

JOINT ANNUAL REPORT 2007

S A M O A

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EUROPEAN COMMISSION

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1 Executive Summary

This Joint Annual Report for 2007 provides the basis for the operational review requirements stipulated under Article 5, Annex IV of the Cotonou Agreement.

Samoa is a small open economy with a population of 185.000. It is dependent on a narrow resource base. Economic activity is largely limited to the agriculture, tourism, offshore financial services, small-scale manufacturing and fisheries sector. As such, its economic performance is impacted heavily by external factors in the form of commodity export prices, remittances, tourism, and external aid resources. Samoa is due to be upgraded to Middle Income Country status in 2010. Its GDP per capita has risen to become one of the highest among Pacific Island Countries (US\$ 2078 in 2006). The Human Development Index is 0.785 which ranks Samoa at place 77 out of 177 countries.

Samoa has maintained democratic practices since independence from New Zealand in 1962 and has a history of political stability. The Human Rights Protection Party (HRPP) has won general elections over the past 23 years. Opposition has been provided mainly by the Samoa Democratic Union Party (SDUP). The general election on 31 March 2006 has seen three new parties emerge, making this the most lively and seriously contested election so far in Samoa's history. During 2007 opposition forces have mobilized around Government's proposed change to have vehicles drive on the left instead of the right, which is planned for introduction in 2009.

Political stability and government commitment to reforms have contributed significantly to the country maintaining steady economic growth over the past seven years. Reforms are aimed at improving public sector efficiency and creating the enabling environment for the growth of the private sector. Samoa has a large number of expatriates whose remittances play a very important role in the economy. The continued growth of the tourism sector has contributed to economic development. The achievements of the country were showcased at the successful South Pacific Games in August in 2007. This event stimulated major investments on transport infrastructure and sports facilities.

Socially it has already achieved a number of the 10 Millennium Development Goals and it is very likely to achieve the remainder by 2015.

Since signing the Lome Convention in 1975, Samoa has received a total amount of around €129.1 million in programmable and non programmable aid from the European Community. EDF resources have been effectively utilised focusing on economic and social infrastructure. The 10th EDF Country Strategy Paper, signed in October 2007, has allocated an €30M to Samoa with the focus on the water (and sanitation) sector, building on the achievements of the 9th EDF with a proposed transition to sector budget support. In addition funds will be targeted to self-help community development and strengthening capacity of non-state actors. Samoa is EC's best performing partner country in the Pacific. Not surprisingly the impact on the country's economic and social development is high and visible.

2.1 Political, economic, social and environmental situation

2.1.1 Update on the political situation

Stability:

Samoa's constitutional system, which combines elements of liberal democracy with traditional extended-family leadership structures, continued its record of political stability in 2007. With its overwhelming majority from the March 2006 elections the Human Rights Protection Party (HRPP) provides strong leadership of the country with limited opposition in Parliament. The Government's reputation was enhanced by the successful organization of the South Pacific Games in August 2007, which provided an opportunity to showcase Samoa's economic progress.

Two of Samoa's four highest ranking paramount chiefs at the time of independence were given lifetime appointments to jointly hold the office of head of state. Malietoa Tanumafili II held the post of Head of State alone since the death of his colleague in 1963. Malietoa Tanumafili died in May 2007 and his successor, Tupua Tamasese Efi, was elected by the legislature for a five-year term in June 2007.

The Government has continued with its reform programme to improve efficiency of the public service. This includes the rationalization of Government Ministries and further privatization following the success of the Polynesian Blue airlines joint venture. The Ministry of Finance has commenced the tendering process for privatization of the Samoan Broadcasting Corporation (SBC), further demonstrating their commitment to a free media.

Civil society organizations have organized petitions and rallies against a proposed switch from driving on the right to driving on the left side of the road announced in October 2007. This proposed change, which is being supported by the HRPP, aims to facilitate access to lower cost vehicles through relatives in Australia and New Zealand. However, there is vocal opposition due to concerns over the cost of the change and the impacts on road safety. There is also expected to be a lively debate over plans to reform the management of customary land to facilitate leasing arrangements for private investment. The responses to these proposed reforms, which are widely reported in the media, are an indication of the growth of civil society voice in political issues.

Regional Integration Development:

Samoa has continued to play an active role in regional cooperation and fully supports the Pacific Plan to strengthen cooperation. The government has contributed a contingent to the RAMSI security force in the Solomon Islands and; in regional fora, has emphasized the need for security, and economic and political stability in the region. Samoa maintains close working relations with Australia and New Zealand, both of which host significant migrant populations from the islands. These two countries are major donors to Samoan's development. China has become an increasingly important partner providing a major contribution to infrastructure development for the South Pacific Games.

2.1.2 Update on the economic situation

Samoa has been successful in maintaining macro-economic stability and achieving good levels of economic growth over the past few years. Economic and fiscal targets set by the Government have generally been achieved with growth exceeding the target rate of 3.0-4.0 percent per annum in 2005 and 2007, the overall budget balance well within the target range of 3.5 percent of GDP, and foreign reserves providing import cover in the target range of 4.0-6.0 months underpinning exchange rate stability. Some decline in import cover was evident during the past 2 to 3 years and was unavoidable given the high levels of capital investment commitments for the 2007 South Pacific Games and other key developments in priority areas such as education and health, as well as private sector projects. The Samoan economic performance improved notably in the late 2006 through to 2007, which resulted in a 6.1% real growth for 2007 with the latest data showing revised growth rates of 3.3%, 4.1% and 1.9% for 2004, 2005 and 2006 respectively. The GDP per capita was estimated at WST 7,000 (approx. US\$2800 or €1,800) in 2007. The country is scheduled to graduate from LDC status in 2010. The Government has embarked on a campaign to increase the efficiency of the public sector and is fostering private sector development, including through reductions in tariffs and other costs which impact negatively on business. The economy of Samoa has traditionally been dependent on development aid, fisheries (5.4% of GDP), family remittances from overseas (22.9% of GDP in 2007), agriculture (7% of GDP), and services/tourism (64.7% of GDP). Tourism is expanding – 122,250 tourists visited the island in 2007. Agriculture employs two-thirds of the labour force, and furnishes 90% of exports, featuring coconut products, bananas, taro, yams, coffee, cocoa. Subsistence agriculture provides a livelihood for over 60% of the population. The government has embarked on a structural and economic reform programme, aimed at the public sector, decentralising government decision-taking and creating an environment for private sector growth.

