

SAMOA  
INTEGRATED FRAMEWORK  
DIAGNOSTIC TRADE INTEGRATION STUDY

AIDE MEMOIRE

MARCH 2009

**1. Introduction**

This aide memoire outlines the objectives, scope, and timeline and management framework for delivery of the Diagnostic Trade Integration Study (DTIS) which comprises the second phase of the Integrated Framework (IF) for Trade Related Technical Assistance to Least Developed Countries.

The aide memoire is also based on the draft aide memoire that was formulated in February 2008 by the Ministry of Foreign Affairs and Trade, following the initial findings of the preliminary mission that was undertaken by representatives of UNCTAD, WTO (IF Secretariat) and the UNDP Trade and Human Development Unit (Geneva), in January 2008<sup>1</sup>.

The key objective of the preliminary mission was to inform the government and stakeholders about the Enhanced Integrated Framework for Trade Guidelines. Prior to the mission UNCTAD and MFAT conducted a sensitization workshop for all stakeholders to explain the IF process and potential benefits to the ongoing trade related development in Samoa.

The main objective of the proposed DTIS is to identify key constraints, both internal and external, to the expansion of Samoa's trade with a focus on how trade expansion could help reduce poverty in the country.

The present framework for economic and social development in Samoa is the Strategy for the Development of Samoa 2008-2012 (SDS). Trade development is a key intervention area under one of the SDS seven goals, namely *Goal 2: "Private Sector Led Development and Growth"*. One of the key measures highlighted under this goal is the need for a detailed study (DTIS) of Samoa's trading opportunities to be undertaken. Consequently, two major trade development milestones were achieved in 2008 with the launch of two important national policy documents. These were the (i) Trade Policy Statement and (ii) National Export Strategy (2008-2012).

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<sup>1</sup> The official project document for the Samoa Integrated Framework for Trade-Related Technical Assistance (IF) was signed by UNDP and Government of Samoa in May 2008. Due to unforeseen delays the DTIS process was not initiated in 2008 and the DTIS Team Leader was officially contracted by UNDP in February 2009.

The DTIS will therefore be aimed towards supporting the Government of Samoa in the realization of its (i) Trade Policy Statement, the focus of which is to derive maximum benefit for Samoa from its trading relations through engaging in, and concluding trade agreements such as the Economic Partnership Agreement (EPA) with the EU, the Pacific Agreement on Closer Economic Relations (PACER) under a PACER plus Agreement, the Pacific Island Countries Trade Agreement (PICTA) and accession to the World Trade Organisation (WTO) as well as its (ii) National Export Strategy whose vision is *“the export sector to be the major contributor to sustainable economic growth by 2012”*.

## **2. Country Background**

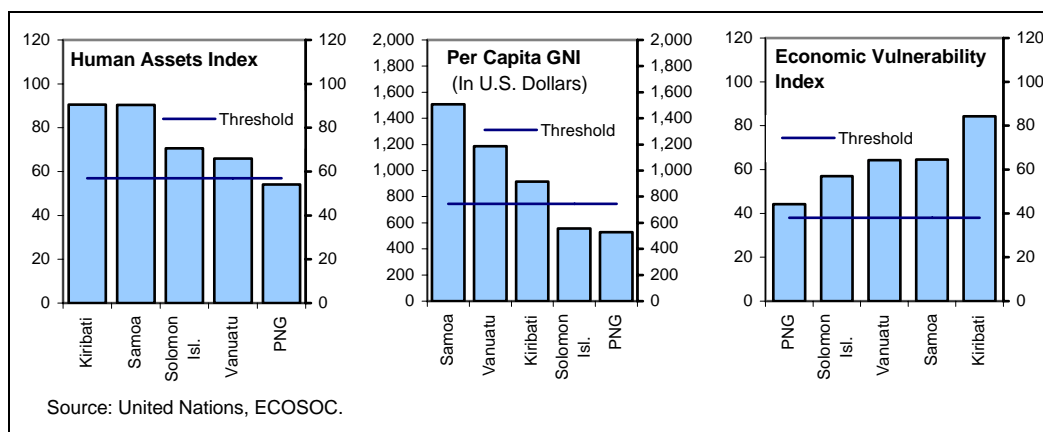
Samoa is a small island economy geographically located south off the equator and about half way between Hawaii and New Zealand. The two relatively large islands of Savaii and Upolu account for approximately 96% of the country’s total land area of 2934 sq kilometres. They are also home to the majority of the country’s 180,000 people.

