

## F. Country Chapter: Samoa

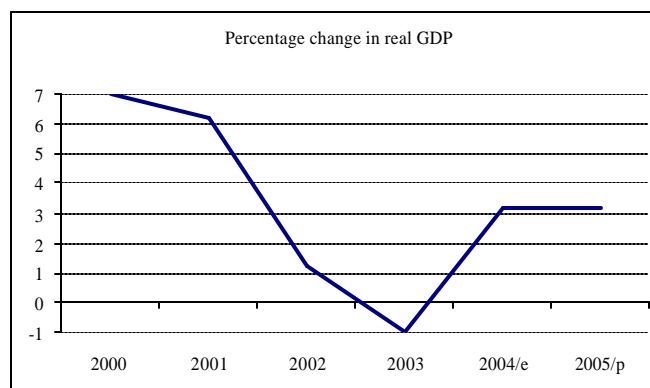
**Table 22. Country Summary**

<b>Country</b>	Independent State of Samoa
<b>Prime Minister</b>	Sailele Malielegaoi TUILA'EPA (since 1996)
<b>Head of State</b>	Chief Tanumafili II MALIETOA
<b>Independence</b>	January 1, 1962 (from New Zealand-administered UN trusteeship)
<b>Government</b>	Unicameral Legislative Assembly or Fono (49 seats - 47 elected by voters affiliated with traditional village-based electoral districts, 2 elected by independent, mostly Eurasian, voters who cannot, (or choose not to) establish a village affiliation; only chiefs (matai) may stand for election to the Fono; members serve five-year terms).
<b>Land area</b>	2,934 sq km; two main islands (Savaii, Upolu) and several smaller islands and uninhabited islets.
<b>Population</b>	179,000 (2004 est.). Population growth is 0.6% (2004 est.).
<b>Cities</b>	Capital: Apia
<b>Districts</b>	A'ana, Aiga-i-le-Tai, Atua, Fa'asaleleaga, Gaga'emauga, Gagaifomauga, Palauli, Satupa'itea, Tuamasaga, Va'a-o-Fonoti, Vaisigano
<b>Languages</b>	Samoaan (Polynesian) and English.
<b>Natural Hazards</b>	Occasional typhoons and active volcanism.
<b>Natural Resources</b>	Fish, hardwood forests, hydropower.
<b>Major Products</b>	Agriculture employs two-thirds of the labor force, and furnishes 90% of exports, featuring coconut cream, coconut oil, and copra.

### 1. Economic Overview

131. The Independent State of Samoa consists of two main islands (Savaii, Upolu) located in the Polynesian group of islands in the South Pacific. Samoa receives moderate levels of external assistance (aid per capita averaging US\$189 over 1999-2002). The Government of Samoa has adopted a wide-ranging economic reform program which has transformed the economy into one of the better-performing in the Pacific.

132. Samoa's economic reforms, launched in 1993, resulted in macroeconomic stabilization and comprehensive structural reforms, which contributed to rapid economic growth in the second half of the 1990s. More recently, after two successive years of strong economic growth (over 6 percent), Samoa's real GDP declined in 2002-03 (see Figure 10), owing to a sharp contraction in agriculture (caused by unfavorable weather conditions) and a slowdown in construction activity (due to the completion of several public works projects). Growth improved in 2003, but was then affected by Cyclone Heta at the start of 2004. The forecast for growth in 2005 is 3.2 percent. Inflation spiked to 16 percent in 2004 due to the impact of Cyclone Heta at the start of the year..

**Figure 10. Growth in Samoa's Real GDP during 1999-2005.**

133. Fiscal performance has been encouraging as the budget deficit declined from 2 percent of GDP in 2002 to an average of 0.8 percent of GDP in 2003-04. Public debt declined from 60 percent of GDP in 2001 to an estimated 50 percent of GDP in 2004.

134. As a result of higher imports and lower net transfers, the current account deficit declined from 0.7 percent of GDP in 2003 to 1.0 percent of GDP in 2004. International reserves stand between four and five months of imports of goods and services.