Private sector growth is constrained by a narrow resource base, limited infrastructure, and isolation, dependence on fuel imports, a lack of skilled labour, and a small domestic market. In the area of traded goods and services, key challenges include expanding the particularly narrow export/foreign exchange base. Only 12% of the total population in Samoa are engaged in formal paid employment. Two thirds of the potential labour force is absorbed by subsistence village agriculture, a dominant sector in the Samoan economy. As Samoa's single largest source of foreign exchange, remittances are key to ensuring that Samoa's current account deficit remains sustainable Samoa's macroeconomic performance remains vulnerable to economic shocks and natural disasters. Given these challenges, Samoa remains dependent on overseas development assistance that accounts for about 14% of GDP.

The level of largely concessional external debt amounted to USD 191 million equivalent to approximately 34.8% of GDP in 2007, but remains relatively high by regional standards. The budget deficit is around 1.1% of GDP. Samoa is one of the highest recipients of remittances as a share of GDP, which amounted to 22.9% of GDP in 2007 (a drop of 0.9% from 2006) and constitute a critical component of the balance of payments.

Integration into the world economy:

The accession negotiations for Samoa's application to become a member of the World Trade Organisation (WTO) are still ongoing. Agreement has been reached with New Zealand on Samoa's trade arrangements, which are due to be signed in January 2008. Further progress is expected to be achieved with other WTO member countries in 2008 to complete the arrangements for accession.

In negotiating the Pacific region trade arrangements, Samoa actively participates in the regional negotiating process through the established negotiating machinery from the Ministerial level down to the Technical Working Groups. Samoa is now officially ready to trade under the Pacific Island Countries Trade Agreement (PICTA). The Customs Order 2006 and Customs Rules of Origin Regulations 2006 were signed and came into effect on 25 July 2006. The possibility of including services in PICTA is now being discussed. Samoa is working on its proposal and in identifying appropriate services sectors that they will commit to liberalise. National consultations were carried out with some service sectors under Samoa's WTO accession commitments and a similar approach will be used for this exercise.

Quality in management of public finances and budgetary expenses:

The vision for the current Strategy for the Development of Samoa 2005-2007 focuses on achieving an "Improved Quality of Life for all". The achievement of the vision relies on the effective implementation of priority strategies to achieve a profitable private sector, a strong and diversified agriculture sector, a dynamic and sustainable tourism industry, a coherent stable and entrepreneurial community and efficient and effective education and health services. Samoa is in the process of developing a new four year strategy covering the period 2008-2011, which is due to be approved before June 2008.

According to the PEFA Assessment of October 2006 the Samoan PFM system is characterized by a budgeting system, which tends to be very realistic in terms of aggregate revenue and expenditure projections and outcomes. The budget is prepared with due regard to government policy and the budget timetable is made very clear and does actively include all stakeholders who should be making a contribution. However, excessive transaction level controls, a lack of other internal controls such as monitoring of revenues, expenditures and cash management and the late finalization of public accounts are the key weaknesses.

In response to the PEFA Assessment the Government is preparing a Public Financial Management Reform plan, which will provide a comprehensive presentation of current and future improvements including:

- The planned introduction of a Medium-Term Framework with 2 year forward estimates in the budget process from 2008-09
- Institutional strengthening of tax administration and introduction of improved information systems to track tax payments
- Strengthening sector wide planning and performance monitoring with more effective linkages to the budget and an annual review process

- Introduction of new procurement guidelines and standard tender documents in line with international best practice.
- Introduction of international accounting standards for the public sector and improved management of account reconciliations to reduce the delays in submission of public accounts.
- Strengthened framework for internal controls

The PFM reform plan together with capacity building requirements is expected to be presented formally to development partners in 2008.

The budget deficit in 2006/07, which increased slightly to 0.5% of GDP, is conservative and manageable. The projection for 2007/08 is a decline to 0.3%. Tax revenue continued to grow, increasing by 19% in 2006/2007 reflecting improved compliance and widening of the tax base generated from continued economic growth. The rapid drawing down of the Government's position with the banking system to finance its budget deficits since 2003/04 had been arrested by early 2007, reflecting the results of the government's budget tightening and new revenue measures introduced in 2006. For the 2007/08 fiscal year, the Government has set a target budget deficit of up to 1–2 per cent of GDP, ensuring that adequate resources are available for private sector development.

Negotiation position with regards to the EPA

Samoa would like to maximize the opportunities brought about by globalization and to ensure that its businesses are able to compete globally. Samoa's trade with the EU is low due to a number of factors such as supply capacity, meeting EU standards, transportation costs, market access, to name a few. These are areas which should be addressed in the negotiations to ensure that an agreed arrangement is beneficial for the development of Samoa's trade, in particular exports as well as infrastructure development.

Samoa wholly supports the EPA negotiations being conducted at the regional level and has endorsed the PACP EPA architecture of a Master Agreement with subsidiary agreements. Under the negotiation structure or arrangements, Samoa is the alternate spokes person for the Pacific ACP Regional Negotiating Team (RNT). Samoa is represented in 3 Technical Working Groups - Services, Investment and Legal. Samoa is aware also of the EU non-reciprocal Everything But Arms (EBA) initiative for LDCs. PACPs share similar concerns and needs reflected in the EPA negotiations. These concerns include the need for flexible Rules of Origin (ROO), in particular fisheries and garments, as well as other trade facilitation measures that would assist in the export of goods to the EU market. Samoa would also like flexibility of the ROO through extending the scope of diagonal cumulation to include supplying countries in the Pacific region who are not currently party to a trade agreement with the EU. This would be an opportunity for Samoan products to meet the ROO requirements. Samoa also joins other PACP states' views on the need to have a provision for automatic derogation to facilitate the development of new manufactured products from Samoa as well as a provision for infant industry.