Major economic transformation has been achieved by Samoa over the last decade. Real per capita GDP has increased by over 3 percent per year on average, and external public debt has fallen below 40 percent of GDP. Average annual inflation was initially at the 3-6% range per annum, however, this has increased to 6-14% per annum from 2007/08. The external position, after some weakening in 2006, has recovered thanks to a tightening of fiscal and monetary policies.

Samoa’s progress in the achievement of the MDG’s indicates that most if not all of the goals are on target to be achieved by the year 2015. The latest World Bank country profile describes Samoa as a low middle income country with a per capita income of 2020 USD per year. In the 2004 UNDP Human Development Index, Samoa ranks 75 among 177 ranked nations’ states.

In light of the recent global financial crisis and the ensuing contraction of the world economy, Samoa is now undertaking a pro active stance in identifying the nature of the crisis and its potential effects on the economy. The main sector at risk of the effects of the global meltdown is Samoa’s biggest foreign exchange earner – Tourism. The slowing down of the economy will necessitate the downward revision of the real GDP growth rates of 3.0 - 4.0% per annum and the 22.5% per annum growth in formal employment. Real GDP growth is now expected to be negative 1.7% in 2009. The 10% increase in visitor numbers per annum will also need to be revised downwards given the 2008 decrease of 0.4%. Samoa will therefore endeavor to maintain macro-stability through a mixture of sound fiscal and monetary policies that will help encourage businesses to take on higher risks now for long term investments.

The U.N. Committee on LDCs decided in 2006 to remove Samoa from its list. Samoa has met two of the three LDC criteria set by the U.N., the Human Assets Index and the per capita Gross National Income Index, although it is recognised that Samoa’s economic vulnerability remains high. Samoa will officially graduate from the LDC list on 17 December 2010.



Samoa faces several challenges in its strive to minimise its economic vulnerability in the years ahead. Its pursuit of a trade development strategy is part of the government’s approach to achieve and maintain sustained economic growth. The key challenges mainly relate to a small domestic market, narrow and fragile resource base; a lack of scale in the economy which restricts local sources of investment capital; poor coordination and weak linkages among government agencies with mandates to promote trade development; the issues related to proprietary rights to customary land even in situations where leases of such land have been obtained; and from an investor’s perspective the relatively high cost of doing business in Samoa. The reduced access to concessionary development funding as a consequence of Samoa’s official graduation from LDC status in 2010 is also a potential threat to its continuing economic development.

Samoa however has achieved a track record as relatively successful economic reforms managers, which is demonstrated by the recent track record of rapid economic growth leading to it being recommended for graduation from least developing country status. It has proven long term access to overseas private remittances and a pool of highly skilled labour force from the overseas Samoan communities. The opening up of trade in goods and services in the Pacific region under Pacific Island Countries Trade Agreement (PICTA) provides a number of opportunities for Samoan businesses to target the regional markets in the other Pacific island countries

As such, there is general optimism on the short term economic and financial prospects of the Samoan economy driven mainly by a projected continuing rapid growth in the tourism, commerce and financial services sectors. As the fastest growing sector tourism has helped to create opportunities in other key areas of economic activity such as agriculture, fisheries, manufacturing and communications. Faster, lower cost and reliable domestic and international links to major global markets have been made possible by recent major innovations with airline and telecommunications services.

