TRADE, COMMERCE AND MANUFACTURING SECTOR PLAN

2012-2016

Sector Vision

Maximize the gains from domestic and foreign trade and enhance productivity, income generation opportunities and equitable sustainable livelihoods for all Samoans

Sector Theme

Productivity, value-adding, competitiveness, income generation and fair trade

VOLUME I:
BACKGROUND INFORMATION AND SITUATION ANALYSIS

FA'AVAE I LE ATUA SAMOA

UNDP

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Resilient nations.

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The Trade, Commerce and Manufacturing Sector Plan was developed at the behest of the Government of Samoa through a partnership between UNDP and the Ministry of Finance, Ministry of Foreign Affairs and Trade and Ministry of Commerce, Industry and Labour. The Task Force and Steering Committee included key members of the Government, private sector, civil society and UNDP.

Editor:	*Ellen Meleisea*
Design and Layout:	*Dorothy E.S. Cocker-Tusa, Commercial Printers Ltd and Salote Meredith, Economist - UNDP*
Printer:	*Commercial Printers Ltd, Motootua*
Main Technical Adviser:	*Ahmed Moustafa, UNDP Pacific Centre*

This publication is available from:

Assistant Chief Executive Officer
Trade Division
Ministry of Foreign Affairs and Trade
Apia

Assistant Chief Executive Officer
Fair Trading and CODEX Division
Ministry of Commerce, Industry and Labour
Apia

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ACRONYMS A-E

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

ACRONYMS E-M

EFTPOS	Electronic Funds Transfer At Point of Sale
EIF	Enhanced Integrated Framework
EPA	Economic Partnership Agreements
EPC	Electricity Power Corporation
EPPD	Economic Planning and Policy Division
EU	European Union
FAO	Food and Agriculture Organization
FD	Fisheries Division
FFA	Forum Fisheries Agency
FICs	Forum Island Countries
FOB	Free On Board
FPA	Fisheries Partnership Agreements
FTA	Free Trade Agreements
FY	Financial Year
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GEF	Global Environment Facility
GIFT	Genetically Improved Farmed Tilapia
GoS	Government of Samoa
HACCP	Hazard Analysis and Critical Control Point
HDI	Human Development Index
HIES	Household Income and Expenditure Survey
HTFA	High Temperature Forced Air
ICCAI	International Climate Change Adaptation Initiative
ICT	Information and Communication Technology
IDC	Inter-Departmental Committee
IF	Integrated Framework
IFC	International Finance Corporation
IFSC	Integrated Framework Steering Committee
IHE	Institute of Higher Education
IMF	International Monetary Fund
IOT	Institute of Technology
IPR	Intellectual Property Rights
ISD	International Subscriber Dial
ISO	International Standards Organization
ISP	Institutional Strengthening Project
ISP	Internet Service Provider
IT	Information Technology
ITC	International Trade Centre
IUU	Illegal, Unregulated and Unreported
LDC	Least-Developed Country
LDCF	Least Developed Country Fund
LTA	Land Transport Authority
M&E	Monitoring and Evaluation
MAF	Ministry of Agriculture and Fisheries
MALIAT	Multilateral Agreement on the Liberalization of International Air

ACRONYMS M-P

MCS	Monitoring, Control and Surveillance
MDGs	Millennium Development Goals
MFAT	Ministry of Foreign Affairs and Trade
MfR	Ministry for Revenue
MNRE	Ministry of Natural Resources and Environment
MoF	Ministry of Finance
MoH	Ministry of Health
MPMC	Ministry of the Prime Minister and Cabinet
MPP	Ministry of Police and Prisons
MESC	Ministry of Education, Sports, and Culture
MSMEs	Micro, Small and Medium Enterprises
MT	Metric Ton
MTEF	Medium Term Expenditure Framework
MW	Megawatt
MWCSD	Ministry of Women, Community and Social Development
MWTI	Ministry of Works, Transport and Infrastructure
NAPA	National Adaptation Plan of Action
NASAA	National Association for Sustainable Agriculture, Australian
NCDs	Non-Communicable Diseases
NEA	National Export Authority
NES	National Export Strategy
NGHGAS	National Greenhouse Gas Abatement Strategy
NGDP	Nominal Gross Domestic Product
NGO	Non-Governmental Organization
NPSO	National Private Sector Organisation
NTFC	National Trade Facilitation Committee
NTS	National Trade Strategy
NUS	National University of Samoa
NWCTA	National Working Committee on Trade Arrangements
NWU	Northwest Upolu
NZAID	New Zealand International Aid and Development Agency
NZAP	New Zealand Aid Programme
NZQA	New Zealand Qualifications Authority
OCO	Oceania Customs Organisation
ODA	Overseas Development Assistance
ODS	Ozone Depletion Substances
OECD	Organisation for Economic Co-operation and Development
OSH	Occupational Safety and Health
OUM	Oceania University for Medicine
PACER	Pacific Agreement on Closer Economic Relations
PACC	Pacific Adaptation to Climate Change Project
PACP	Pacific ACP members
PASO	Pacific Air Safety Office
PASP	Public Administration Sector Plan
PD	Paris Declaration
PDF	Project Development Fund

ACRONYMS P-S

PEFA	Public Expenditure Framework Assessment
PEPD	Policy and Economic Planning Division
PGI	Poverty Gap Index
PIASA	Pacific Islands Air Services Agreement
PICTs	Pacific Island Countries and Territories
PICTA	Pacific Islands Countries Trade Agreements
PIF	Pacific Islands Forum
PIFS	Pacific Islands Forum Secretariat
PIGGAREP	Pacific Islands Green House Gas Abatement through Renewable Energy Project
PNA	Parties to the Nauru Agreement
PRIDE	Pacific Regional Initiative for Basic Education
PSC	Public Service Commission
PSSA	Private Sector Support Allocation
PSSF	Public Sector Support Facility
QA	Quality Assurance
R & D	Research and Development
RDIS	Research and Development Institute of Samoa
REER	Real effective exchange rate
ROO	Rules of Origin
RoU	Rest of Upolu
RSE	Recognized Seasonal Employer (Scheme)
RTFP	Regional Trade Facilitation Programme
SAF	Structural Adjustment Facility
SAME	Samoa Association of Manufacturers and Exporters
SAT	Samoan Tala
SBEC	Small Business Enterprise Centre
SBS	Samoa Bureau of Statistics
SCA	Samoa Cattle Association
SCCF	Special Climate Change Fund
SDS	Strategy for the Development of Samoa
SDT	Special and Differential Treatment
SEA	Samoa Export Authority
SES	Statement of Economic Strategy
SFA	Samoa Farmers Association
SHA	Samoa Hotel Association
SHC	Samoa Housing Corporation
SICs	Smaller Island Countries
SIFA	Samoa International Finance Authority
SLC	Samoa Land Corporation
SMEs	Small to Medium Enterprises
SNPF	Samoa National Provident Fund
SOE	State Owned Enterprise
SOPAC	Pacific Islands Applied Geo-science Commission
SPA	Samoa Ports Authority
SPARTECA	South Pacific Regional Trade and Economic Cooperation Agreement

ACRONYMS s-v

SPC	Secretariat of the Pacific Community
SPELL	Samoa Primary Education Literacy Level
SPG	South Pacific Games
SPGI	Severity Poverty Gap Index
SPIN	South Pacific Island Network
SPS	Sanitary and Phyto-Sanitary
SQA	Samoa Qualifications Authority
SQUID	Samoa Quarantine Information Database
SROS	Scientific Research Organisation of Samoa
SSC	Samoa Shipping Corporation
SSS	Samoa Shipping Services
STA	Samoa Tourism Authority
STEC	Samoa Trust Estate Corporation
STIA	Samoa Trade and Investment Authority
STIB	Samoa Trade and Investment Board
SUNGO	Samoa Umbrella for Non Governmental Organisations Inc.
SWA	Samoa Water Authority
SWAp	Sector Wide Approach
SWOT	Strengths, Weaknesses, Opportunities and Threats
TA	Technical Assistance
TAFTA	Thailand-Australia Free Trade Agreement
TBT	Technical Barriers to Trade
TCI DB	Trade, Commerce and Industry Development Board
TCM	Trade, Commerce and Manufacturing
TCMSP	Trade, Commerce and Manufacturing Sector Plan
TDMP	Tuna Development and Management Plan
TDP	Tourism Development Plan
TMNP	Temporary Movement of Natural Persons
TPS	Trade Policy Statement
TRIPS	Trade Related Intellectual Property Rights
TTRP	Tsunami Tourism Reconstruction Programme
UK	United Kingdom
UNCLOS	United Nations Convention on the Law of the Sea
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNFCCC	United Nations Framework Convention on Climate Change
UNFSA	United Nations Fish Stocks Agreement
UTOS	Unit Trust of Samoa
US	United States
US FDA	US Food and Drugs Administration
USP	University of the South Pacific
VAGST	Value-Added Goods and Services Tax
VCO	Virgin Coconut Oil
VF-MAC	Village Fisheries Advisory Committee

ACRONYMS V-Y

VFR	Visiting Friends and Relatives
VMS	Vessel Monitoring System
WCO	World Customs Organization
WCPFC	Western Central Pacific Fishery Commission
WCPO	Western and Central Pacific Ocean
WIBDI	Women in Business Development Inc
WIPO	World Intellectual Property Organization
WTO	World Trade Organization
YES	Yazaki EDS Samoa

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EXECUTIVE SUMMARY

The economy of Samoa is based mainly on the agriculture and fisheries sectors, and is reliant on development aid and workers' remittances. Samoa has a relatively open economy with a very narrow export base and a persistent and sizable trade deficit. Samoa also has a narrow tax base and depends mainly on external financing for its budget. Sustaining its development currently greatly depends on enhanced budget support. The Trade, Commerce and Manufacturing Sector Plan proposes strategies and interventions that will propel development in the trade, commerce and manufacturing sector, create employment and reduce poverty levels through stimulation of production and of value addition, resulting in increased incomes, welfare and purchasing ability by Samoans of goods and services. In the long run, effective implementation of this sector plan will enable the government to widen Samoa's tax base and thereby source income to finance social services and other programmes.

Samoa's export structure comprises mainly agriculturally based goods with minimal value adding. During the period between 2000 and 2010, merchandise trade recorded a widening deficit, while net services recorded a small surplus, resulting in an overall negative balance of trade. Throughout this period, the balance of trade deficit was mainly financed by receipts from tourism, remittances and foreign aid.

The agriculture and fisheries sectors employed two-thirds of the labour force and contributed 90 per cent of exports in 2010. These sectors contributed 11.5 per cent of Gross Domestic Product (GDP) in 2010, down from 20 per cent in 1998. The industrial sector (including utilities and construction) contributed 26.6 per cent of GDP in 2010. Meanwhile, the contribution of the services sector to GDP rose from 56 per cent in 1998 to around 62 per cent of GDP in 2010, of which tourism accounted for 25 per cent of GDP.

Despite Samoa having a natural comparative advantage in a wide range of products and good potential for agro-processing, the trend in the manufacturing sector indicates that this potential has not been optimally utilized. The manufacturing sector, which processes mainly agricultural products, contributed around 8.5 percent of exports in 2010, down from 14.5 percent in 1998. The sector remains an important contributor to export and employment generation, however, with significant growth potential.