Samoa is also mindful of the implications of EPA on triggering PACER Article 6. Work is currently underway to possibly extend PACER to include trade in services. This,

together with investment, growth and governance follows on from the 4 pillars of the Cotonou Agreement which are similar to that of the Pacific Plan.

With the number of trade arrangements that Samoa is involved in increasing, there is a clear need for increased financial and technical resources to be able to deal with each agreement thoroughly and deliver results on a timely basis. Samoa is now part of the Integrated Framework for Trade related Technical Assistance to LDCs that will provide support in addressing adjustment costs associated with the Doha reform agenda.

2.1.3 Update on poverty and social situation

Progress against Millennium Development Goals: Samoa is on schedule to achieve the 10 Millennium Development Goals by 2015. It is one of a few countries in the Pacific that has so far made significant progress. The *UNDP's Human Development Report 2007* placed Samoa with an Index of 0.778 on 75. A recent review of MDG performance that was published in 2006¹ indicates that Samoa has already surpassed the UN target for reducing extreme poverty and is likely to achieve the social sector MDGs by 2015. Samoa's income per capita is relatively high by Pacific standards at US\$2200 (2004). Using the MDG benchmark of \$1 per day, absolute poverty in Samoa decreased between 1997 and 2002 to levels much lower than the target for the year 2015. The *Household Incomes and Expenditure Survey of 2002* indicates only 5% of the population remains below the poverty line. A household survey is planned for 2008. Poverty is seen in Samoa more in terms of lack of opportunities to earn income and lack of access to quality social services, such as education and health, than poverty in the classic sense. The goal of universal primary education has clear challenges for Samoa. During 2003 only 84% of primary school age males and 85% of females were enrolled at school. There is also a major concern at the current trend which is downward and at the high drop out rate after the first two years. However, the Ministry of Education, Sports and Culture aims to have achieved 100% enrolment rate at primary level by 2015. Implementing the existing legislation, which mandates education for all, would require strong efforts to achieve full attendance. According to civil society groups, a more holistic approach including family development and enhancing economic resources for the disadvantaged should be taken. In terms of gender parity females have consistently been better represented at primary level. At secondary level the disparity becomes more significant with 48% of all males and 54% of female at secondary school age attending secondary education. If this trend continues, it could result in the reverse of this MDG and that in Samoa females are better educated than male. On the other hand employment statistics show that 67.5% of males and only 32.2% of females aged 15 and above are economically active. A growing proportion of the population, particularly the youth risks being marginalized as 41% are under 15 and many are unemployed. The child mortality is low at 1.2% (2003). Assuming that the course for reducing the child mortality is on target it is expected that the death rate will reduce to 0.5% by 2015. Samoa also expects that all one-year old children are immunized against measles, and to reduce the number underweight children to 3%. Life expectancy at birth has reached 72 years up from 62 years two decades ago. The Ministry of Health is also addressing the improvement of maternal health through its

¹ Samoa National Human Development Report 2006; National University of Samoa, May 2006

educational programmes to improve the application of basic remedial actions. However figures are not available to outline the magnitude of the tasks needed to reduce by three quarters maternal mortality as targeted by the UN. The incidence of HIV/AIDS in Samoa is still relatively minor compared to other countries but is considered a potentially looming health disaster. Malaria is no threat in Samoa. Other diseases that needed urgent attention include hypertension, related heart problems, diabetes, obesity, various cancers and other life style diseases. Healthy programmes try to combat these diseases but because they are rooted in the way people live, it is an uphill struggle. There has been some progress to ensure environmental sustainability. The Ministry of Natural Resources and Environment developed a comprehensive strategy for the conservation and sustainable use of Samoa's biological diversity. Nevertheless, communities feel that the Ministry needs to work closer with NGOs and the wider community in implementing this strategy. The Cabinet still has to approve the 1998 Environmental Impact Assessment Act. Deforestation is continuing to be a major concern. A new forest policy is in preparation to address the sustainable development of the forest sector. The proportion of people having access to safe drinking water reaches 47%. Ongoing and near-term new Government programs are expected to bring access up to 85% by 2010. Connectivity has also greatly improved, facilitated by high levels of investment in roads, and the development of telecommunication and postal services. Electricity coverage is close to universal.

Outward migration to such neighbouring countries as Australia and New Zealand eased population pressure in Samoa with a growth rate of -0.25% annually. The resultant financial remittances became a significant factor in Samoa's economic and social development. In fact, these remittances are adding 30% to the country's GDP. A crucial challenge is to further restructure the economy to ensure sustained economic and employment growth, and to reach the Millennium Development Goals (MDGs).

Table: Samoa - Key Social and Poverty Indicators

Indicator	2000	2001	2002	2003	2004	2005	2006	2007	MDG 2015
1. % of people below poverty line			5.5						7.5
2. Literacy Rate				99					
3. Infant mortality rate	22	17		13					7
4. Life Expectancy at birth			69		72				
5. Under-five mortality			25		13				14
6. % of stunted children under 5			1.9						3
7. Maternal Mortality per 10 000 live births	20				5				5
8. Primary (1-8) Gross Enrolment Ratio	98	93	96	95	97				100
9. Grade 5 Completion Rate					82				
10. Gender parity index for primary enrolment	.98		.93		.92				1
11. Proportion of deliveries attended by skilled health personnel			77		90				100
12. Proportion of children receiving vaccination against measles			99	49	52				100
13. % of population with access to potable water			27	37	41	47	66		85
14. HIV Prevalence: Percentage of population aged 15-49					0.002				

Govt. Spend. Education (% GDP)	5				5
As % of Total Govt Spending	22				25
Govt. Spending Health (% GDP)	4				4
As % of Total Govt. Spending	18				19

Source(s): Government of Samoa: Strategic Development Strategy 2005-2007; Ministry of Health;

2.2 Overview of past and ongoing co-operation

Under the 9th EDF EU grant funding has focused on the introduction of a sector wide approach in the water sector. In addition the EC has continued to support community development programmes and strengthen the capacity of non state actors under the Microprojects Programme. The CSP for the 10th EDF, which was signed in October 2007, proposes the introduction of sector budget policy support programme for the water (and sanitation) focal sector with an allocation of 85% of the funds (€25.5M). The non-focal sectors include continuation of the Microprojects Programme (€3M) and technical cooperation (€1.5M)

Samoa has achieved increasingly good performance ratings throughout recent years and this continued in 2007. Overall progress with the 9th EDF programme has been good with satisfactory progress across all projects and programmes.