Trade in services – particularly tourism and financial services - have generated a significant amount of foreign exchange, and are the most likely area for expansion in the short to medium term. In light of the global economic and financial crisis, the promotion of off-shore financial services will need to adhere to new regulatory frameworks that are being put in place. Tourism arrivals since 2006 were at 115,882 with expected growth at 10% per annum. The

manufacturing sector is not large, but it is an important contributor to the country's balance of payments and provides vital employment opportunities. The key exports include fish, coconut oil and cream, taro, automotive parts, garment and beer and are mainly exported to Australia, American Samoa, USA and Taiwan. The major imports consist of machinery and equipment, industrial supplies and foodstuffs and are mainly imported from New Zealand, Fiji, Singapore and Australia. Strong export potential and a pressing need for import substitution industry and food security combine to make Samoa's agriculture and fisheries sectors attractive for incoming investment and technology transfer.

Recognising these challenges and opportunities, the Government of Samoa has taken steps to develop a whole of government policies and a strategy to promote trade development in its strive to achieve its SDS vision of "Improved Quality of Life for All". The Trade Policy Statement 2008 and the National Export Strategy for Samoa 2008-2012 are recent initiatives taken to support the implementation of a trade liberalisation policy promoted by the Government of Samoa through its SDS 2008-2012.

### 3. Scope of the IF

As part of the UN Development Assistance Framework (UNDAF), 2008-2012 and Samoa's Country Programme Action Plan (CPAP), 2008-2012, under Outcome 1: equitable economic growth and poverty reduction, UNDP has taken the role in spearheading the Integrated Framework (IF) for trade in direct response to the new Strategy for Development of Samoa (SDS) 2008-2012, through strengthening of the private sector's trade initiatives.

The IF process for Samoa comprises of the following:

- Phase I: awareness building on the importance of trade for development, for human development in particular in the beneficiary LDC.
- **Phase II: preparing a Diagnostic Trade Integration Study or DTIS-update to identify constraints to overall competitiveness and supply chains and sectors of greatest export and import substitution potential. Develop an Action Matrix – a list of trade priorities – for better integration into the global trading system. Existing Trade Policy identifies potential sectors as Agriculture, Fisheries, Tourism, Manufacturing, Services and possibly Energy.**
- Phase III: Preparing a multi-year work plan for the IF implementation and integration of the priority DTIS recommendation (Action Matrix) into the national development strategy.
- Phase IV: Implementing the Action Matrix in partnership with the development Partners.

The key aim of the Integrated Framework project is to assist Samoa to expand its participation in the global economy while contributing to sustainable growth with poverty reduction and human development. The IF project is to provide Samoa with the inputs for further strengthening the mainstreaming of gender balanced development oriented sustainable trade objectives under its Strategy for the Development of Samoa (SDS) 2008-2012 and to address its supply side constraints and provide Samoa with a coordinated and responsive mechanism of trade related technical assistance from the international community.

#### **4. Team Leader:**

KVAConsult has been contracted by UNDP to lead the DTIS process. The contact details of the nominated Co-Team Leaders are as follows:

Mr. Epa Tuioti  
DTIS Co-Team Leader  
KVAConsult  
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#### **5. Donor Facilitator**

The Ministry of Finance through its Aid & Debt Management Division has been designated as the donor facilitator. The donor facilitator can be contacted as follows:

Ms. Noumea Simi  
Assistant Chief Executive Officer  
Aid & Debt Management Division  
Level 3, Ministry of Finance  
Central Bank Building

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Fax: (685) 21312  
Email: [noumea.simi@mof.gov.ws](mailto:noumea.simi@mof.gov.ws)

#### **6. Focal point and National Coordination**

The Ministry of Foreign Affairs and Trade is the National IF Focal Point in-country and is supported by the National IF Steering Committee which will provide policy guidance and oversight for the implementation of the DTIS as well as ensuring the optimum completion of the entire project. It will cease functioning after its anticipated completion in 2010, unless it is otherwise deemed appropriate to continue operating as the SC for the subsequent phases of the IF in Samoa.