135. The economy depends mainly on agriculture, fishing, construction, tourism and remittances. The agriculture sector, accounting for 7 percent of GDP in 2003, is regaining its strength from the aftermath of Cyclone Heta. The fisheries sector (15 percent of GDP in 2003) has been in decline for several years due to low catch rates caused by poor weather conditions. The construction industry (value-added construction of 6 percent of GDP in 2003) has recently received a boost from preparation for the 2007 South Pacific Games and other planned private sector projects. Tourism earnings continue to grow, with an increase of 4 percent from 2002 to stand at 17 percent of GDP in 2003. Officially recorded remittances are about 40 percent of GDP and have been increasing over time (unofficial remittances are thought to be of a similar order of magnitude).

## 2. Outlook

136. Samoa continues to enjoy political stability and demonstrate a commitment to economic management. With the positive results from its reform program in the 1990s, including rationalization of the public sector, Samoa has laid much of the ground work for continued economic performance. The government now faces the challenge of building on its achievements to enhance the environment for private sector-led growth. The government has called for deregulation of the financial sector with continued fiscal discipline, and encouragement of investment, while protecting the environment. Programs are underway which should help to improve the investment climate (such as reform of key utilities and improving the regulatory regime). These and other 'second-generation' challenges, such as improving the capacity to use

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land for collateral and investment, may prove to be equally if not more challenging than earlier reforms, but are critical to provide the basis for future economic advances.

### **3. Key Issues Shaping the World Bank's Involvement**

137. The World Bank has a strong historical relationship with the Government of Samoa. Since Samoa became a Bank member in June 1974, 13 IDA credits totaling US\$70.5 million have been made to support the agriculture, telecommunications and power, finance, transportation, and health sectors.

138. The Bank's longstanding partnership with the Government of Samoa is reflected in a substantive program that combines lending, technical assistance, and analytical work. This program will continue to evolve over 2005-08. The Bank will continue to assist the government in consolidating its "first generation" reforms of public expenditure management reforms with a focus on key MDG areas, such as the health and infrastructure sectors. The Bank will continue its assistance in helping the government to manage the risks of Samoa's vulnerability to natural hazards. In addition, the Bank will increasingly seek to inform and advance the government's "second generation" reforms of interventions supporting the domestic business climate and private sector development. Continued support for the liberalization of the telecommunications sector will be an important element.

139. As an IDA recipient, Samoa takes full advantage of this instrument while engaging donor partners in a program of assistance that responds to the increasing sophistication of the country's development needs. The government provides clear direction on the roles to be played by different donors, including the Bank. The Bank activities described in Table 23 have been determined through dialogue with the government, and in accordance with the priorities set out in its *Strategy for the Development of Samoa*.

140. Samoa's IDA14 allocation over FY2006-08 is expected to be SDR 7.5 million. This amount is indicative only. The actual amount will depend on (a) the country's own performance, (b) its performance relative to the performance of other IDA recipients, (c) the amount of overall resources available to IDA, and (d) the terms of financial assistance provided (grants versus loans). Subject to further discussions with the government, this allocation may be focused on key infrastructure or other public expenditure management priorities.