Water Sector

The Water Sector Support Programme (WASSP) supports medium and long-term goals in the water sector through addressing water resource management, water supply, sanitation and wastewater disposal. The Joint Water Sector Steering Committee is now becoming firmly established and oversees developments in the entire water sector. This has been an important step forward away from traditional project-based to sector steering committees. The process is being further strengthened with planning focused on the transition to budget support.

The Government has continued to develop and strengthen its water sector policy and strategy and to bring together all aspects of water management and use within a mutually reinforcing plan of action. Means to strengthen sector planning and coordination have centered on the “Water for Life” - Process and the development of the “Water for Life: Sector Plan and Framework for Action”. Progress was also made with the update of this document, and also with the establishment of a Medium Term Expenditure Framework (MTEF) and a Performance Monitoring System for the water sector. There is growing awareness of the need to manage and conserve water resources. A new Water Resources Division has been established under the Ministry of Natural Resources and Environment, which is working on the drafting of new policies and legislation for water resource management, as well as introducing water shed management and monitoring of water resources. The water services policy will be reviewed in 2008 to clarify Government’s approach to the role of independent water schemes and SWA in the delivery of services in the rural areas. There is also acceptance that an appropriate economic value must be placed on supply of water both to improve conservation and cover the operation, maintenance, and depreciation costs. A study is planned in 2008 to advise on an increase to water tariffs. The Department of Public Health is beginning to take on the role of water safety regulator and the setting of water standards to ensure public health. These are all important reforms in the water sector and it will take time for changes to be introduced and for the full benefits to be achieved.

In water supply the WaSSP aims to further increase access to safe and reliable potable water to rural villagers in Upolu and Savaii. Following the failure of the tenders for the initial for rural water supply in separate phases a new tender was launched in 2007 for the implementation of all three phases as a single lot. This tender was successful and a €12M contract for upgrading of water supply systems for over 30,000 people is due to be signed in early 2008. A tender for the drilling of production boreholes linked to this water supply contract is due to be launched in 2008. A third works tender is under preparation for design and construction of a waste water treatment plant for Apia. Sub-sector coordination has ensured that the WASSP activities support related components of the health and education sector. Involving the Ministry of Health, Ministry of Education and Ministry of Women, Community and Social Development to a greater extent has enhanced the sectoral integration. Reinforcing hygiene education programmes in schools and ensuring safe collection and disposal of sewer sludge are closely linked and coordinated with the Samoa Sanitation and Drainage Project (SSDP). The project has supported the formation of an Association of Independent Water Schemes which now participates actively in the sector. Working in collaboration with non state actors the programme has carried out initial surveys of these schemes and has contracted out

capacity building training to strengthen the management and maintenance of community schemes in 2008.

Micro Projects Programme

A third phase of the Micro-projects programme came to an end in March 2007. Following a positive external evaluation in 2006, which found that the project was successfully targeting assistance to community based initiatives with positive impacts on poverty reduction, the EC agreed to commit an amount of €1.2m of available funds from the 9th EDF to a new phase of the programme covering the period 2007-09. The new project commenced in June 2007 and following a start-up period launched a call for proposals in December with the deadline for applications end of January 2008. This phase of the programme aims to continue strengthening partnerships arrangements with NGOs in delivering community based projects, along with training and monitoring support. NGOs are included on the steering committee and are assisting in information and training sessions for community applicants.

STABEX

Under the 7th and 8th EDF STABEX transfers, including interest up to December 2007 amounted to € 7.9M, whilst total expenditures under agreed FMOs were € 7.5. A balance of approximately €0.4M is due to be committed in 2008. The funds are consolidated in a single WST account in Samoa with a small balance held in a joint account euro account in Brussels. An independent review of the HTFA project, which is a research trial to assess the application of pest treatment technology for export of fruit and vegetables, was undertaken in 2007. The review found that the pilot has been successful in demonstrating the benefits of this technology and the potential for increased exports of fruit and vegetables in the region. A decision on the allocation of the balance of STABEX funds to support expansion of the pilot to full commercial introduction will be dependant on the identification of an appropriate institutional arrangement for a public-private partnership.

Regional Co-operation

The regional allocation under the 9th EDF amounts to € 29m and includes three focal sectors “Economic Integration and Trade” (€ 9m), “Human Resources Development” (€ 8m) and “Fisheries” (€ 5m) and a non-focal sector, for extension of the 8th EDF programmes to the 6 new ACP countries (€ 7m). Samoa has benefited mostly from regional activities that have had project teams visit countries to provide information on the projects and identified the links to national priorities such as PRIDE and Reducing Island Vulnerability. Furthermore, Apia continues to be main office of the South Pacific Regional Environment Programme, SPREP.

Samoa has not accessed any of the facilities available through intra-ACP cooperation except through one regional project under the EU ACP Water Facility (the HYCOS project submitted by and implemented through SOPAC). The difficulty faced (which stymies the interest to apply for assistance under the Water and Energy Facilities) is the inability to secure co-financing for such projects.

Furthermore, the “Integrated Water Resource Management Planning Programme” (co-funded under the European Union Water Facility and the Global Environmental Facility)

addresses related efforts in the Water Sector in the region in general and in Samoa in particular.

For a complete overview regarding the cooperation under the regional indicative programme please refer to the Annexes 2.

European Investment Bank

In 2005, the EIB approved the sixth line of credit of up to € 7m to the Development Bank of Samoa (DBS) but the first under the newly established Pacific Islands Financing Facility (PIFF) to support smaller operations. The EIB has a long standing relationship with the Development Bank of Samoa, which lead to a large number of operations in various sectors including but not limited to the tourism, agriculture and fishing sector in the past as well as in 2006. The window for microfinance created under the PIFF has made an important contribution by providing funding to a section of the community largely ignored by banks in Samoa and allowing DBS to increase its portfolio of micro-loans.