The characteristics of the manufacturing sector in Samoa are similar to those of other small economies: (i) firms tend to have narrow product ranges and low capacity utilization, (ii) there is a relatively small number of medium-sized firms, accounting for a high proportion of the sector's total turnover, (iii) there is a larger number of small enterprises, which produce primarily for the local market and are frequently dependent on imported raw materials; (iv) exports are dominated by processed traditional commodities, primarily coconut oil, coconut cream, copra and nonu and (v) there is a lack of economies of scale. A major challenge for Samoa is to revive the primary sector through initiatives to redevelop traditional crops, together with diversification and value addition through industry. The plan's implementation matrix proposes strategies to improve the situation, within a set timeframe.

While trends in manufacturing have not been positive, the commerce sector in Samoa showed growth during the period between 1998 and 2010, with the exception of the years 2003, 2008 and 2009. Its share of GDP grew from 16 per cent in 1998 to 19 per cent in 2010, indicating growth in Samoa's domestic market as the GDP per capita continues to grow in real terms. The private sector contributes nearly 100 percent of commerce activities.

The Government of Samoa has made significant progress in creating a level field in the domestic market and protects Samoan consumers and businesses from unfair practices. Consumers and traders are increasingly aware of their legislative obligations through the various awareness programmes carried out, particularly during the annual celebrations for World Consumer Rights Day (WCRD) held on 15 March each year. A major achievement has been the increased involvement of Samoa in international and regional Codex foras, which have contributed immensely to the capability and capacity of the responsible ministries in developing national food standards.

Nonetheless, several deficiencies in legislation and administration still persist. On the legislative side, for instance, revising and updating the Measures Ordinance Act 1960, including all necessary amendments, and developing the Food Labelling Standards and Food Safety and Hygiene Standards are the highest priority. This work should be complemented by a public sector awareness-raising campaign and a capacity building programme for the governmental agencies responsible for administering the new regulations. Specific interventions and strategies are proposed in the implementation matrix of this sector plan.

The Strategy for Development of Samoa (SDS) prescribes, as a key aim in contributing to the development of Samoa, Private Sector Led Economic Growth and Employment Creation (Goal 2). In 2006, the private sector accounted for about 58 per cent of GDP and two thirds of formal employment. Hence, accelerating economic growth is possible only through private sector development. The Government of Samoa has therefore scaled up its efforts to enhance the enabling environment for the private sector, including providing various support schemes (e.g. the Duty Concession Scheme, Code 121, the Private Sector Support Facility and the repealed Enterprises Incentives Scheme 1998/99).

Despite the above-mentioned government initiatives, the private sector in Samoa still faces numerous challenges, some of which are inherent as a consequence of the geographic and demographic characteristics of Samoa. Other challenges are a product of a combination of persistent policy characteristics, such as the high costs of doing business. There is a need for more coherent trade and industrial policies that are geared towards promoting the manufacturing sector and that target particular clusters, based on Samoa's comparative advantages. In addition, the private sector needs improved management and marketing capacity, particularly export-oriented expertise. Many businesses fail to take advantage of the government support schemes due to lack of awareness and lack of capacity, among other reasons. Thus, this major deficiency in awareness among the business community and consumers also needs to be addressed.

The Trade, Commerce and Manufacturing Sector Plan (TCMSP) derives its vision "Maximise the gains from domestic and foreign trade and enhance productivity, income generation opportunities and equitable sustainable livelihoods for all Samoans", overarching theme " Productivity, value-adding, competitiveness, income generation and fair trade" and development outcomes and, consequently, sector policy objectives and targets, from the SDS. In line with the sector-wide planning approach adopted by the Government of Samoa, the trade, commerce and manufacturing (TCM) sector encompasses three key productive and distributive sub-sectors:

A) Foreign Trade
B) Commerce: domestic trade (wholesale and retail) of goods and services.
C) Manufacturing

Two main government bodies are entrusted with governing the foreign trade sector, namely the Trade Division at the Ministry of Foreign Affairs and Trade (MFAT) and the Ministry of Commerce, Industry and Labour (MCIL), which is also mandated with labour and employment affairs. The mandate of this sector does not include hotels, accommodation and restaurants; personal and other services; real estate, banking, insurance and financial services; transportation; and communication. These sectors, as well as the agricultural, are closely linked to the TCM sector and such linkages are highlighted in this plan together with mechanisms for enhancing the same. In addition, the plan proposes coordination mechanisms with relevant government agencies mandated with those sectors.

The TCMSP was developed through the collective effort of a task force, comprised of a steering committee, chaired by the Ministry of Finance, which provided oversight and guidance to the task force and is expected to also play this role in the implementation phase. The United Nations Development Programme (UNDP) Samoa multi-country office and Pacific Centre provided technical and financial assistance for the development of the plan. The implementation of this sector plan is entrusted to two main lead agencies: the MFAT Trade Division and the MCIL.

The plan aims to enable effective development in trade, commerce and manufacturing as well as to enhance investment, thus resulting in increased employment, incomes and equitable distribution of the benefits, leading towards poverty eradication.

The four key components of the plan are as follows:

1. A situation analysis, outlining sub-sector performance constraints and challenges.
2. Clear and coherent sector-wide policy objectives and outcomes, distinguishing the government's regulatory role from its service and support delivery roles, and clarifying the roles of the private sector, development partners and other key stakeholders.
3. A detailed Interventions matrix that identifies the roles of respective government divisions and necessary implementation requirements and priority levels.
4. A performance monitoring and evaluation mechanism, with clear results-oriented indicators, linked policy objectives and planned outcomes. The monitoring and evaluation mechanisms are integrated into the actions and implementation matrix.

The TCMSP identifies the overall sector vision, theme, strategic priority areas of investment and sector policy objectives (SPOs) as well as targeted outcomes under each sector policy objective. In

addition, it covers the detailed implementation strategies and concrete interventions for each sub-sector covered by the plan as well as the macroeconomic environment and key relevant sectors and sub-sectors (e.g. agriculture and tourism). Furthermore, the TCMSP identifies concrete interventions and support needed to create an enabling environment for the private sector, and offers preliminary recommendations to enhance the capacity of implementing agencies. There remains a need, however, to undertake a detailed capacity assessment of key implementing agencies and to prepare a capacity development plan for them, to ensure the efficiency and effectiveness of the implementation of the TCMSP and achievement of its desired objectives and outcomes.

The interventions matrix provides a portfolio of initiatives and projects to be implemented, capitalizing on a coherent sector-wide approach. Initiatives and projects are clearly linked to outcomes and policy objectives. Performance and impact indicators are provided at the outcome, target, output and activity levels for an enhanced monitoring and evaluation framework. The TCM steering committee will continue to oversee, guide and monitor the implementation of the TCMSP. A coordination unit will be established that will be responsible for ensuring that the implementation of the TCMSP is carried out according to the set timelines. This unit will report to the steering committee on a regular basis. It is crucial to avoid the emergence of parallel policies and processes and duplication of interventions and efforts; thus, it is essential to ensure buy-in of all key stakeholders, a necessity that has been emphasized since the early stages of the inception and development of the TCMSP. For the success of this plan, it is essential that there is sustained adjustment of government expenditure towards its implementation. The plan contains initiatives towards the removal of the most binding constraints of economic development in the sector.

The overarching development outcomes of the plan, based on the Samoa Strategy for Development 2008-2012, are as follows:

- Improved quality of life for all Samoans.
- Enhanced sector's contribution to inclusive, stable and balanced economic growth.
- Enhance the enabling environment for private sector as the main engine for economic growth.
- Enhanced sector's contribution to broadening and diversifying the Samoan economic base.
- Enhanced sector's contribution to the augmentation of economic and social resilience.
- Enhanced sector's contribution to sustainable development and the achievement of the Millennium Development Goals, particularly employment generation and poverty reduction.

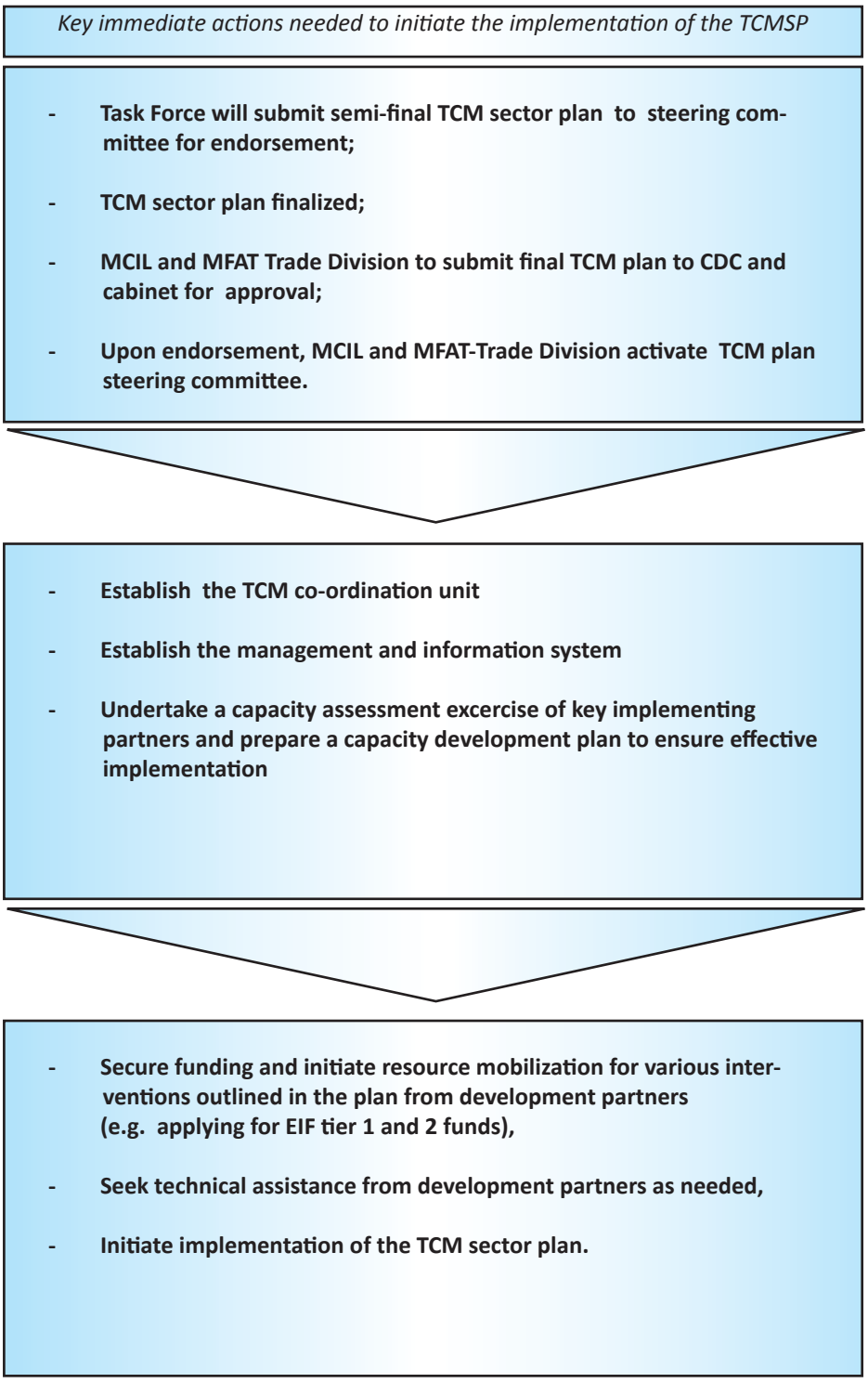
The TCMSP is designed to achieve six key sector-wide policy objectives within a timeframe of four fiscal years (2012-2016), in line with the overall government planning cycle for all sectors. The sector policy objectives will be achieved through designing and implementing interventions that target specific outcomes under each policy objective.