The Ministry of Foreign Affairs and Trade has nominated Mr. Auelua Enari as the National Focal Point and can be contacted via the Principal Trade Officer, Mr. Henry Tunupopo. Their contact details are as follows:

Mr. Auelua Sam Enari  
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Ministry of Foreign Affairs and Trade  
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## 7. Consultants and DTIS Outline

A team of local and international experts, led by KVAConsult (the Co-Team Leader) will be responsible for the DTIS exercise with the National IF Steering Committee supervising the process in collaboration with the National IF Focal Point and UNDP Samoa.

The launch IF sensitization workshop in January 2008 recommended a draft report outline for the DTIS Report. However, during the course of 2008, key national documents such as the Strategy for the Development of Samoa (SDS – 2008:2012), Trade Policy Statement 2008 and the National Export Strategy 2008-2012 were officially launched by the Government of Samoa.

Subsequent consultations with the NIFSC and other stakeholders have resulted in the following outline for the DTIS report:

### **Draft Outline of DTIS Summary Report**

<b>Introduction</b>
<b>Part I: Cross-cutting Themes</b> <ol style="list-style-type: none"><li>1. Overview of the Economy</li><li>2. Poverty Trends and Trade-Poverty Links</li><li>3. Business-enabling Environment</li><li>4. Customs and Transport Trade Facilitation</li><li>5. Access to Export Markets</li><li>6. Trade and Investment Institutions and Processes</li><li>7. Trade and Investment Policy Environment</li></ol>

8. Pro-Poor Elements of a National Trade Strategy 9. Implementing a National Trade Strategy
<b>Part II. Selected Sector Studies</b>  <b><u>Products:</u></b>  10. Agriculture 11. Fisheries 12. Manufacturing 13. Energy and Climate Change  <b><u>Services:</u></b>  14. Tourism 15. Banking and Finance 16. Telecommunications 17. Professional Services 18. Transport 19. Sports Development

## 8. Funding

Funding available for the IF process in Samoa via the IF Trust Fund (ITF) is as follows:

- US\$38,000 from Window I of the ITF for immediate capacity building needs and set up of IF National Focal Point.
- US\$285,714 from Window I of the ITF for the DTIS

The global launch of the Enhanced Integrated Framework (EIF) in October 2008, provided the following additional funding:

<b>Tier I Proposals:</b>	<b>Activities</b>
<b>DTIS Update</b>	Up to US\$200,000 whenever required, the assumption is that it will be carried out once or twice over the 5-year period (some flexibility allowed for budget ceiling, with maximum set at US\$500,000)
<b>Support to National Implementation Unit (NIU)</b>	Up to US\$1,500,000 with a maximum of US\$300,000 per year per country. This component should include budget lines such as: <ul style="list-style-type: none"> <li>• Depending on specific arrangements, remuneration of some staff working full time for the NIU.</li> <li>• Focal Point and NIU office equipment</li> <li>• Focal Point, NIU and possibly NSC or private sector representative IF related mission travel.</li> </ul>

Tier II Proposals:	Activities
<p><b>DTIS Action Matrix Activities neither included in Tier I project(s) nor supported by the development partner community active in the country.</b></p>	<p>Up to US\$12,000,000 for approved activities such as:</p> <ul style="list-style-type: none"> <li>• Assistance to implement WTO or other trade policy commitments</li> <li>• Project preparatory activities, including needs assessments, feasibility studies and project formulation for large trade development and infrastructure projects.</li> <li>• Trade mainstreaming activities to integrate DTIS conclusions into National Development Strategy/PRSP.</li> <li>• Capacity building activities for key trade support institutions.</li> <li>• Formulation and implementation of sectoral and national export development strategies.</li> <li>• Small projects to enhance the supply-side response of the country.</li> <li>• Specific actions aimed at enhancing small and medium enterprises competitiveness for priority sectors identified in the DTIS</li> <li>• Assistance for WTO accession.</li> <li>• Strengthening of trade support services.</li> <li>• Preparation of sector wide approaches (SWaP) for priority sectors identified in the DTIS.</li> <li>• Regional trade-related projects including objectives listed above would also be considered.</li> </ul>