2.3 Policy Coherence for Development

In the light of the focus under the 10th EDF as well as the 9th EDF the risk of incompatibility between different EU policies is, considered minimal. However, coherence with other EU policies (agriculture, fisheries, trade, external relations) is constantly checked during programme implementation.

2.4 EU Strategy for the Pacific

The envisaged use of sector budget support as the implementation modality for the intervention in the water sector under the 10th EDF is an important step towards an improved efficiency in aid delivery as outlined in the EU strategy for the Pacific. The ongoing preparation process is in particularly addressing the improvement of the governance of the water sector as well as in Public Finance Management. The sustainable management of the natural resources is an integral part of the water resource management strategy supported by the ongoing water sector support programme. It is also at the centre of future cooperation under the 10th EDF.

2.5 Donor coordination and harmonization

Donor coordination is essential under the sector-wide approach and both formal and informal meetings to discuss progress with projects/programmes, to identify means to improve and strengthen co-ordination, and to explore options for future donor financing have been encouraged over the past year. Key partners in the discussions have included the ADB, AusAid, NZAid, JICA, UN and others. Close coordination with key regional organisations (such as SPREP and SOPAC) has also been maintained. The harmonization roadmap is in place. Following the Public Finance Management assessment in 2006 the Government has developed a response to the issues raised and prepared a draft reform plan, which is currently under discussion within Government. EU has been identified as a lead donor in the discussions on budget support and public financial management issues

and Government has indicated its preference for a joint partner coordinated approach for the management of budget support and PFM capacity building.

2.6 Dialogue in country with the NSAs and the National Parliament

Civil Society engagement in public policies and implementation of national priorities has mainly been made through the Samoa Umbrella for Non-Governmental Organizations (SUNGO). Setup in 1997, it has since rise to achieve its vision to work in partnership with Government to enhance the capacity of Civil Society through the development of community in achieving quality of life for all. Today, it continues to expand in its services and network, with a total of more then 100 member organizations at national level. NSA input has greatly influenced many National decision-making processes through the improved working relationship between Government and Civil Society. SUNGO represents the voice of NSA on many donors Steering Committee and Task Force; yet improvement can be made on the selection process on NSA representative, and the level of engagement in ensuring an effective influence on direct action taken for national benefit. Non state actor representation has been strengthened in 2007 within the EDF programme. Under the microprojects programme a partnership is being developed with SUNGO and Women in Business, a leading national NGO supporting female empowerment through business. The WASSP programme has supported establishment of the Independent Water schemes Association, which is represented together with SUNGO at both technical and policy-making levels in the sector decision-making structure. Under the 10th EDF a further €3m is due to be committed to Microprojects, which includes a component to build the capacity of NSAs. Samoa has also been included in the list of countries for support to Non State Actors with a budget of 250,000 foreseen in 2008.

2.7 Conclusions

Samoa has a stable political environment in which the Government reform programme has remained largely on track. There is evidence of an increasingly vocal civil society strengthening the democratic framework.

The Macro Economic prospects for growth looks promising with the GDP growth for 2007 estimated at 3% and 2008 at 4%. A new Strategy for the Development of Samoa (SDS 2008-201) has been prepared following extensive consultation with all stakeholders including Non-State Actors and communities. It is due to be launched in May/June 2008. The main focus is on improving economic and social welfare at the community level and an emphasis on promoting private sector investment.

The Governments positive record of economic management and the strategies in place including objectives as the maintenance of economic growth, the pursuit of economic stability and the further reduction of poverty are suggesting a positive recommendation to move towards the adoption of budget support.

The Samoan Public Finance Management system is characterized by a budgeting system, which tends to be very realistic in terms of aggregate revenue and expenditure projections and outcomes. The budget is prepared with due regard to government policy and the budget timetable is made very clear and does actively include all stakeholders who should be making a contribution. A draft Public Financial Management Reform Plan is under preparation, which includes the introduction of a Medium term Expenditure Framework and strengthening the sector wide approach together with improved monitoring of performance.

Samoa continues to play an active role in regional affairs. It is now officially ready to trade under the Pacific Island Countries Trade Agreement (PICTA). The WTO accession process progressed in 2007. Samoa wholly supports the EPA negotiations being conducted at the regional level and has endorsed the PACP EPA architecture of a Master Agreement with subsidiary agreements. Under the negotiation structure or arrangements, Samoa is the alternate spokes person for the Pacific ACP Regional Negotiating Team (RNT).

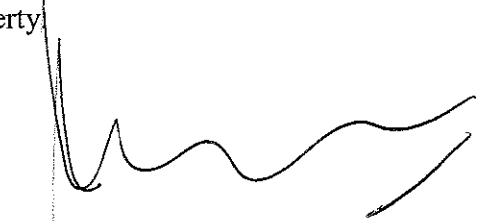
Samoa is on schedule to achieve the 10 Millennium Development Goals by 2015. It is one of a few countries in the Pacific that has so far made significant progress and has already surpassed the UN target for reducing extreme poverty.

Signed:



For the National Authorising Officer:

For the Head of Delegation:



3. ANNEXES

ANNEX 1: COUNTRY AT A GLANCE

This table provides basic information on the country. It will include the tables with the macroeconomic indicators and the 10 key poverty indicators.

