e-Commerce with 2008 its Electronic Transactions Act which is initially limited to electronic transactions of the Samoa International Finance Authority but could be extended to other transactions by Ministerial authority.

Conclusions:

Samoa's services industry is still at a very early stage of development although in terms of human resources, it is very well placed by South Pacific standards. Samoa's market is relatively open for investment in the services sector with only a few reserved and restricted sectors. The main challenge for the services sector at present is the need for reviewing, implementing and improving the existing regulatory framework across all industries in the sector. The timing and sequencing of reform options with respect to

regulatory barriers to trade in services, is important so as to fully take into account a number of critical factors that may complicate the services trade negotiating agenda

Services trade liberalization in Samoa should focus on achieving more liberal immigration regimes to facilitate temporary movement of personnel and also opening up more to foreign investment. A Review of the professional services as an industry would require the identification of a strategy which would enhance the quality of services and strengthen the domestic based professionals to compete at the regional and international level. The long term benefits of opening up some protected sectors can overwhelm the short term costs and possible sensitivities involved. In particular, Samoa's sports development has been on an ad hoc basis with primary investments in sports for rugby and netball personnel, infrastructure and development programs.

The development of e-Government strategy aims to facilitate the improvement in the delivery of public services. The ground work has started by focusing on how best to improve the institutional linkages among and within Government agencies on which the e-Government systems will be developed. The e-Government plan is to be completed in 2010/2011. However, there is a need to develop an ecommerce national strategy to support the private sector.

E-Commerce in Samoa which is in its formative stage has been stimulated by the introduction by the commercial banks of e-banking services and international merchant accounts for ecommerce sites. There is a clear need to develop an integrated strategy to address the opportunities in the tourism and finance sectors.

Investment in local infrastructure that will complement and augment the technologies provided by the ASH fibre optic cable and investment in SPIN will provide opportunities for Samoa to establish telecommunications/technology based and/or labour intensive ventures.

Recommendations

1. Strengthen and develop capacity of negotiating delegations on labour mobility issues in ongoing/current trade agreements such as PICTA, EPA, PACER Plus and conformity with WTO GATS Mode 4. In particular take note of the commitments via:
 - WTO accession schedule of commitments pertaining to services and the implementation costs associated with such commitments
 - Promote acceleration of the TMNP initiative under PICTA
2. Provide training and certification of key services through affiliations with local and international institutions/bodies.
3. Explore and develop additional bilateral schemes such as the RSE to facilitate mobility for both skilled and unskilled labour in the region and internationally.
4. Review regulatory framework for key services such as e-commerce and telecommunications to establish incentives to support and encourage the development of Samoan-based ecommerce businesses.
5. Review regulatory framework for professional services in light of Samoa's interest in promoting a more integrated regional market for professional

services in the context of PICTA, as well as securing market opportunities further afield.

6. Strengthen the planning and policy capacity of the Ministry of Communications and Information Technology (MCIT) and the regulatory functions of the Office of the Regulator.
7. Develop a national e-commerce strategy integrating e-Government, tourism and finance considerations to facilitate the improvement in the delivery of public services, support the private sector and improve the institutional linkages among and within Government agencies and private agencies.
8. Invest in local infrastructure to complement and augment the technology provided by the ASH fiber optic cable.
9. Invest together in ASH, provide opportunities for Samoa to establish telecommunications and technology based ventures such as calling centers, centralized back office processing facilities for commercial banks etcetera