The effective implementation of the plan and the achievement of its objectives and intended outcomes, as well as the sustainability of projects and programmes envisaged in the plan, will primarily depend on the timely availability of adequate funds and the capacity of implementing agencies and key stakeholders. The planned interventions were categorized in terms of priority level: high priority (P1), medium priority (P2) and low priority (P3), as well as in terms of likely timeframe: short term (ST), medium term (MT) and long term (LT). The long term activities are activities that may be initiated during this planning cycle but will run into the following planning cycle. The priority settings were based on a comprehensive situation analysis and wide consultation undertaken during the course of preparing this plan, the Diagnostic Trade Integrated Study (DTIS), pro-poor, inclusive growth policy analysis studies, the Samoa National Millennium Development Goals report and the recent Household Income and Expenditure Survey and agriculture surveys. The costing was done at the level of activities and estimated total costs were integrated into the implementation, monitoring and evaluation framework (Chapter 10). The three different budget scenarios are built on the priority settings so as to include all activities for implementation in the high cost scenario, restrict the medium cost scenario to the implementation of high and medium priority activities, while the baseline scenario is restricted to the implementation of only high priority activities. The following table summarizes the policy objectives, targeted outcomes and the respective resource requirements under the different budget scenarios.
Table I: SPOs, outcomes and total resource requirements (4 years; estimates in millions of Tala)

Targeted Outcomes	Basic Cost Scenario	Medium Cost Scenario	High Cost Scenario
SPO 1: Strengthen sector policy, legal, regulatory and strategic planning			
1. 1. A coherent sector plan and policy formulated and implemented.	2.30	2.30	2.30
1. 2. TCMP approved by Cabinet in 2012 and complete implementation by 2015.	2.70	2.70	2.70
1. 3. Reliable and updated sector statistics for planning and M&E produced.	2.50	3.30	3.30
1. 4. Institutional capacity of TCMP implementing divisions enhanced.	9.00	9.00	9.00
SPO Subtotal	16.50	17.30	17.30
SPO 2: Enhance the enabling environment for the private sector as the main engine for economic growth and enhance its productivity, value adding and trade capacity			
2.1 Business environment improved and cost of doing business reduced, including costs, procedures and time of business and commercial processes.	1.60	3.95	4.95
2.2 Efficiency, effectiveness and impact of various private sector support schemes enhanced: No. of private sector firms benefitting from various PSSF schemes increased; targeting enhanced; costs, procedures and time needed to , apply for PSS schemes reduced and business community awareness of PSS schemes enhanced.	11.80	12.10	12.60
2.3 Private sector's productivity, capacity utilization and access to finance, training and technology enhanced.	2.20	3.90	4.60
2.4 Private sector's contribution to inclusive growth and MDGs achievement enhanced.	3.30	5.30	5.30
2.5 Development of policies and laws to protect Intellectual Property Rights and that encourage innovation.	1.80	2.60	2.60
SPO Subtotal	20.70	27.85	30.05
SPO 3: Enhance the effectiveness of market mechanisms and the growth of commercial activities and create a level playing field for all in the domestic market			
3.1 Domestic market regulatory and legislative framework created and implemented.	5.80	10.01	10.11
3.2 The effectiveness of regulations and legislations addressing market imperfections, including administration and monitoring mechanisms, enhanced.	4.30	4.30	4.30
3.3 Levels of awareness of consumers and producers enhanced.	1.60	1.60	1.60
3.4 The mechanisms for addressing non-compliance and conflict resolution enhanced.	0.10	1.30	2.30
3.5 Commerce sector's contribution to inclusive growth and MDGs achievement enhanced.	0.30	0.30	0.30
SPO Subtotal	12.10	17.51	18.61

Targeted Outcomes	Basic Cost Scenario	Medium Cost Scenario	High Cost Scenario
SPO 4: Boost Samoa's capacity to engage in and reap the gains from trade through enhancing competitiveness, reducing trade deficit to sustainable levels and promoting export			
4.1 Competitiveness, the volume and value of exports enhanced and balance of trade improved.	0.80	1.30	2.30
4.2 Share of domestic value added in total exports enhanced.	3.00	3.40	4.90
4.3 Market access through new FTAs and/or activation of existing FTAs enhanced.	0.50	3.70	3.70
4.4 Facilitate the Implementation of commitments made in trade agreements and monitor the development implications.	2.30	2.40	2.40
4.5 SPS, TBT Hygiene and quality assurance legislations, institutions, implementation and monitoring mechanisms enhanced and number of rejected export shipments reduced.	1.50	2.50	3.50
4.6 The value, quality of services trade and access to foreign markets enhanced.	2.00	4.00	6.30
4.7 Trade sector's contribution to inclusive growth and MDGs achievement enhanced.	1.50	1.50	6.50
SPO Subtotal	11.60	18.80	29.60
SPO 5: Create a conducive environment for industrial development and boost the manufacturing sector in Samoa			
5.1 Manufacturing sector output, exports, productivity and competitiveness increased.	12.00	21.00	21.00
5.2 Share of domestic value added in total manufacturing output and exports increased.	13.00	13.00	13.00
5.3 Average capacity utilization of domestic producers and exporters and employment in the manufacturing sector increased.	-	3.70	6.00
5.4 Manufacturing sector's contribution to inclusive growth and MDGs achievement enhanced.	5.00	5.60	5.60
SPO Subtotal	30.00	43.30	45.60
SPO 6: Enhance linkages and spillovers among productive sectors			
6.1 Primary sector quality, stability and quantity of supply enhanced, particularly inputs to the manufacturing sector.	1.00	1.00	3.00
6.2 Greater linkages and spill-over's among economic sectors achieved.	-	2.00	2.00
6.3 Impact on climate change reduced.	0.50	0.50	0.50
SPO Subtotal	1.50	3.50	5.50
Grand Total	92.40	128.26	146.66

Figure I:


Key immediate actions needed to initiate the implementation of the TCMSP
- Task Force will submit semi-final TCM sector plan to steering committee for endorsement;
- TCM sector plan finalized;
- MCIL and MFAT Trade Division to submit final TCM plan to CDC and cabinet for approval;
- Upon endorsement, MCIL and MFAT-Trade Division activate TCM plan steering committee.
- Establish the TCM co-ordination unit
- Establish the management and information system
- Undertake a capacity assessment excercise of key implementing partners and prepare a capacity development plan to ensure effective implementation
- Secure funding and initiate resource mobilization for various interventions outlined in the plan from development partners (e.g. applying for EIF tier 1 and 2 funds),
- Seek technical assistance from development partners as needed,
- Initiate implementation of the TCM sector plan.

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PART I:

INTRODUCTION AND INSTITUTIONAL FRAMEWORK

RECHARGE
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CHAPTER 1:

INTRODUCTION

A. Introduction

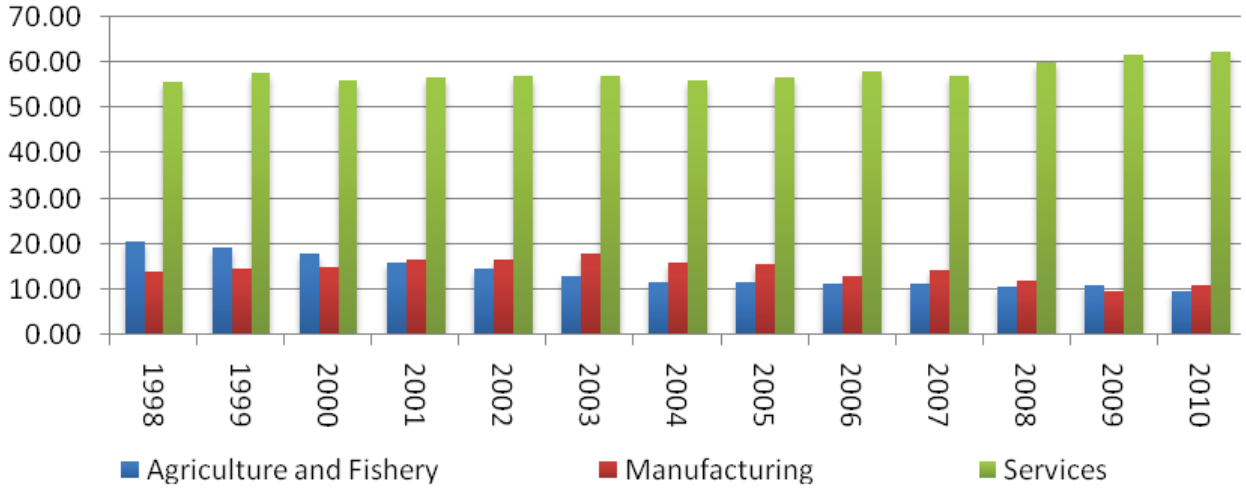
The Government of Samoa has defined the direction of its national reforms over many years through a series of policy documents with various names, but all integrated within the Strategy for the Development of Samoa (SDS). From these documents, government ministries and public bodies formulate their corporate plans and performance targets. Recent developments in public finance management reform identified the need to develop sector plans, complemented by medium term expenditure frameworks and investment plans to enhance the link between sector planning and the budgeting process.

The sector planning approach was therefore introduced, and a framework and guidelines were established. The Sector Planning Manual for Samoa (SPMS) 2009 provides the guidelines for developing sector plans in terms of content and format, scope and mandate, responsible agencies for development and implementation as well as procedural guidelines for approval, adoption, budgeting and resource allocation and monitoring and evaluation. The SPMS divides the Samoan economy into 14 sectors, which are identified and defined.

B. Background: Overview of the Samoan economy

The economy of Samoa has historically been dependent on agriculture and fishing, and, more recently, on development aid and remittances from Samoans working overseas. The agriculture and fisheries sectors combined employed two-thirds of the labour force and contribute 90 per cent of exports. These sectors contributed 11.5 per cent of GDP in 2010, down from 20 per cent in 1998. The fisheries sub-sector contributed around 6 per cent of GDP in 2009 and 2010, slightly down from an average of 8 per cent in 1998 and 1999. The industrial sector (including utilities and construction) contributed 26.6 per cent of GDP in 2010. The contribution of the services sector to GDP rose from 56 per cent in 1998 to around 62 per cent of GDP in 2010, of which tourism accounted for 25 per cent of GDP. The manufacturing sector, which processes mainly agricultural products, contributed around 8.5 per cent in 2010, down from 14.5 per cent in 1998. Samoa has a Foreign Trade Zone where one factory makes automobile electrical harnesses for an assembly plant in Australia, employing around 900 workers in 2011, down from nearly 3,000 in 2008. The contribution of each sector to GDP between 1998 and 2010 is illustrated in Figure 1.

Figure 1: Sectoral shares of GDP, 1998-2010



Source: Samoa Bureau of Statistics

Socio-economic parameters place Samoa in the medium level worldwide in terms of human development. Per capita income is slightly over USD$2,000 and the government spends 4.1 per cent of GDP on health while spending 4.5 per cent on education. Comparing the findings of the 2008 Household Income-Expenditure Survey (HIES) to that of 2003, the proportion of the population living below the Basic Needs Poverty Line rose from 20 per cent in 2003 to 26.5 per cent in 2008. The statistics indicate poverty over the past decade, with the proportion of the population living below the Basic Needs Poverty Line being 15.6 per cent in 1997.