Table of macroeconomic indicators

	2000	2001	2002	2003	2004	2005	2006	2007
Basic data								
1 Population (in 1000)		0.177	0.178	0.180	0.182	0.184		
- annual change in %		1.01			1.3			
2a Nominal GDP (in millions €)			247	268	295	315	331	367.2
2b Nominal GDP per capita (in millions €)			1397	1516	1605	1714	1801	
2c - annual change in %		9.8	5.8	7.1	10.5	8	15	
3 Real GDP (annual change in %)		6.8	1.0	3.5	3.7	5.1	3.5	6.1
4 Gross fixed capital formation (in % of GDP)								
International transactions								
5 Exports of goods and services (in % of GDP)	5%	6%	5%	4%	2%	2%		
- of which the most important: ... (in % of GDP)	Fresh Fish	Fresh Fish	Fresh Fish	Fresh Fish	Fresh Fish	Fresh Fish		
6 Trade balance (in % of GDP)			-3.4	2.3	4.3	2.8	3.4	4.7
7 Current account balance (in % of GDP)			5.8	8.2	12	-3.6	1.2	
8 Net inflows of foreign direct investment (in % of GDP)								
9 External debt (in % of GDP)			59.9	51.4	46.4	37.6	34.6	34.8
10 Service of external debt (in % of exports of goods and non-factor services)			8.7	8.1	6.3	5.5	5.2	4.6
11 Foreign exchange reserves (in months of imports of goods and non-factor services)			4.6	4.1	4.4	3.3	4.0	4.7
Government								
12 Revenues (in % of GDP)		34.4	32.8	32.5	47.9	34.5	41.3	37.2
- of which: grants (in % of GDP)		10.7	8	7.1	7.3	16.2		7.5
13 Expenditure (in % of GDP)		35.1	33.4	33.4	47.6	38.3	42.7	36
- of which: capital expenditure (in % of GDP)		12.6	12.1	9.4	9.9	8.9	18	
14a Deficit (in % of GDP) including grants		-4.0	0.3	-2.2	-1.0	1.1		1.2
14b Deficit (in % of GDP) excluding grants		2.7	3.3	2.6	3.4	4.6		
15 Debt (in % of GDP)			59	51.4	46.4	37.6	34.6	
- of which: external (in % of total public debt)			8.7	8.1	6.3	5.5	5.2	
Other								
16 Consumer price inflation (annual average change in %)		3.8	8.1	0.1	16.3	1.8	3.8	6.0
17 Interest rate (for money, annual rate in %)								
18 Exchange rate (annual average of national currency per 1 €)		0.3219	0.3126	0.2938	0.2890	0.2980	0.2892	0.2799
19 Unemployment (in % of labour force, ILO definition)								
20 Employment in agriculture (in % of total employment)								

Table of MDG Indicators:

Type	Indicator	2000	2001	2002	2003	2004	2005	2006	2007	2015
Impact	Proportion of population below \$1 per day	15% ¹ (1997)		5.5%						7.5%
	Prevalence of underweight children	6.1% (1992)	1.9% ² (1999)							3%
	Under 5 mortality	42% (1990)		25% ³		13				14%
	Gross enrolment ratio in primary education Net enrolment ratio in primary education	98 74	93 69	96 71	95 70	97 69				100 100
	Primary completion rate	85%				82 ⁴				
	Ratio of boys to girls – primary - secondary - tertiary	.98 1.06 1.66		.93 1.04 1.43		.92 1.08				1.0 1.0 1.0
	Proportion of births attended by skilled health personnel	76 (1990)		77.6		90				
	Proportion of 1 year old children immunised against measles	89 (1990)		98% ⁵ 52% ⁷		48% ⁶				100
	HIV prevalence among 15-24 year old pregnant women	Not known	Not known	Not known	Not known	.002				
	Proportion of population with sustainable access to improved water supply (target figures in brackets) ⁸	-	-	27%	37%	41%	47% (50%)	(66%)		(85%)

ANNEX 2: DONOR MATRIX

This matrix summarises the known interventions of other donors, including the Member States and multilateral donors. It will transparently reflect at least the results of the local coordination/harmonisation referred to above. It will highlight the division of labour and/or complementarity. The matrix will be both retrospective and prospective, covering both the past and the period 2006-2013.

Donor (approx vol of annual aid)	Education	Health	Water	Transport	Law & order Public sector reform	Women youth & children	Environment & tourism development	Communications	Sports development	Finance and trade
Australia (€ 11m) SDS and Joint Country Strategy	Institutional strengthening. Materials production Training Cofinancing education sector program	Strengthening of management, NCDs Immunisation	Institutional strengthening SWA (completed)	TA for privatisation of Polynesian Airlines	Institutional strengthening Police Public sector improvement facility Capacity building judiciary	Children's rights Small Grants scheme for communities	Regional advisory services on climate change		Provision of technical assistance for skills development programs	Financial advisor New Financial system for whole of government
New Zealand (€6m) SDS & Joint Country Strategy	Secondary curriculum development Training Cofinancing education sector program	Medical treatment scheme Medical Experts Child health Twinning arrangements with regional health boards			Justice & Courts administration ISP Law reform commission Public sector improvement facility Capacity building judiciary	Assistance to NGOs and support for SUNGO	Tourism development Community adaptations to climate change		Provision of technical assistance for skills development programs	Private sector support
EU (€ 6 m) CSP	School facilities through Microprojects	Health facilities Through Microprojects	Consolidated rural water supplies Program design assistance Water sector policy support programme including: IWRM, WS&S infrastructure, institutional strengthening and public awareness			Microprojects	Microprojects		Sports fields in association with youth development	EPAs Trade agreements and related training Credit through EIB for Development bank
Japan (€ 12m) *	Polytechnic campus School facilities Training	Technical assistance Health facilities Immunisation Health waste facility	Community water projects	Technical assistance Ports development (completed) Fisheries port development			Waste management Talaigata landfill	Technical assistance	Technical assistance	

PRC (€ 16m) * Includes special assistance under Preferential Loan scheme	Training	Medical team			Buildings for Courts administration and legislative assembly			Satellite communications and TV link	Aquatic centre Rehabilitation Apia Park	FDI
WHO/UNFPA (€1m) Biennial country program	Training	Training medical officers Technical assistance Drugs supplies Public health promotion	Water testing			Adolescent reproductive health Safe motherhood	Environmental health			
UNDP (€1m) UN Development Assistance Framework	Samoa Qualifications authority TCDC programme				Good governance and human rights	Integrated youth project Human rights activities	Biodiversity, conservation, climate change implementation of conventions	ICT for development		Structural adjustment facility
World Bank(€6.8m) Regional Strategy		Health sector policy development and infrastructural development		Roads and bridges construction			Marine protected areas Institutional strengthening MNRE & coastal management Emergency recovery program	TeleCommunications development and postal sector reform		Technical assistance
ADB (€ 10.4m) Country Strategy	Cofinancing education sector program In-service training		Sanitation and drainage project for Apia area			Microcredit for small business development				Training
Canada (€ 0.1m)						Community development projects			Schools sports fields	

ANNEX 3: REGIONAL PROJECTS

Reducing Vulnerability in the Pacific – 8.ACP.RPA.03

Implementing Agency: SOPAC
Budget: € 7 million
Financing Agreement Signed: March 2002
Duration: 4.5 years
Project Closure: March 2006

The Project addresses vulnerability reduction in the Pacific ACP States through the development of an integrated planning and management system in the sectors impacting on hazards, aggregates and water and sanitation. The Project addresses problems such as: unavailability of accurate, sound, and timely data; weak human resource base; limited resources (money and infrastructure); and lack of appropriate management plans, policies and regulatory frameworks to deal with these three focal areas.