Appendix A: List of Persons Consulted

Name	Designation	Organisation
Arthur Lesa	Principal Solicitor	Attorney General Office
Kalameli Seuseu	State Solicitor	Attorney General Office
Leasi Tommy Scanlan	Governor	Central Bank of Samoa
Karras Lui	Assistant Manager	Central Bank of Samoa
Sina Lima	President	Chamber of Commerce
Ioane Alama	Legal Officer	Ministry for Revenue
Mulipola Atonio	Assistant CEO - Fisheries	Ministry of Agriculture
Peseta Frank Fong	Assistant CEO - Planning	Ministry of Agriculture
Jasmine Sila	Principal Planning Officer	Ministry of Agriculture
Auelua S. Enari	Chief Executive Officer	Ministry of Commerce, Industry and Labour
Pulotu Lyndon Chu-Ling	Assistant CEO	Ministry of Commerce, Industry and Labour
Julia Solofa	Principal Officer	Ministry of Commerce, Industry and Labour
Tupaimatuna Iulai Lavea	Chief Executive Officer	Ministry of Finance
Noumea Simi	Assistant CEO	Ministry of Finance
Ben Pereira	Assistant CEO	Ministry of Finance
Seira Fuimaono	Principal Officer	Ministry of Finance
Silia Kilepoa	Principal Officer	Ministry of Finance
Mathew Tofilau	Senior Officer	Ministry of Finance
Aiono Mose Sua	Chief Executive Officer	Ministry of Foreign Affairs and Trade
Aida Savea	Assistant CEO	Ministry of Foreign Affairs and Trade
Nella Tavita-Levy	Principal Trade Officer	Ministry of Foreign Affairs and Trade
Henry Tunupopo	Principal Trade Officer	Ministry of Foreign Affairs and Trade
Justin Lima	IF Project Officer	Ministry of Foreign Affairs and Trade
Stephen Musubire	Trade Advisor	Ministry of Foreign Affairs and Trade
Anna Tapusoa	Senior Trade Officer	Ministry of Foreign Affairs and Trade
Sarah Faletoese Su'a	Assistant CEO	Ministry of Health
Chikara Yoshida	Principal Officer	Ministry of Natural Resources and Environment
Faasili Afamasaga	Assistant CEO	Ministry of Women, Community and Social Development
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Ben Sila	Principal Officer	Samoa Bureau of Statistics
Papalii Grant Percival	Executive Member	Samoa Association of Manufacturers and Exporters

Eddie Wilson	President	Samoa Association of Manufacturers and Exporters
Nynette Sass	Chief Executive Officer	Samoa Hotel Association
Taito Dr. Faale Tumaalii	Chief Executive Officer	Scientific Research Organization of Samoa
Christina Leala-Gale	Manager – Planning and Policy	Samoa Tourism Authority
Raymond Voigt	Vice President	Samoa Umbrella for Non Government Organisations
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Beverly Levi	General Manager	Tradewinds Company
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Luisa Bernal	Trade Specialist	United National Development Programme: IF Secretariat Geneva
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Marianne Grosclaude	Senior Agriculture Economist	World Bank

Appendix B: List of Trade Related Technical Assistance

PROFILE OF ONGOING TECHNICAL ASSISTANCE PROJECTS									
Project Titles	Broad Sector	Sector	Executing Agency	Implementing Agency	Duration (Start/Finish Dates)	Total Costs (SAT\$)	Total Recurrent Costs (SAT\$)	Status (%) of Physical Completion	Donors
Supporting Country Action on the CBD program of Work on Protected Areas Phae I & II (Vaiusu Bay Mangrove Rehabilitation)	Social	Welfare & Social	MOF	MNRE	2007 - 2010	\$ 1,835,740	\$ 91,787	30%	GEF
WaSSP Component 1 & 6	Social	Water	MOF	MNRE	2006 - 2012	\$ 1,512,075	\$ 75,604	70%	EU
Samoa's Capacity Building & Mainstreaming of SLM - MSP	Social	Welfare & Social	MOF	MNRE	2006 - 2009	\$ 2,703,640	\$ 135,182	79%	GEF, UNDP
DMO Projects & Programs	Social	Welfare & Social	MOF	MNRE	2004 -	\$ 468,315	\$ 23,416	50%	AusAID, SOPAC, WB
ESP II	Social	Education	MOF	MESC	2007 - 2013	\$ 78,900,000	\$ 3,945,000	30%	ADB, AusAID, NZAid, GoS
SchoolNet Project	Social	Education	MOF	MESC	2008 - 2013	\$ 18,630,000	\$ 931,500	N/A	ADB
Enhancing Management Capacity for National Parks and National Reserves of Samoa	Social	Welfare & Social	MOF	MNRE	2007 - 2010	\$ 992,000	\$ 49,600	50%	JICA
Pacific Hydrological Cycle Observing System	Social	Welfare & Social	MOF	MNRE	2006 - 2009	\$ 359,000	\$ 17,950	30%	EU, WMO, UNESCO, SOPAC
Strategic Approach to International Chemicals Management Project	Social	Welfare & Social	MOF	MNRE	2009 - 2010	\$ 657,500	\$ 32,875		UNEP
Forestry & Protected Ares Management in Fiji, Samoa, Vanuatu & Niue, Prep of Project Document	Social	Welfare & Social	MOF	MNRE	2009	\$ 153,066	\$ 7,653		FAO
Greenhouse Gas Abatement through Energy Efficiency & Bio-fuel applications in Land Transport - Phase I	Social	Welfare & Social	MOF	MNRE	2008 - 2011	\$ 1,841,000	\$ 92,050	15%	Govts of Italy & Austria (IUCN)