The overall economy has major imbalances in two areas. One imbalance is in foreign trade. Total imports are about 50 per cent of GDP, whereas exports are only slightly over 25 per cent and, therefore, the ratio of imports to exports is high. Agricultural products make up about 90 per cent of exports, with relatively low value added. Any redress in the merchandise trade deficit originates from remittances (about 5 per cent of GDP), exports of services (e.g. tourism) and foreign aid. The performance of foreign trade reflects the overall performance of the productive sectors, mainly agriculture and manufacturing.
The other area of imbalance is in the sectoral distribution of the labour force. The agricultural sector's contribution to GDP is 11.5 per cent, and yet it employs 66 per cent of the labour force. The remaining 34 per cent of the labour force is employed mainly by two sectors: industry, which is mostly agro-processing manufacturing and construction (which contributes 26.6 per cent of GDP), and the service sector, which is mostly hotels and tourist services, and contributes 61.9 per cent of GDP.

As can be surmised, the economy of Samoa is rather fragile as it depends largely on a small number of agricultural products, tourism and remittances from abroad. With its dependence on natural resources, devastating storms increase the vulnerability of the island nation. The tsunami of 29 September 2009 was an example of a natural disaster that exacerbated the economy's fragility as it severely impacted the country's tourism sector, the economy's single most important foreign exchange earner.[1] It is important to keep in mind the country's very recent economic history and the projections for the year 2012-2013 when examining government revenues and the realism contained in the recommendations put forward in this report.

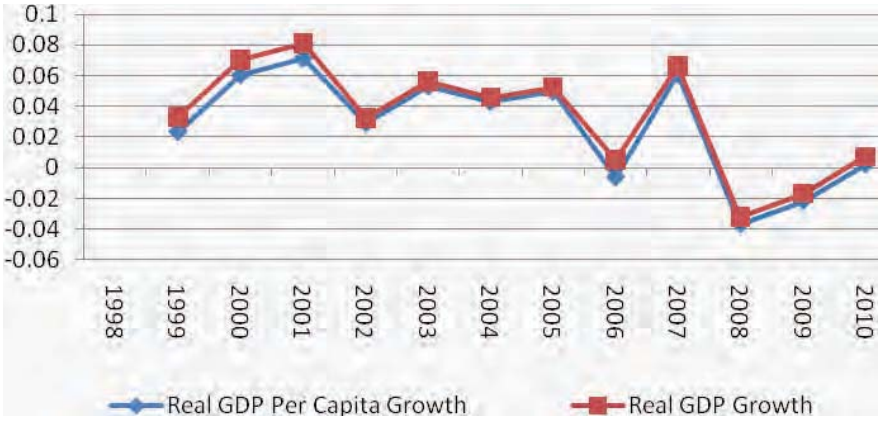


Figure 2. GDP and GDP per capita real growth rates, 1999-2010
Source: Samoa National Bureau of Statistics

The global economic crisis in 2008 had a harmful impact on the Samoan economy, resulting in negative growth for two consecutive years: 2008 and 2009. The declines in agriculture[2], tourism receipts, and remittances from abroad offset the growth in construction, manufacturing, transport and communications in financial year (FY) 2010 (ended 30 June 2010), leaving GDP flat. Even though visitor arrivals rose by 3.5 per cent to 131,300 in 2010, earnings from tourism fell by 6 per cent, with a total tourism income of United States Dollars (USD) 130 million, owing to a decrease in tourist spending per head. Remittances fell by 5.3 per cent to USD 148.8 million. Merchandise exports dropped slightly in 2010 compared to 2009, by 0.2 per cent, despite the relatively good performance of this sector during the first two quarters of 2010, led by strong performances from nonu fruit and coconut oil. Merchandise imports increased by 24 per cent, reflecting higher costs of fuel and imported food. A wider trade deficit, coupled with reduced remittances, saw the current account deficit worsen in 2010, rising to 8.1 per cent of GDP.

The overall balance of payments was in surplus, however, due to net disbursement of foreign loans to the government for tsunami reconstruction. Foreign exchange reserves of USD 165.7 million in June 2010 were equivalent to cover 7.6 months of imports. Inflation slowed to average of 1.2 per cent in 2010 as a result of falling commodity prices and subdued domestic economic activity. A stronger tourism marketing effort saw some positive impact in 2011, and private remittances should benefit from economic growth in Australia. For the first seven months of 2011, earnings from tourism and remittances rose by 4 per cent and 1.1 per cent, respectively. Growth rose to 3 per cent in 2012 in response to continued post-tsunami reconstruction and an expected increase in tourism. Inflation was projected to increase to around 3 per cent in 2010 as domestic economic activity picked up and as a result of higher global food and fuel prices[3].

[1] In addition to physical damage, the tsunami dealt a severe blow to confidence in Samoa as an attractive tourist destination. As a result of a decline in earnings from tourism following the tsunami, the economy contracted in 2010, and the impact was carried on to 2011. See: International Monetary Fund, Samoa, Country Report no: 10/2125.
[2] There are intents to diversify the agricultural sector. A World Bank designed project to develop the production of fruit, vegetables and livestock, and enhance market opportunities, is in the pipeline. See, World Bank ID. P115351 Report no. AC4501.
[3] For details see: ADB, Asian Development Outlook 2011. Manila.

C. Overarching Development Outcomes

The policies governing the trade commerce and manufacturing sector draw on the main underlying principles and objectives of the Samoa Strategy for Development (SDS) 2008-2012, as follows:

- Improved quality of life for all Samoans.
- Enhanced sector's contribution to inclusive, stable and balanced economic growth.
- Enabling environment for private sector as the main engine for economic growth.
- Enhanced sector's contribution to broadening and diversifying the Samoan economic base.
- Enhanced sector's contribution to the augmentation of economic and social resilience.
- Enhanced sector's contribution to sustainable development and the achievement of the MDGs, particularly employment generation and poverty reduction

D. Sector policy objectives

The six sector policy objectives (SPOs) for the trade, commerce and manufacturing (TCM) sector are as follows:

SPO 1. Strengthen sector policy, legal, regulatory and strategic planning frameworks and processes.

SPO 2. Enhance the enabling environment for the private sector as the main engine for economic growth and enhance its productivity, value adding and trade capacity.

SPO 3. Enhance the effectiveness of market mechanisms and the growth of commercial activities and create a level playing field for all in the domestic market.

SPO 4. Boost Samoa's capacity to engage in and reap the gains from trade through enhancing competitiveness, reducing trade deficit to sustainable levels and promoting exports.

SPO 5. Create a conducive environment for industrial development and boost the manufacturing sector in Samoa.

SPO 6. Enhance linkages and spillovers among productive sectors.

E. Sector scope and definition

In line with the sector-wide planning approach adopted by the Government of Samoa, the TCM sector encompasses three key productive and distributive sub-sectors:

A) Foreign Trade
B) Commerce: domestic trade of goods and services. This sub-sector focuses on wholesale and retail trade.
C) Manufacturing

Two main government bodies are entrusted with governing the TCM sector, namely the Trade Division of the Ministry of Foreign Affairs and Trade (MFAT) and the Ministry of Commerce, Industry and Labour (MCIL), which also mandated with labour and employment affairs.

The scope and mandate of the TCM sector does not include hotels, accommodation and restaurants; personal and other services; real estate, banking, insurance and financial services; transportation and communication. These sectors, as well as the agriculture sector, are closely linked to the TCM sector, however, and such linkages will be addressed in this plan. In addition, the plan will propose coordination mechanisms among the relevant governmental agencies mandated with these sectors.

CHAPTER 2:

INSTITUTIONAL AND REGULATORY FRAMEWORK

A. Institutional arrangements

1. The Ministry of Foreign Affairs and Trade

The core mandate of the Ministry of Foreign Affairs and Trade (MFAT) in relation to trade is trade development, trade negotiations and agreements (bilateral, multilateral and World Trade Organization accession) and export promotion. At the operational level, the MFAT has responsibility for formulating, negotiating and implementing the national trade policy. The coordination of the 2010 Diagnostic Trade Integration Strategy (DTIS) was vested with the MFAT. Furthermore, the MFAT is the main channel of communication with other governments and administers foreign affairs and trade relations with other nations as well as policy advice and representation activities. The scope of the MFAT role in negotiating and managing trade relations and agreements between Samoa and other countries needs to be clearly defined, however, to ensure it does not overlap with the functions performed by other ministries, such as the Ministry of Commerce, Industry and Labour and the Ministry of Agriculture and Fisheries. It is also important to link international trade negotiations with national policies and strategies for trade and productive sectors.

The MFAT has received assistance from various international organizations in the form of technical expertise and training, focusing on international trade policy. For example, the National Export Strategy (NES) was developed in 2008 with assistance from the Commonwealth Secretariat. The NES contains numerous recommendations that are yet to be implemented, however. This has given rise to calls for broader consultations on the NES, particularly regarding the reasons for this lack of implementation of the recommendations.

The Trade Division of MFAT, staffed with around 10 full time employees, receives approximately 3 per cent of the annual MFAT budget appropriation. This is a very small allocation in relation to the importance of the division's work: local consultations with the private sector as well as marketing efforts, and this lack of adequate resources has hampered the division's ability to effectively carry out its other core tasks: export promotion and development. The role of the Trade Division has been marginalized since the institutional reform in 2003 and it seems to operate separately from the whole ministry.

The Trade Division services the following committees:

a) The NES Steering Committee – This committee was established to develop the National Export Strategy. Upon the completion of the NES, it now has the function of monitoring the implementation of the NES.

b) The Integrated Framework Steering Committee – This committee had the specific task of guiding the development of the DTIS. Its major function now is to monitor the implementation of the action matrix under the DTIS.

c) The National Trade Facilitation Committee – Set up in 2003, this committee has been inactive for the past few years. Its mandate was to bring together the border agencies and other line ministries and organizations to discuss ways to improve systems and procedures to minimize bottlenecks at the border.

d) National Working Committee on Trade Arrangements (NWCTA) - Formerly known as the World Trade Organization Working Committee, the NWCTA was established by the cabinet to provide a forum for discussion of issues relating to trade arrangements, to solicit a common understanding on trade and related issues, as well as to provide strategic advice to the cabinet regarding trade matters, particularly trade agreements. The NWCTA comprises 14 core members with 11 government agencies, one civil society group and two private sector organizations, with the secretariat functions undertaken by MFAT. This committee is where Samoa's positions are discussed and endorsed. It has a wider membership than the other committees and ensures that information required from other line ministries is received in a timely manner. The NWTCA focuses on Samoa's preparations in relation to its obligations in all regional and international trade

agreements, so has great influence over Samoa's trade and investment regimes. The MFAT is not represented in the Trade, Commerce and Industry Board so issues relating to its trade related mandate are pursued through the NWCTA.

The private sector and civil society are represented in all of the above committees. Most of the above committees will be replaced by a new set up, as proposed in the Tier One Proposal in this report.

2. The Ministry of Commerce, Industry and Labour

The Ministry of Commerce, Industry and Labour (MCIL) has a broad mandate, with responsibilities ranging from trade and investment policy advice, enforcement and compliance, intellectual property business registrations, investment promotion, fair trading, harmonized industrial relations, fair terms and conditions of employment, safe workplaces, occupational safety and health of workers, promotion of decent employment for all, and improving labour market information collection and dissemination. The MCIL is also the key focal contact point for the private sector when dealing with the government on commerce and industry regulatory matters. The MCIL administers various schemes to assist the private sector with the development of trade, such as the Duty Concession and Private Sector Support Facility. The MCIL aims to provide a high quality advisory service and develop pragmatic regulatory frameworks to facilitate the development of the private sector so as to stimulate investment, industry development, increased innovation, registry integrity, generate more employment opportunities and a highly-skilled local workforce and promote a safe work environment and fair competition in Samoa.