Plant Protection in the Pacific (PPP) – 8.ACP.RPA.08

Implementing Agency: SPC
Budget: € 4,300,000
Financing Agreement Signed: December 2001
Duration: 5.5 years
Project Closure: November 2007

The total budget is € 5.181million of which € 4.3 million is sourced from the EDF. Given the importance of agriculture for Pacific Island countries, the threat to agriculture posed by plant pests, which reduces yields and quality of agricultural commodities, likewise poses a substantial threat to regional economies. The project is designed as the second phase of the Pacific Plant Protection Services project, aimed at facilitating sustainable production and trade of agricultural produce, by minimizing pests in the new age of free trade, global quarantine standards and increased economic integration.

Development of Sustainable Agriculture in the Pacific – 8.ACP.RPA.10

Implementing Agency: SPC
Budget: € 4,306,000
Financing Agreement Signed: November 2002
Duration: 4 years
Project Closure: December 2007

The purpose of the project is to increase sustainable agricultural production of targeted farm families in participating countries. This is to be accomplished through the participatory approach with farmers and rural communities in the identification and adoption of technologies.

USP Human Resource Development Project – 8.ACP.RPA.09

Implementing Agency: USP
Budget: € 5 million
Financing Agreement Signed: March 2002
Duration: 5 years
Project Closure: May 2007

The main goal of this project is to increase human capital through skills enhancement in the three key areas of tourism, public sector management and labour & employment studies.

Fiji School of Medicine Project – 8.ACP.RPA.06

Implementing Agency: NAO, Government of Fiji
Budget: € 7.5 million
Financing Agreement Signed: March 2002
Duration: 3 years

The total project budget is € 10.25 million, with € 7.5 million from the EDF. The origins of the Fiji School of Medicine date from the early colonial period. The Fiji School of Medicine has for many years served the training needs of health professionals throughout the Pacific ACP region. Small island states in particular are dependent upon the school for training. Regional countries have shortages of medical personnel and

need to train more local health staff. The present facilities used by the school date from 1970s and are considered to be inadequate for current and future demand.

Pacific Regional Oceanic and Coastal Fisheries Programme – 8.ACP.RPA.04

Implementing Agency: SPC, Noumea
Budget: € 8 million
Financing Agreement Signed: December 2001
Commencement: March 2002
Duration: 5 years
Project Closure: March 2007

Tuna stocks are the most important renewable natural resource for Pacific Island countries (PICs) with annual catches estimated at around 1.4 million tonnes, with a landed value of around € 1.5 billion. The long-term sustainable management of the region's key renewable natural resource is thus of vital importance. Of equal importance are domestic reef resources, which underpin current livelihoods and continued food security for the vast majority of Pacific Islanders. This programme aims to address the information gaps in both areas and, in so doing, will specifically strengthen the long-term sustainable management of the fisheries resources of the Western and Central Pacific Ocean (WCPO).

Technical Assistance Support to the RAO – 7.RPR.648

Implementing Agency: Pacific Islands Forum Secretariat (PIFS)
Budget: € 1,320,000
Financing Agreement Signed: March 2003
Duration: 4.5 years
Project Closure: December 2007

The project is located at the PIFS under the Development and Economic Policy Division. The objective of the project is to provide technical assistance to the Regional Authorising Officer (Secretary General, PIFS) to ensure the efficient coordination and implementation of the regional indicative programme in accordance with the Lomé and Cotonou Agreements. The project funds the position of two professional staff and two divisional assistants.

Regional Economic Integration Project (PACREIP) – 9.ACP.RPA.06

Implementing Agency: Pacific Islands Forum Secretariat, SPTO, SPC
Budget: € 9.2 million
Financing Agreement Signed: February 2004
Duration: 5 years
Project Closure: June 2009

Confronted with the phenomenon of globalisation, the Pacific ACP countries have accepted that integration into the world economy is a vital element in the strategy to achieve sustainable economic growth. They have further accepted that an integrated regional approach is the most effective strategy. Regional economic integration thus becomes an important objective of the region, reflected in its adoption as a focal area in the 9th EDF Pacific Regional Indicative Programme. Integration of the region's trade is in turn an essential element of regional economic integration.

Pacific Regional Coastal Fisheries Development Programme (COFISH) – 9.ACP.RPA.04

Implementing Agency: SPC
Budget: € 2,212,231
Financing Agreement Signed: February 2004
Duration: 4 years
Project Closure: December 2007

Pacific ACP countries have a combined Exclusive Economic Zone (EEZ) of some 20 million km², a total land area just over half a million km² and a total population of about 7 million. The Region attaches particular importance to the sustainable development of Fisheries as this sector is considered to have the most potential for revenue generation and sustainable economic growth. Whilst tuna fisheries underpin the region's main hope for future economic self-sufficiency, it is the coastal fisheries which underpin current livelihoods and continued food security.

Reducing Vulnerability of Pacific ACP States through Island Systems Management – 9.ACP.RPA.05

Implementing Agency: SOPAC
Budget: € 2,549,600
Financing Agreement Signed: December 2003
Duration: 2 years
Project Closure: June 2007

This project will permit to cover the extension of the existing regional project (8 ACP RPA 007) to the 6 new ACP Pacific Islands countries. This project addresses vulnerability reduction in the 6 Pacific ACP States through the development of an integrated planning and management system (Island Systems Management) in the sectors impacting on hazards, aggregates and water and sanitation. The Project strengthens integrated development in Pacific ACP States by concentrating on three major and essential focal areas in the island system: hazard mitigation and risk assessment; aggregates for construction; and water resources supply and sanitation.