Table 23. Summary of World Bank Assistance Program to Samoa

<i>Strategic Pillar &amp; Focal Area</i>	<i>World Bank Activities</i>	<i>Expected Impacts</i>
<p><b>Strengthening government capabilities in service delivery.</b></p> <p>Improving the effectiveness of public expenditures in the social sectors.</p> <p>Improving the public expenditure management of infrastructural assets.</p> <p>Safeguarding service delivery by improving resilience to natural hazards.</p> <p><b>Improving the incentives for private sector growth and employment.</b></p>	<p><b>Health sector reform - Health Sector Management Project</b> (US\$5.0 m IDA Credit; approved 09/14/2000; closing date 03/31/2006). . The Government of Samoa has made the development of a strong and effective health care service a national priority. While Samoa's human development indicators are good, the country continues to face challenges, such as the increasing prevalence of lifestyle diseases, the need for broader access to services, and the high costs of maintaining expensive overseas health treatment. The Bank, through an IDA Credit, is supporting the government's focus on effective service delivery through its health sector program, which forms part of a coordinated sector approach also involving AusAID.</p> <p><b>Procurement Reforms and Capacity Development</b> (TA; IDF Grant US\$176,000). Support to implement public procurement reforms and procurement capacity building. The activity will involve the preparation of procurement manuals and standard bidding documents to help Government officials manage public procurement.</p> <p><b>Maintenance of key economic infrastructure - Second Infrastructure Asset Management Project</b> (US\$12.8 m IDA Credit; approved 12/29/2003; closing date 12/31/2008). Samoa has been successfully implementing an infrastructure asset management reform program in the transport sector since the late-90s with the Bank as its key partner. This program aims to improve urban and rural access to safe, efficient and reliable infrastructure and services, recognizing that the removal of infrastructural impediments is vital to broad-based economic growth. Through a series of IDA Credits, the Bank is helping the government to implement the institutional and management reforms which underpin its ability to ensure that vital transport infrastructure is upgraded and maintained</p> <p><b>Managing the risk posed by natural hazards - Infrastructure Emergency Recovery Project</b> (US\$4.3 m IDA Credit; approved 04/29/2004; closing date 12/31/2006). . Three destructive and economically disruptive cyclones in the last 15 years have illustrated the extent of Samoa's vulnerability to natural hazards. In addition to providing reconstruction assistance, the Bank is also working with the government to establish a more proactive approach to the management and mitigation of disaster risks. It is estimated that the disaster risk measures that the government has put in place under this approach have helped to reduce the economic impacts of cyclones by as much as \$165 million. The Bank is now supporting Samoa in further strengthening vital coastal infrastructure.</p>	<ul style="list-style-type: none"> <li>• Improved functional and technical quality of health care.</li> <li>• Improved procurement environment which is both more efficient and transparent.</li> <li>• Key infrastructure assets perform satisfactorily with increased resilience to natural risks and are managed through an effective partnership with private sector stakeholders</li> <li>• Resilience of coastal infrastructure assets and livelihoods of inhabitants impacted by Cyclone Heta will be recovered and improved to sustainable levels.</li> </ul>

<i>Strategic Pillar &amp; Focal Area</i>	<i>World Bank Activities</i>	<i>Expected Impacts</i>
Reducing the costs of doing business.	<p><b>Removing obstacles to new business development (TA).</b> The government is building on this to further improve the climate for private sector development, including through a focus on the removal of obstacles to new business development and job creation. A public-private sector task force and working groups will be established to oversee a regulatory reform process. The Bank is providing technical assistance together with FIAS, with work on the Doing Business indicators to be integrated within this approach.</p> <p><b>Improving telecommunications services - Telecommunications and Postal Sector Reform Project</b> (US\$4.48 m IDA Credit; approved 04/29/2004; closing date 12/31/2006). . Access to reliable and reasonably priced telecommunications is a key component of the objective of fueling private sector growth. The government has taken steps to liberalize the sector, with promising early results. Samoa's efforts place it at the forefront of the Pacific in terms of telecommunications reform. The Bank is actively supporting these measures through an IDA Credit which is supporting advice on strategies to promote competition and on strengthening the regulatory framework.</p> <p><b>Support for small to medium enterprises.</b> The IFC's program in Samoa will continue to be delivered by the Pacific Enterprise Development Facility (PEDF). PEDF, as in the past, will work on private sector development with a focus on small and medium enterprises (SME's), the tourism sector, and looking to identify opportunities for both IFC investment and advice.</p>	<ul style="list-style-type: none"> <li>• Dialogue between Government and the private sector resulting in collaborative action to reduce obstacles to private sector development.</li> <li>• Access to communications services will be extended and enhanced, reduced cost of communications services.</li> <li>• Improved conditions to enable domestic (and foreign) investment to occur more rapidly.</li> </ul>
Strengthening the management and sustainability of the resource-based sectors.		
Improving access to regional labor markets.		