According to the organizational structure of the MCIL (Annex 1), the ministry houses six main divisions: Fair Trading and Codex; Industrial Relations, Work Permits and Occupational Safety and Health; Apprenticeship, Employment and Labour Market; Corporate Services; Registry of Companies and Intellectual Property (RCIP) and Industry Development and Investment Promotion, each of which is headed by an assistant CEO[4].

At the operational level, the ministry faces many challenges, especially with additional mandates pertaining to foreign investment, industry and commerce issues. The cabinet recently approved the review of the Government Export Guarantee Scheme, now called the Export Development Scheme, and this resulted in the expansion of the functions of the Industry Development and Investment Promotion Division. Furthermore, the passage of the Foreign Investment Amendment Act 2011 and Foreign Investment Regulations 2011, in line with the growing interest and growth of Foreign Direct Investment, has increased the workload and activities of the responsible division. Hence, the division needs to be restructured to reflect the need for extra staff to be hired. Please refer to Chapter 4 for the proposed new structure.

3. Ministry of Agriculture and Fisheries

The Ministry of Agriculture and Fisheries (MAF) has an enormous and challenging task given the importance of revitalizing the agriculture sector. The Agriculture Sector Plan, recently formulated by the government, sets concise sector policies, strategies and investment programmes aimed at addressing supply side issues, institutional constraints, quarantine issue hindering market access, as well as nominating crops and varieties that will not only generate income but will also be resilient in the face of the impacts of climate change. Furthermore, the sector plan seeks to explore opportunities for import substitution potential.

4. Ministry of Finance

The Ministry of Finance (MoF) is responsible for the development of the overall strategic plan, sector planning, aid management and budgetary allocation. This ministry is in a position of utmost importance in ensuring that plans are consistent and are supported by adequate financial resources, which is critical for the successful implementation of the plans. The aid coordination role involves assisting in securing technical assistance and long term funding to support government agencies, non-governmental organizations (NGOs) and the private sector in meeting gaps in skills and technical knowledge as part of developing trade.

Overall decisions on trade, commerce and industry go through the Aid and Debt Coordinating (ADC) division of the MOF. The Cabinet for Development Coordination (CDC) endorses projects with budgets exceeding SAT$100,000, while the Economic Planning and Policy Division (EPPD) is responsible for providing policy advice and support to key agencies in the formulation and implementation of strategic plans and policies. The CDC, with the EPPD as the secretariat, also contributes to and participates in decisions on trade-related issues.

[4] See Annex 1 for more details on the mandates and the roles of MCIL divisions.

5. Ministry of Revenue

The Ministry of Revenue (MOR) plays a key role in facilitating trade as the Inland Revenue section is the focal point for establishing businesses and issuing business licenses. Another important function relates to tax lodgements, especially refunds, as part of certain assistance and exceptions given to businesses as incentives to develop trade. The customs section is the focal point for border control as well as for facilitating the movement of goods.

6. Ministry of Women, Community and Social Development

The Ministry of Women Community and Social Development (MWCSD) mobilizes the support of village communities in the implementation of programmes to increase economic use of customary lands, and assist in the coordination of the programmes implemented by the various ministries and agencies of government and those of NGOs targeting community development.

B. Institutional framework

The government has made substantial institutional reforms with regards to mainstreaming trade into the overall development framework. These reforms have included among others the restructuring of the Department of Trade, Commerce and Industry which led to the shift of the Trade Division to the Ministry of Foreign Affairs (now MFAT) while the commerce and industry component shifted to the Department of Labour (now MCIL) in 2003. This reform reflected the need to closely integrate oversight of foreign policy and international trade arrangements through the MFAT and the need to ensure that employment policies are aligned closely with the needs of the commerce sector through the MCIL. A review of this reform is being conducted by the Public Service Commission.

To boost trade, Samoa needs to accord more priority to building supply-side capacity rather than securing access to international markets or increasing the size of those markets. According priority to the implementation of the NES will provide a clear framework for MFAT to draw from in terms of key productive sectors when undertaking trade negotiations with international and regional partners. There are limited resources within MFAT to effectively carry out its functions, however. Thus, collaboration between MFAT and MCIL, MAF, MOF, the Scientific Research Organisation of Samoa (SROS) and the Samoa Tourism Authority (STA) need to be strengthened. The establishment of an export agency would ultimately remove the export promotion functions from the trade division of MFAT and the shift of the export agency to MCIL would be logical as this ministry has the mandate for investment promotion.

The Trade, Commerce and Industry Development Board (TCIDB) derives its mandate from the Trade, Commerce and Industry Act 1990. The TCIDB is a forum for dialogue between government and private sector focusing on improving trade and investments. The board's role is to provide a forum for government-private sector dialogue on key issues pertaining to trade and investment. Some of its key tasks in recent years have been the review of the tariff anomalies for some locally produced and processed products. The board also initiated the "Lotonuu" project, aimed at promoting the development and marketing of Samoan products. The board has become a useful forum for consultation on trade, commerce and investments issues. While provision of information on trade-related issues resides with ministries and organizations represented on the board, the board can increase its provision of useful, research-based advice to government regarding creating an enabling environment for the private sector to flourish as the engine that leads to economic expansion.

There is a degree of confusion between the NWCTA and the TCIDB, with regard to which one is responsible for the development of trade and investments policies, since both bodies deal with trade issues to some degree. In terms of mandates and resourcing, the board has more leverage and influence as it is mandated by a legal Act and is also chaired by a cabinet minister, but in relation to specific trade policy issues, the NWCTA has a clear advantage in that it has a broader spectrum of key stakeholders directly involved with trade. Specifically, both the MCIL and the MFAT deal with trade related issues. Furthermore, the Ministry of Finance, and the EPPD in particular, also has a large input at the macro level on trade development efforts.

PART II:

SECTOR SITUATION ANALYSIS

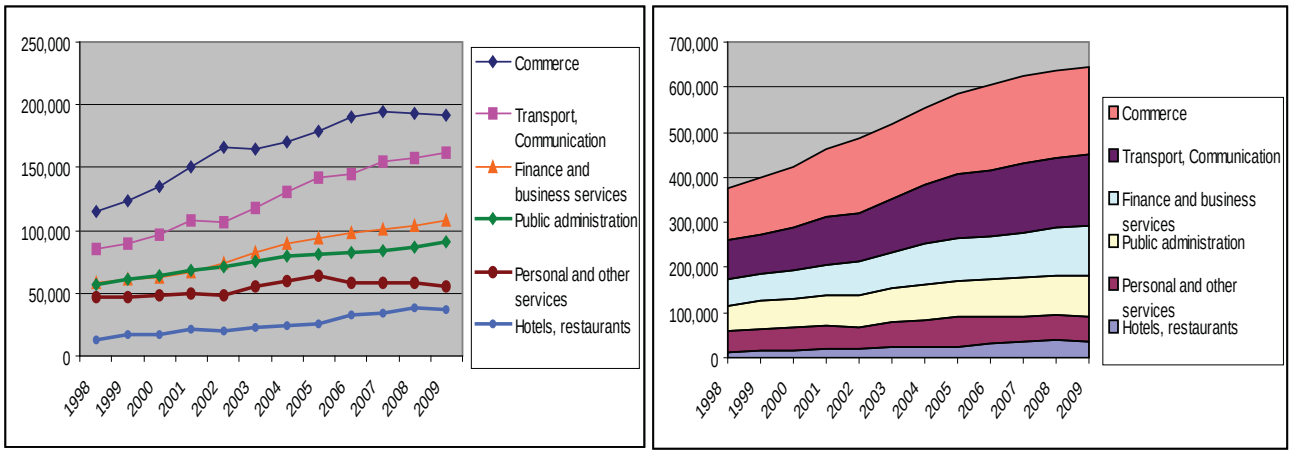
CHAPTER 3:

COMMERCE (DOMESTIC TRADE)

A. Introduction

Economic growth in Samoa in recent years has been driven largely by growth in commerce, transport, communications and construction, all linked to and supported by increasing tourism and remittances. The commerce sector in Samoa grew steadily between 1998 and 2010, with the exception of the years 2003, 2008 and 2009. Its share of GDP grew from 16 per cent in 1998 to 19 per cent in 2010, indicating growth in Samoa's domestic market as the GDP per capita continues to grow in real terms. The private sector contributes nearly 100 per cent of commerce activities. The growth in services can be understood as a result of three reinforcing factors: first, high inward remittances, which stimulates increased demand for commercial services; second, the needs of servicing increasing tourist arrivals and their consumption in terms of hotels, restaurants, taxis and related demands; and, thirdly, increased demand for additional professional services - legal and financial - in both the domestic and external markets.

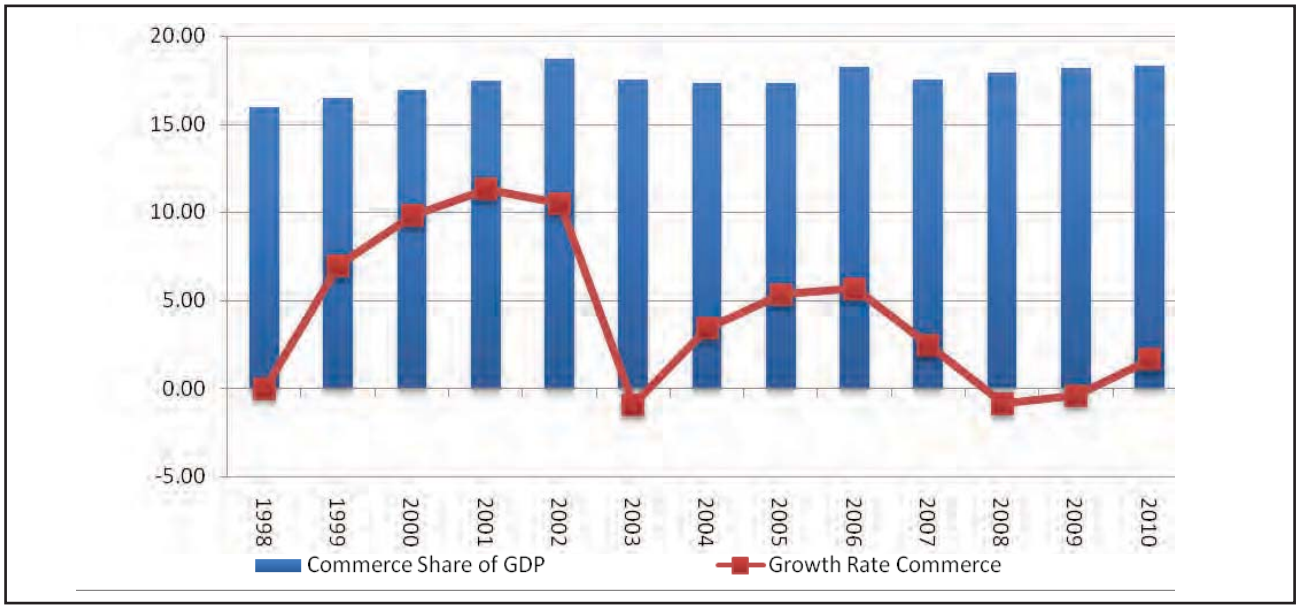
Figure 3: Output growth of services and sectors, 1998-2009 (constant 2002 prices, thousands of SAT)



Source: Central Bank of Samoa

The negative growth of the commerce sector in 2008 and 2009 was mainly a result of the impact of the global economic crisis, as the Samoan economy as a whole experienced negative growth in those years. The GDP and GDP per capita real growth rates recorded for 2008 and 2009 were negative.