Pacific Regional Initiatives for the Delivery of Basic Education – 9.ACP.RPA.01

Implementing Agency: University of the South Pacific
Budget: € 8 Million
Financing Agreement Signed: November 2003
Duration: 5 years
Project Closure: December 2009

Pacific ACP countries (PACP's) place high priority on education, spending large proportion of budget and receiving significant donor assistance in order to meet growing demands. While some PACPs have almost achieved universal access to primary education, the larger Melanesian countries are a long way from attaining this goal.

Development of Tuna Fisheries in the Pacific ACP Countries – 9.ACP.RPA.08

Implementing Agency: FFA & SPC
Budget: 3 Million Euro
Financing Agreement Signed: December 2004
Duration: 4 years
Project Closure: December 2008

Overall objective of this project is to increase the contribution from the sustainable use of marine resources to the poverty alleviation in Pacific ACPs. The project will contribute to this objective through a focus on the sustainable development of highly migratory oceanic living resources, particularly tuna fisheries.

Pacific Environmental Information Network (PEIN II) - 9.ACP.RPA.09

Implementing Agency: South Pacific Regional Environment Programme
Budget: € 560,000
Financing Agreement Signed: December 2004
Duration: 3 years
Project Closure: December 2007

This project builds on the achievements of the earlier project [8th EDF PEIN project], consolidates the environment libraries created in the original eight states and broadens and extends PEIN to the six new Pacific ACP countries (Cook Islands, Niue, Palau, Federated States of Micronesia, Republic of the Marshall Islands and Nauru).

ANNEX 4: THE HARMONISATION ROADMAP

The Government's national policy framework and development strategies were set out in annual Statements of Economic Strategy (SES). These were strategic documents on a rolling basis that replaced the longer term development plans prior to 1996. Each of the SES built on its predecessor, reviewing progress and identifying areas requiring more attention. The current Strategy for the Development of Samoa (SDS) 2005-2007 is more medium term in outlook and is formulated on a three year basis. The current SDS focuses on 6 priority areas namely: strengthening the private sector, agriculture development, tourism, community health and education development.

Strategic plans have been completed for the Education, Water and Health sectors. Work is in progress for completing those for the public administration and social welfare sectors. The Government of Samoa is committed to aid effectiveness and as such has consulted widely with its partners to assist it in the implementation of a sector wide approach in the delivery of aid across the whole of Government. The decision was made to shift away from the current modality of discrete projectisation of aid as it was difficult to assess impact of the assistance.

Ownership:

- GoS leadership in the development and implementation of its Strategy for the Development of Samoa (SDS) 2005-2007 through a wide consultative process in late 2004.
- Developed and completed sector plans for 3 priority sectors – implementation through operational programs that are cofunded by a number of donors. All are in the process of developing medium term financing and Monitoring and evaluation frameworks. The development of sector plans again has adopted the basis of wide consultations with all stakeholders.
- Donor-sector consultations have taken place for the three sectors coordinated by the Aid coordination/Loans Management Division of the Ministry of Finance.

Alignment:

- All donors have based their development cooperation programs including joint country strategies on the SDS including the review results of the previous SDS. There is increased predictability of donor assistance which augurs well the intention to progress the budgetary process to forward estimates in the 2007/2008 financial year.
- Funding is linked to a framework of agreed-to development indicators that are related to the priority sectors highlighted in the SDS. Technical assistance was provided by NZAID to support the GoS in the development of appropriate indicators.

Strengthened country systems:

- There is growing acceptance of the need to use GoS systems and procedures. The GoS has had its procurement systems reviewed by the World Bank. There is an ongoing review of its Public Finance Management system by an EU funded consultant. A number of bilateral partners contributed to the Terms of reference for the EU funded review and have expressed an interest to consider the resultant recommendations.
- Co-funded sector programs have been designed with the intention of eventual use of GoS systems and procedures before the end of the duration of such programs. This is supported by institutionalising capacity building activities into the designed programs.
- Such designed programs are using mainstream structures for day to day management rather than discrete implementation units

Strengthened public financial management capacity

- One of the key areas of focus of the SDS is the creation of an enabling environment for public and private investments.
- A new Government financial system was launched in 2005 and focuses on the devolution of financial responsibilities to line ministries and ensure greater accountability. A review of the implementation of the system has been done and government feedback on the recommendations is forthcoming
- A fiduciary review of the public finance management system is under way and recommendations to be acted upon by the end of 2006

Strengthen national procurement systems

- A review of the procurement system was completed in June 2006 by the World Bank. The Ministry of Finance is to arrange for capacity development of key procurement staff. The Tenders Board is to issue a revised procurement manual and standard procurement standards, revised procurement and consultants guidelines by December 2006. As well the Ministry of Finance is to review and revise delegation thresholds by the end of the year. Revised procurement manuals are to be disseminated to all ministries, departments and development partners by January 2007. Strengthening of the Tenders Board is expected to be completed by July 2007.
- In areas where national systems do not meet mutually agreed to performance levels, donors have worked to adopt harmonised approaches

Harmonisation

Implementation of common arrangements and streamlined procedures

- GoS agreed on the principles of harmonisation between it and bilateral partners NZAID and AusAID in 2004. A joint country strategy was developed and finalised in 2006. Other donors have been invited to participate in the exercise
- GoS initiated the compilation of a national program for missions on an annual basis and requested donors to undertake joint missions
- Donors(AusAID and NZAID) also agreed to share analytical work
- Donors(AusAID,NZAID and ADB) also agreed to delegate responsibilities to lead donors for the execution of programs
- Donors (ADB, NZAID,AusAID) also agreed to pool resources in a GoS special purpose account to fund SWAps in Education and Health
- Donors that work in the same areas agreed to harmonise procedures and ensure alignment of GoS systems for eg: harmonised scholarship programmes, in country training programmes and clustering sector related projects under a single coordinating body for monitoring
- Donors (UN system) have also agreed to implement joint country programming
- Most donors have agreed to harmonise procedures for reporting, agreeing to a single format that will meet the information needs of key stakeholders including the donors as evident in the Education sector program arrangements

Managing for results:

- GoS has developed with the assistance of donors development indicators by which to measure implementation of the SDS and joint country strategies
- GoS introduced performance based budgeting in 1998