Integrated Climate Change Adaptation for Samoa in Agriculture & Health Sectors (ICRAHSS))	Social	Welfare & Social	MOF	MNRE	2009 - 2013	\$ 10,783,000	\$ 539,150	0%	GEF
Work of the National ICT Committee	Infrastructure	Communications	MOF	MCIT	N/A	\$ 994,353	\$ 49,718	30%	UNDP, SPC, Asia Pacific Telecommunity
Progress of the Professional Development Program	Social	Public Administration	PSC	Samoa Institute of Directors	2008 - 2012	\$ 733,430	\$ 36,672	N/A	EU, ADB, AusAID, NZAid, GoS
SQA ISP	Social	Education	MOF	SQA	N/A	\$ 3,000,000	\$ 150,000	N/A	PSIF
UNDP Urban Governance - Vaitele	Social	Welfare & Social	MOF	MNRE	2007 - 2010	\$ 1,052,000	\$ 52,600	N/A	UNDP, GoS
T.A.L.A.V.O.U.	Social	Welfare & Social	MOF	MWCSD	2005 - 2009	\$ 1,350,000	\$ 67,500	90%	UNDP, UNESCO, UNFPA, UNICEF, WHO, FAO, GoS
Pacific Children's Programme	Social	Welfare & Social	MOF	MWCSD	2002 - 2010	\$ 1,059,056	\$ 52,953	90%	AusAID, UNICEF, GoS
Private Sector Support Fund	Economic	Commerce	MOF	MCIL	2008 - 2013	\$ 6,944,000	\$ 347,200	20%	NZ/UNDP
EU Microprojects	Economic	Finance	MOF	MOF	2008 - 2013	\$ 8,700,000	\$ 435,000	0.89	EU
AusAID Small Grants	Economic	Finance	MOF	MOF	2008 - 2013	\$ 1,500,000	\$ 75,000	100%	AusAID
Grant Non State Actors	Economic	Finance	MOF	MOF	2008 - 2012	\$ 850,000	\$ 42,500	45%	EU
Integrated Framework Trade	Economic	Finance	MOF	MFAT	2009 - 2011	\$ 1,020,600	\$ 51,030	10%	IF
Pacific Adaptation to Climate Change (PACC)	Social	Welfare & Social	MOF	MNRE	2008 - 2012	\$ 1,972,500	\$ 98,625		GEF
In country training	Social	Education	MOF	NUS	2008 - 2013	\$ 1,530,000	\$ 76,500	20%	NZAid, AusAID
Long Term Training	Social	Public Administration	MOF	MFAT	2008 - 2013	\$ 75,000,000	\$ 3,750,000	20%	NZAid, AusAID, JICA, PRC
Tehcnical Cooperation Program - Japan	Social	Public Administration	MOF	PSC	2008 - 2013	\$ 22,000,000	\$ 1,100,000	20%	JICA
Technical Cooperation Program - USPC	Social	Public Administration	MOF	PSC	2008 - 2013	\$ 1,500,000	\$ 75,000	20%	US
Technical Cooperation Program - AusAID	Social	Public Administration	MOF	PSC 171	2008 - 2013	\$ 4,320,000	\$ 216,000	20%	AusAID