Figure 4. Trend of the real growth rate of the commerce sector and share of GDP, 1998-2010



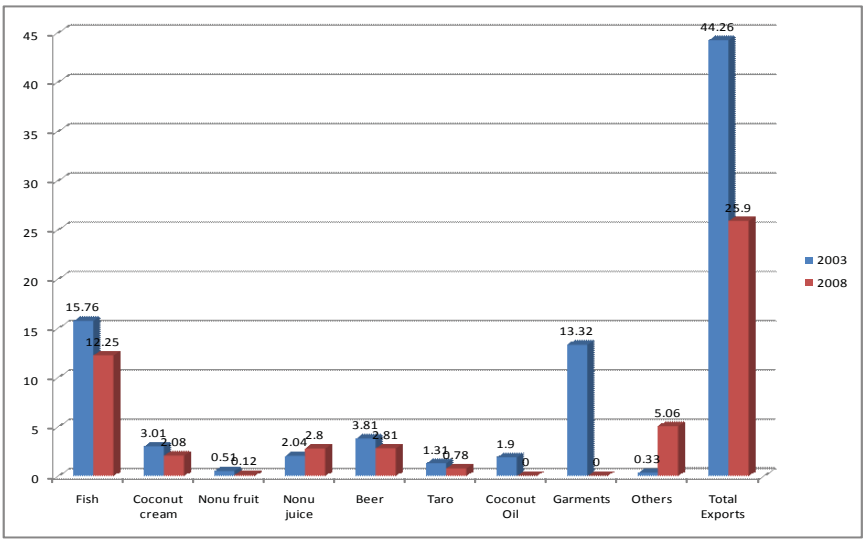
Source: Samoa Bureau of Statistics

B. Situation Analysis

In Samoa, primary product exports account for the bulk of the country's merchandise export earnings, with the main ones being fish, nonu fruit, nonu juice, coconut cream, beer and taro. By value, fish remains the single largest export commodity, followed by garments.

As illustrated in Figure 5, the overall value of exports decreased by 26 per cent between 2003 and 2008, falling from SAT 44.26 million in 2003 to SAT 25.9 million in 2008.

Figure 5. Exports by commodity, 2003-2008 (in millions of SAT)

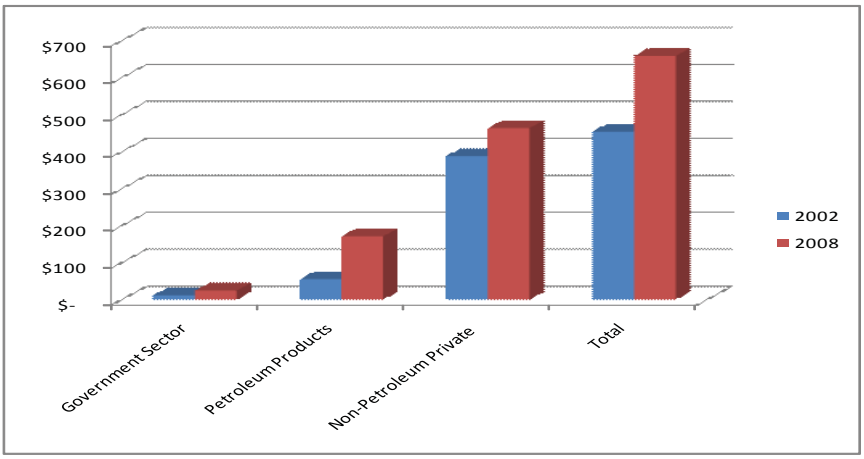


Source: Central Bank of Samoa Bulletins 2003-2008

The situation analysis from Samoa's Diagnostic Trade Integration Study (DTIS) notes that imports have been growing faster than exports in recent years, resulting in a widening trade imbalance. It further notes that most of these imports are consumables so do not necessarily feed into the production process, a situation that is unsustainable and undesirable. Furthermore, most businesses in the commerce sector rely mainly on imported finished products in their business. The difference in the growth rates of exports and imports should be understood against the fact that imports are increasing from a bigger base compared to exports.

The total value of imports increased by 18 per cent (SAT 205 million) between 2002 (SAT 454 million) and 2008 (SAT 659 million). This rapid increase since 2002 is a result of high international oil prices as well as increasing domestic demand in the growing Samoan economy, driven mainly by increased activities in the telecommunications, construction, commerce and transport sectors. The value of petroleum imports rose by 57 per cent (SAT 161 million) between 2002 and 2008, rising from SAT 55 million in 2002 to SAT 171 million in 2008. In addition, imports by the government sector increased by more than 50 per cent in value during this period, rising from SAT 11 million in 2002 to SAT 24 million in 2008. Growth in non-petroleum private imports increased by only 9 per cent (SAT 76 million), rising from SAT 388 million in 2002 to SAT 464 million in 2008.

Figure 6. Imports by sector, 2002-2008



Source: MOF Quarterly Economic Review – Issue No. 45

The limited production in Samoa of products suitable for domestic consumption has worsened the trade deficit over the years. As shown in Table 1, the bulk of imported products (e.g. petroleum, wood, plastics, chemicals and machinery) are for production, industrial, construction and transport purposes, but the relatively high value of imports of consumption goods (foodstuffs, live animals and animal products and vegetable products), which amounted to approximately SAT 166 million (30 per cent of total import values) in 2009, indicates a rising domestic demand for imported food. Some of these food products, especially those at the high end of the market, are to meet the demands of the tourism industry and the relatively affluent sections of the community. A significant portion of imported food products are cheap products, however, that compete with domestic food products and increase dependence on outside providers.

Table 1. Imports by classification, 2005-2009

IMPORTS CLASSIFIED BY BROAD CCCN(1) CLASSIFICATION

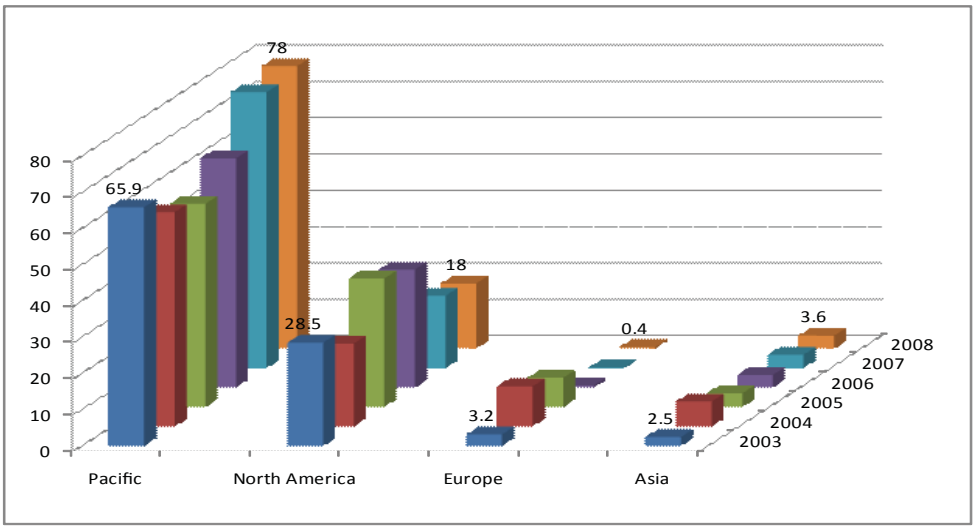
Amounts in Tala thousands,fob

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

Source: Central Bank of Samoa, September 2009 Bulletin.

Samoa's main trading partners are American Samoa, Australia, New Zealand and the United States of America (USA). The Pacific (including American Samoa, Australia and New Zealand) continues to be the top destination for Samoa's exports, accounting for 78 per cent of exports in 2008, followed by North America (18 per cent), Asia (3.6 per cent) and Europe (0.4 per cent).

Figure 7. Export structure - by country, 2003-2008



Source: Central Bank of Samoa Bulletins 2003-2008

A detailed examination of key markets indicates that in 2008 the top five export markets for Samoa were American Samoa (54.2 per cent), USA (17.7 per cent), New Zealand (11 per cent), Australia (3.9 per cent) and Japan (2.1 per cent). The detailed export market structure for the years between 2003 and 2008 is shown in Table 2.

Table 2. Detailed export market structure, 2003-2008

	2003	2004	2005	2006	2007	2008
Pacific	65.9	59.2	56.1	63.3	76.2	78.2
New Zealand	11.2	7.7	9.5	9.4	10.5	11
Australia	9.1	7.3	6.2	3.4	3.5	3.9
Fiji	0.1	0.2	0.1	0.1	0.4	0.2
Amercian Samoa	44.2	43.2	39.5	49.1	51.7	54.2
Others	1.3	0.9	0.8	1.3	10.1	8.9
North America	28.5	22.9	35.5	32.6	20	17.7
U.S.A	28.1	22.9	35.5	32.6	20	17.7
Europe	3.2	11.1	8.1	0.6	0.2	0.4
Germany	2.4	0.8	-	0	0.1	0
United Kingdom	0.1	14.5	2.5	0	0	0.4
Netherlands						
Others	1.1	4.5	5.6	0.6	0.1	0
Asia	2.5	6.9	3.8	3.5	3.7	3.6
Japan	2.2	6.9	3.3	3.1	3	2.1
Others	2.9	5.9	6.9	2.4	10.7	9.4
Total	100	100	100	100	100	100

Source: Central Bank of Samoa Bulletins 2003-2008

In analyzing the current situation, the DTIS report notes that government policy has focused on developing export-led growth, with the government providing an enabling environment for the private sector to produce and trade competitively. Export diversification has been a key component of trade

policy reform. Noting the continued trade deficit since the 1980s, with merchandise exports continuing to decline over the years, in 2009 Samoa adopted the National Export Strategy (2008-2012) as a means of mitigating the situation.

The DTIS report also notes that Samoa maintains an open and liberal economy in which trade liberalization reforms have been undertaken through reductions in tariffs as well as substantial reductions in non-tariff barriers to trade, and pursuit of regionalism through engaging in regional agreements such as the Pacific Island Countries Trade Agreement (PICTA), the Pacific Agreement on Closer Economic Relations (PACER) and other Economic Partnership Agreements (EPA) and multilateralism through the upcoming accession to the World Trade Organization (WTO).

Because efforts have been directed towards developing export trade, relatively little effort has been directed towards developing domestic trade, which has led to a below-optimal exploitation of the linkage between domestic and international trade. Thus domestic and international trade are delineated from each other, rather than being mutually reinforcing. The development of domestic trade is therefore a priority and is an integral component of the TCMSP. As described later, the plan details efforts that focus on addressing supply side constraints that restrict the benefits of opportunities associated with global trade liberalization and regional and multilateral integration.

The SDIS report also notes a lack of coordinated, complementary and support policies necessary for the effectiveness of trade related policies. For example, fiscal policy currently puts a lot of emphasis on revenue generation at the expense of trade facilitation and private sector development.

Overemphasis on liberalization, based on the Washington consensus, appears to have led to a situation in which ministries responsible for trade in Samoa, as in most developing countries, were relegated to the periphery, with meagre budgetary allocations, on the assumption that the private sector would drive the development process, with no or little government support. Thus, currently, the ministries responsible for trade have not been adequately facilitated to enable and monitor implementation of activities under their mandate at the national level and little support is given to the development of capacity to trade, including to enhancing private sector competitiveness.