## 9. Timeframe

Following the preliminary IF mission in January 2008, substantive delays have occurred as such the revised timeframe for the DTIS process is as follows:

Tasks/Activity	Responsible Entity	Updated Indicative Time (March 2009)
<b>PRELIMINARY MISSION</b>		
Preliminary mission undertaken by IF representatives of UNCTAD, WTO (IF Secretariat) and the UNDP Trade and	MFAT – complete	n/a



Human Development Unit in Geneva to inform the stakeholders about the Enhanced Integrated Framework for Trade Guidelines, and collate information/gaps and possible sectors to be covered under the DTIS.		
Based on discussions at the sensitization workshop with Government and stakeholders, a draft Aide Memoire was developed and it outlined the key issues to be addressed by the DTIS	MFAT – complete	n/a
The recruitment of a National DTIS Team Leader to work with the Government and UNDP MCO in Samoa on the development of Aide Memoire and preparation of the DTIS for approval of Cabinet.	MFAT, UNDP MCO – complete	February 2009
Identification of an IF Coordinating Development Partner.	MoF – complete	March 2009
<b>PHASE 1 POST PRELIMINARY FOLLOW UP</b>		
Prepare Inception Report for Steering Committee: including current status of DTIS, work plan & milestones, logistical support & budgetary arrangements	Team Leader	April 2009
Review and finalise Aide Memoire including country specific TOR, list of consultants and budgetary arrangements for study	Team Leader	May 2009
Draft Concept Note on key issues & outline of Main Report	Team Leader	May 2009
Final decision by NIFSC on the exact elements of the DTIS	NIFSC	May 2009
Prepare and Submit Cabinet Submission on Aide Memoire & Draft Concept Note	Team Leader, MFAT, NIFSC	May 2009
<b>PHASE 2 MAIN DTIS MISSION</b>		
The recruitment/appointment of suitably qualified national and/or international consultants for DTIS team (to be later determined by the IFSC depending on available resources, expertise & scope of DTIS).	UNDP in consultation with National IFSC and team leader	June 2009
Undertaking of the DTIS Main Mission	DTIS team of consultants	Jul – Sep 2009
Preparation of draft Action Matrix	DTIS team of	Sep 2009

	consultants	
Comments on the draft DTIS report and draft Action Matrix	NIFSC, IF Working Group, UNDP, other relevant stakeholders	Sep 2009
Completion and distribution of the draft DTIS report and the draft Action Matrix	Team leader	Oct 2009
<b>PHASE 3: PREPARATION OF THE DTIS REPORT</b>		
Convening and presentation of the National DTIS Validation Workshop to validate the DTIS and Action Matrix	NIFSC, Team Leader	Nov 2009
Final DTIS report and Action Matrix submitted for NIFSC approval	Team leader	Dec 2009
Publishing and launching of DTIS Report	IFSC, MFAT	Jan 2010
Presentation of DTIS and Action Matrix to donors, including at Roundtable	GoS	2010: To be determined
Integration of DTIS findings and Action Matrix into SDS and other development plans.	GoS	2010: To be determined

Signed on behalf of:

**GOVERNMENT OF SAMOA  
CHIEF EXECUTIVE OFFICER  
MINISTRY OF FOREIGN AFFAIRS AND TRADE**

**Name:** Aiono Mose Sua.....

**Date:**.....

**UNITED NATIONS DEVELOPMENT PROGRAMME,  
UNDP RESIDENT REPRESENTATIVE AND UN RESIDENT COORDINATOR**

**Name:** Ms. Naheed Haque.....

**Date:**.....