#### 4. Donor Coordination

141. The Government has highlighted the need for improved coordination given the demands arising from its interaction with a large number of donors. The Bank is part of a sector approach in health and is cooperating with other partners in other sectors, particularly private sector development. Table 24 describes the nature of the assistance provided by Samoa's other development partners.

**Table 24. Activities of Other Development Partners**

<i>Development partner</i>	<i>Primary activities</i>
ADB	The Country Strategy and Program Update 2005-2006 (August 2004) identifies the following priorities for ADB assistance: enhancing access to and quality of education; enhancing the environment and public health of Apia; meeting the growing demand for power; ensure sound fiscal and macroeconomic policies; rationalizing state-owned enterprises and; improving the institutional and policy framework for the private sector. The ADB has two active lending operations in Samoa: Sanitation and Drainage Project (US\$8.3 million ADF Credit; approved 10/27/2003; closing 06/30/2009) and the Small Business Development Project (US\$3.9 million ADF Credit; approved 11/21/2003; closing 08/31/2006. Two lending operations totaling US\$ 15.0 million (ADF Credits) are proposed for 2005: Education Sector Project II (US\$5.0 million) and Savai'i Renewable Energy Project (US\$10.0 million). No lending operations are currently scheduled for 2006.
Australia	In 2003-04 Australia provided bilateral aid (estimated at A\$ 11.8 million for 2003-04 plus supplementary funding of A\$2 million provided through the Policy & Management Reform Fund), concentrated in the areas of economic reform and governance (including assistance to the Public Services Commission, Immigration Division, Samoa Police Force and Treasury Department); education and training (including scholarship programs for Samoans to study in Australia, assistance to the Department of Education); health services, environment and natural resources (including improvements to management of the Ministry of Agriculture, Fisheries, Forestry and Meteorology).
European Union	Samoa receives donor assistance from the following EC institutions and sources: the Center for the Development of Enterprise (CDE), European Investment Bank (EIB), National Indicative Programmes (NIP) and non-programmable aid (STABEX). Under the 9 <sup>th</sup> European Development Fund, Samoa has been allocated a total of Euro 27.1 million. The focal sector for these grant funds will remain water supply and sanitation projects which represents a continuation of previous EC involvement in the water sector. Euro 4 million of the total will be allocated to "non-focal" micro-project activities supporting village economies.
Japan	In FY03 (April 1, 2003 to March 31, 2004) Samoa received US\$6.08 million in grant funds from the Ministry of Foreign Affairs. In addition, over the same period, JICA provided TA totaling US\$5.4 million in the environment, infrastructure and agriculture sectors. Volunteers were involved in programs that included: livestock management; fish farming; port management; telecommunications; and income generation for women. Total development assistance from Japan amounted to US\$11.48 million. The Government of Japan has no active lending operations in Samoa at present.
New Zealand	The NZAID Samoa program in 2004/05 was \$8.29 million. NZAID's program focuses on education and training (52% of funds) which includes: secondary curriculum policy and resource development, a national assessment framework, NZ and regional tertiary scholarships and short term in-country training/vocational training. In health (14% of the allocation), NZAID has supported child health initiatives, nurse training, outreach service delivery and secondary and tertiary medical treatment. New initiatives include the Public Sector Improvement Facility which is a 5 year harmonized activity with AusAID (NZAID contributes NZ\$1million per year) and a \$1.5 million institutional strengthening project in the justice sector. In addition, NZAID is working with GoS and AusAID to develop a six-year Joint Samoa Program Strategy.
Others	The following UN agencies have activities: FAO, ICAO, IFAD, IMO, ITU, UNCTAD, UNESCO, UPU, WHO, WIPO, WMO, UNEP, ITC, UNFPA, UNICEF, UNDP