C. Commerce and poverty reduction

The commerce sector plays an important role in promoting inclusive growth, poverty reduction and direct and indirect employment creation, through actions to expand the domestic market. The commerce sector absorbs the bulk of small and medium enterprises (SMEs) and typically offers the most suitable environment for new entrepreneurs. Therefore, market regulations that ensure free entry and exit to domestic markets facilitate growth of SMEs. A properly regulated domestic market protects businesses and consumers from fraud, harmful products, misleading advertisements and uncompetitive behaviour. Such market imperfections ultimately distort income and wealth distribution; effectively addressing them will therefore contribute to more inclusive economic growth.

D. Sector performance

Among all the business types, the wholesale and retail trade sector is the dominant one, followed by transport and storage. While the latter is increasing, the former appears to be on the decline. This trend is shown in Table 3, which lists the number of businesses issued licenses to operate between 2006 and 2010, classified according to the nature of their operations. The sharp fluctuations in the number of businesses registered with the MOR can be explained by delays in renewal of business registrations and payment of fees resulting in businesses dropping out the registry system, although still in operation. Businesses eventually renew their registration and pay the required fees and, hence, reappear in the registry. The differences between the data collected by MCIL and that by the MOR for the years 2009 to 2010, for instance, shows the number of retail businesses that were considered inoperative by the end of the year under review, mainly for failure to renew their registration with the MOR. The fluctuations therefore cannot be considered as real changes in the sectors' performance or as reflecting actual fluctuation experienced by operating businesses.

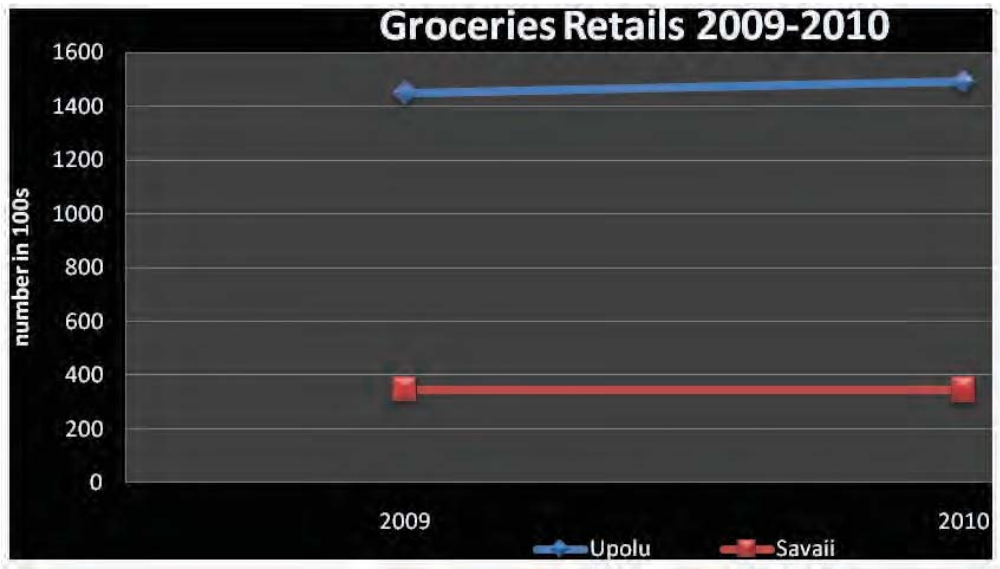
Table 3: Business licenses issued, 2007-2010

Goods producing industries	2006	2007	2008	2009	2010
Manufacturing	172	141	189	148	213
Construction	387	269	322	347	257
Utilities	72	81	46	93	47
Other Goods Industries	27	33	57	31	43
Services industries					
Wholesale & Retail Trade	1720	1847	1840	1756	1606
Transport & Storage	509	470	517	687	732
Hotels & Restaurants	284	204	335	324	362
Information & Communications	28	69	83	45	75
Financial Services	69	77	107	57	92
Business Services	283	410	356	324	216
Other Services Industries	469	353	340	439	558
TOTAL	4020	3954	4192	4251	4201

Source: Ministry of Revenue

The total number of retail shops in Samoa has increased over the past decade, though there is significant geographical discrepancy, as the number of shops on the island of Upolu has grown while the number of shops on the island of Savaii has declined. This geographic distribution is more or less in line with the demographic distribution, with the population on Upolu rising and the population in Savaii declining. In 2010, 76 per cent of the population lived on Upolu (up from 72 per cent in 1998) and 24 per cent lived in Savaii, down from 28 per cent in 1998.

Figure 8: Retail shops in Samoa, 2009-2010

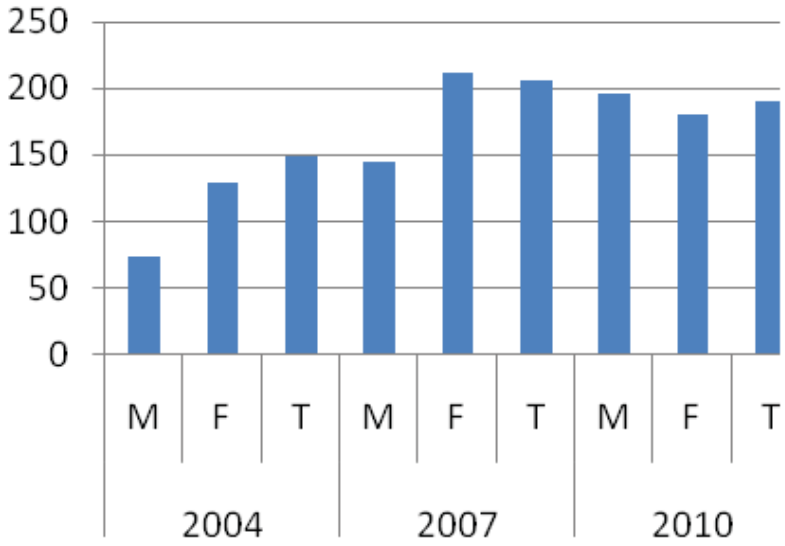


Source: MCIL

The number of workers in the retail and wholesale sector has declined in recent years, from a total of 2,898 workers in 2007 to a total of 2,157 workers in 2010. The gender distribution of workers fluctuated during this period. In 2004, 36 per cent of the workforce in the wholesale and retail sector was female. The percentage increased to 39 per cent in 2007 and declined to 37 per cent in 2010. The average

weekly earnings in the wholesale and retail sector increased between 2004 and 2007, but declined between 2007 and 2010 (Figure 8). In the 2004 and 2007 private sector labour market surveys, the wholesale and retail sector recorded higher average weekly earnings than the manufacturing sector. This ranking changed in 2010, however. According to the findings of the private sector survey in 2010, the wholesale and retail sector offered lower salaries than the manufacturing sector that year.

Figure 9: Average weekly earnings in the wholesale and retail sector



Source: MCIL Private Sector Labour Market Survey 2004, 2007 and 2010.

The aforementioned trends in the wholesale and retail sector are a result of the global economic crisis, manifested by a contraction in private spending, particularly household consumption, declining business confidence and increasing business costs (due to higher food and energy prices). The Government of Samoa adopted expansionary policies in 2008, 2009 and 2010 to counter the impact of the crisis and, as a result, the GDP recorded positive growth in 2010.

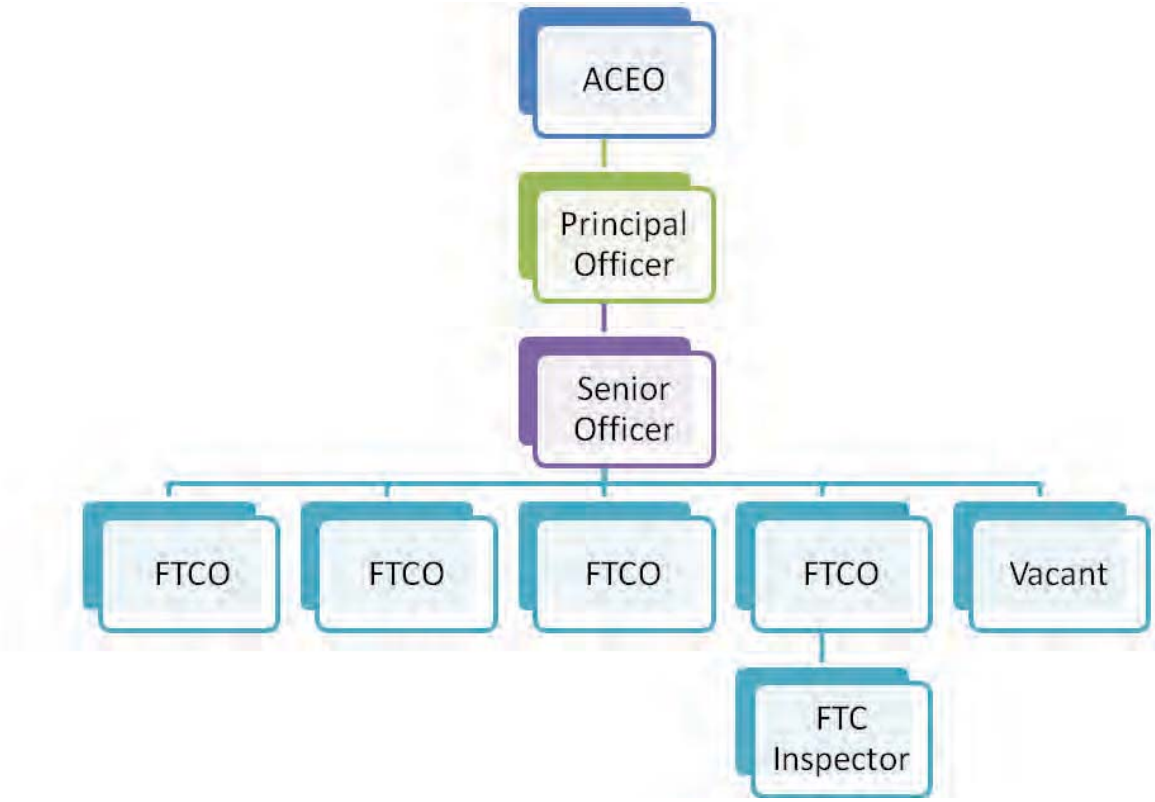
E. Domestic trade and market regulations

The Government of Samoa has made significant progress in creating a level field in the domestic market and protects Samoan consumers and businesses from unfair practices. Furthermore, legislation is in place, administered by MCIL, to regulate the domestic market.

Consumers and traders are increasingly aware of their legislative obligations as a result of various awareness programmes that are carried out by the MCIL, particularly during the annual celebrations for World Consumer Rights Day (WCRD) on 15 March each year. Furthermore, improvements have been made in work-systems, for example, a new computerized database was put in place to facilitate collection of information on such things as the number of active retailers, the level of compliance (issuance of warning letters) and the number and type of complaints received from consumers. In addition, improvements have been made in the costing database and inspections have been made more consistent. A major accomplishment in recent years was the increased involvement of Samoa in international and regional Codex foras which contributed immensely to improving the capability and capacity of the MCIL and of other line-ministries in terms of developing national food standards. In 2004, Samoa, as the Regional Coordinator for the geographical Codex Committee of North America and the South West Pacific (CCNASWP), organized the first CCNASWP meeting ever to be held in the Pacific on Codex matters.