PROFILE OF PIPELINE TECHNICAL ASSISTANCE PROJECTS

Project Titles	Broad Sector	Sector	Executing Agency	Implementing Agency	Proposed Duration (Start/Finish Dates)	Estimated Total Costs (SAT\$)	Estimated Total Recurrent Costs (SAT\$)	Status (%)	Proposed Donors
Water Sector Budget Support	Social	Water	MOF	MNRE	2010 - 2013	\$ 67,000,000	\$ 3,350,000		EU
Budget Support	Infrastructure	Construction	MOF	MWTI	2009 - 2010	\$ 74,600,000	\$ 3,730,000		ADB/WB
Public Finance Management Reform Plan Phase I	Social	Public Administration	MOF	MOF	2008 - 2010	\$ 2,178,435	\$ 108,922	0%	PSIF
Agricultural Census 2009	Economic	Agriculture	MOF	MAF	2009 - 2011	\$ 782,780	\$ 39,139	0%	AusAid, GoS
Project Management Training for Public Sector, Phase II	Social	Public Administration	MPMC	MPMC	2008 - 2010	\$ 1,874,000	\$ 93,700	0%	PSIF
Institutional Strengthening Project	Social	Welfare & Social	MPMC	MWCSD	2009 - 2012	\$ 9,639,057	\$ 481,953	0%	PSIF
Institutional Strengthening Project of the Inland Revenue Department	Social	Public Administration	MPMC	MOR	N/A	\$ 7,056,000	\$ 352,800	0%	PSIF
Institutional Strengthening Program	Social	Public Administration	MPMC	Audit	2007 - 2008	\$ 4,722,348	\$ 236,117	0%	PSIF, AusAID, NZAid, GoS
Institutional Strengthening Project - SBS	Social	Public Administration	MPMC	MOF - SBS	2007 - 2012	\$ 9,522,750	\$ 476,138	0%	PSIF
Utilization of Breadfruit as bio-fuel	Economic	Agriculture	MOF	RDIS	2007 - 2010	\$ 599,870	\$ 29,994	42%	Turkey
Post Harvest Treatment: A vehicle for good economic returns - Breadfruit & Papaya	Economic	Agriculture	MOF	MAF	2007 - 2010	\$ 1,439,803	\$ 71,990	0%	FAO
Capacity development PFMR	Economic	Finance	MOF	SBS	2009 -	\$ 5,616,000	\$ 280,800		AusAID

Law & Justice Sector Plan	Social	Law & Justice	MOF	AGO	2009 - 2013	\$ 25,000,000	\$ 1,250,000		AusAID
Private Sector Development through Agriculture	Social	Agriculture	MOF	MAF	2009 - 2013		\$ -		AusAID
Climate Change NAPA IV	Social	Welfare & Social	MOF	MNRE	2009 - 2013	\$ 15,000,000	\$ 750,000		AusAID
Support for ESP II	Social	Education	MOF	MESC	2009 - 2013	\$ 16,000,000	\$ 800,000	0%	AusAID
TVET through SQA	Social	Education	MOF	SQA	2009 - 2013	\$ 10,000,000	\$ 500,000	0%	AusAID
Inclusive Education	Social	Education	MOF	MESC	2009 - 2013	\$ 10,000,000	\$ 500,000	0%	AusAID
Civil Society Support Fund	Social	Welfare & Social	MOF	SUNGO	2010 - 2013	\$ 15,000,000	\$ 750,000		AusAID, NZAid, EU
Improvement of Weather forecasting System & Meteorological Warning Facilities for Samoa and Meteorological applications to other sectors	Social	Welfare & Social	MOF	MNRE	N/A	\$ 8,547,500	\$ 427,375	N/A	JICA
Targeted school fee payment scheme	Social	Education	MOF	MESC	2009 - 2010	\$ 5,600,000	\$ 280,000	0%	AusAID, NZAid
Regional JFPR Project	Social	Welfare & Social	MOF	MWCSD	2009 - 2013	\$ 7,500,000	\$ 375,000	0%	ADB JFPR

Appendix C: List of References

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