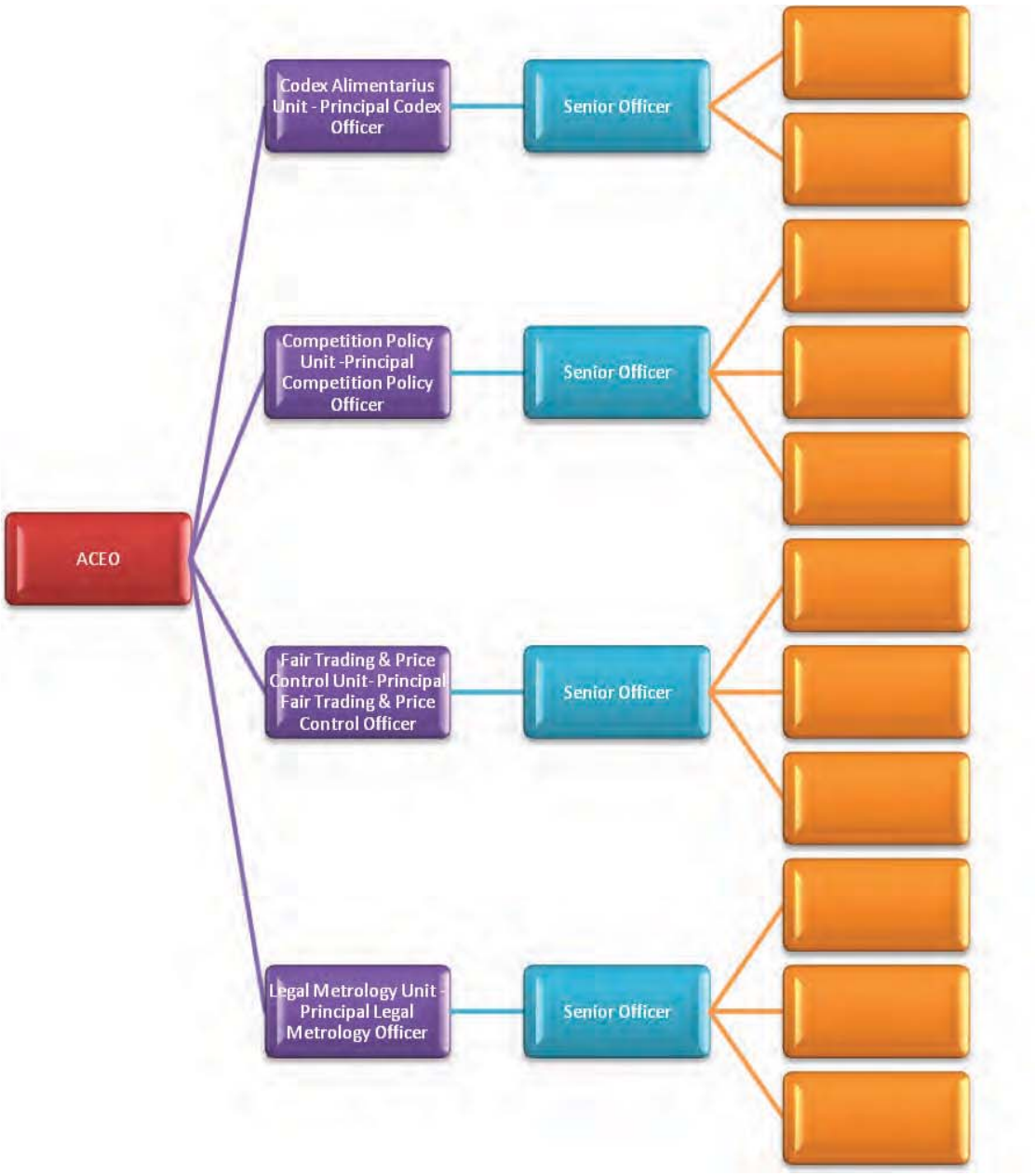
In spite of these achievements, several deficiencies in legislation and administration still exist. On the legislative side, major tasks that need to be completed, including revising and updating the Measures Ordinance Act 1960, including all necessary amendments, and developing Food Labelling Standards and Food Safety and Hygiene Standards. This work should be complemented with a public sector raising awareness campaign and a capacity building programme for the governmental agencies responsible for administering the new regulations. Figure 10 illustrates the current structure of the Fair Trading and Codex Division of the MCIL, which is the main division responsible for administering the aforementioned legislation.

Figure 10: Current organization structure of the Division of Fair Trading and Codex of the MCIL



The mandate and scope of work of the Division of Fair Trading and Codex is growing, with a significant number of urgent legislative and administrative priorities. For example, with the growth of businesses, there is increasing evidence of anti-competitive practices being pursued by some businesses. The MCIL is looking into commissioning work in this area and will be engaging technical expertise to undertake this, but the division of Fair Trading and Codex is understaffed and the current structure, staffing and training requirements of the division needs urgent review. Figure 11 portrays the ideal structure to ensure that the division's mandate is implemented effectively and efficiently in future.

Figure 11: Proposed Re-Structure of Fair Trading and Codex Division



The protection of consumer rights is well addressed in terms of legislation, yet the proper mechanisms to effectively carry out administration, enforcement and monitoring of compliance are lacking. For instance, the website of the Division Fair Trading and Codex lists the rights of consumers, yet there seems to be no clear way of implementing or administering these rights, no section for consumers explaining the legislation in a practical and accessible way, for example answering questions such as: What is a contract? What are my rights as a consumer? What are my rights as a business? What do I do and who do I contact if I believe those rights have been violated? Furthermore, there is no dedicated bureau or unit to handle consumer complaints and arbitration or to advise consumers and businesses on legal actions and litigation. In addition, there is no clear strategy for raising public awareness.

In general, administration and enforcement of legislation are inadequate for the following reasons:

- Lack of capacity in the responsible departments of the MCIL, mainly due to the limited number of staff, limited financial resources and lack of targeted training programmes.
- Lack of public awareness of rights and means of upholding their rights.
- No clear mechanisms for enforcement and monitoring of compliance.

BOX 1: Consumer rights in Samoa

According to current legislation, Samoans are protected in terms of eight main consumer rights,:

1. RIGHT TO SATISFACTION OF BASIC NEEDS.
   To have access to basic, essential goods and services: adequate food, clothing, shelter, health care, education, public utilities, water and sanitation.

2. RIGHT TO SAFETY.
   To be protected against products, production processes and services which are hazardous to health or life.

3. RIGHT TO INFORMATION.
   To be given the facts needed to make an informed choice, and to be protected against dishonest or misleading advertising and labelling.

4. RIGHT TO CHOOSE.
   To be able to select from a range of products and services, offered at competitive prices with an assurance of satisfactory quality.

5. RIGHT TO REPRESENTATION.
   To have consumer interests represented in the making and execution of government policy, and in the development of products and services.

6. RIGHT TO REDRESS.
   To receive a fair settlement of just claims, including compensation for misrepresentation, shoddy goods or unsatisfactory services.

7. RIGHT TO A HEALTHY ENVIRONMENT.
   To live and work in an environment that is non-threatening to the well-being of present and future generations.

8. RIGHT TO CONSUMER EDUCATION.
   To acquire knowledge and skills needed to make informed, confident choices about goods and services, while being aware of basic consumer rights and responsibilities and how to act on them.

CHAPTER 4:

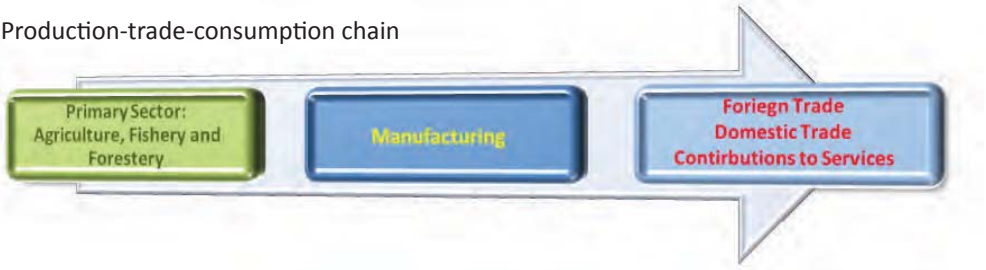
MANUFACTURING

A. Introduction

The characteristics of the manufacturing sector in Samoa are similar to those of this sector in other small economies: (i) firms tend to have narrow product ranges and low capacity utilization, (ii) there is a relatively small number of medium-sized firms, accounting for a high proportion of the sector's total turnover, (iii) there is a larger number of small enterprises, which produce primarily for the local market and are frequently dependent on imported raw materials, (iv) exports are dominated by processed traditional commodities, primarily coconut oil, coconut cream, copra and nonu, (v) there is a lack of economies of scale.

The manufacturing sector is the middle link in the production-trade-consumption chain, as illustrated in Figure 12. It is imperative to strengthen the manufacturing sector in order to reap the gains from trade and minimize some of the adverse effects of trade liberalization.

Figure 12: Production-trade-consumption chain



Samoa has a comparative advantage in a wide range of products and good potential for agro-processing. The natural resource base supports activities in the primary sector such as crops, livestock, fisheries and forestry sub-sectors. In 1999, Samoa's major food crops were listed as coconuts (used for drinking, cooking, feeding animals), cocoa, bananas, taro, and taamu ("giant taro"). In 2011, root crop production dominated the food crops sub-sector, with relatively small quantities of vegetables and fruit being grown. Coconuts, cocoa, kava and coffee were the main tree crops, while the minor tree crops included oranges, avocados, breadfruit, lemons, limes, mangoes and paw paws. A major challenge for Samoa is to revive the primary sector through initiatives to redevelop traditional crops, together with diversification and value addition through processing (manufacturing).

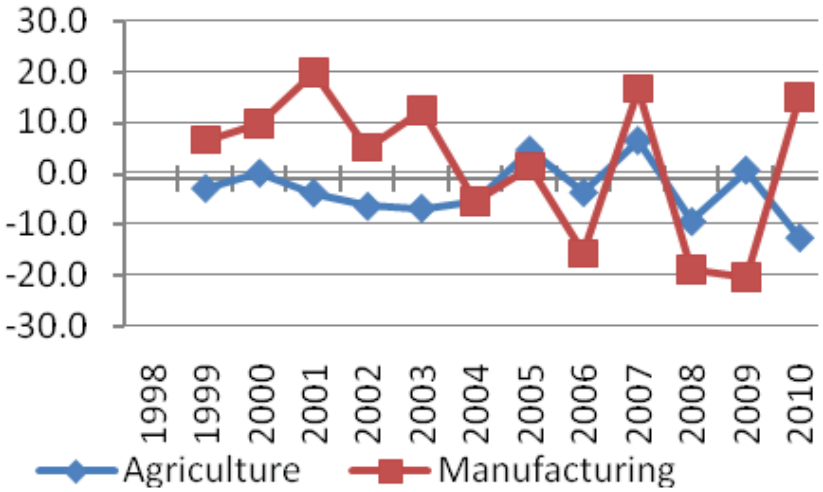
A. Situation analysis

Samoa's manufacturing sector is small and accounts for only 9 per cent of GDP in 2011. Yet, it is an important contributor to the country's exports and a source of employment. The key manufacturing sub-sectors are food and beverages, agro-processing (based on domestic agricultural products), tobacco, clothing and electrical harnesses for automobiles (by the Yazaki company). Local clothing manufacturers face serious competition from imported overseas products and are struggling to continue their operations. Manufactured exports include beer to American Samoa, electrical wire harnessing to Australia, bottled water and nonu products to China, and snacks and processed foods to Samoans overseas, mainly in New Zealand.

As illustrated in Figure 13, there was hardly any real growth in the manufacturing sectors and sub-sectors between 1999 and 2010. The positive growth during the period between 1998 and 2003 was offset by a prolonged period (2004 to 2010) of decline. Manufacturing exports also declined in recent years, falling from around SAT 18 million in 2005 to less than SAT 8 million in 2010.

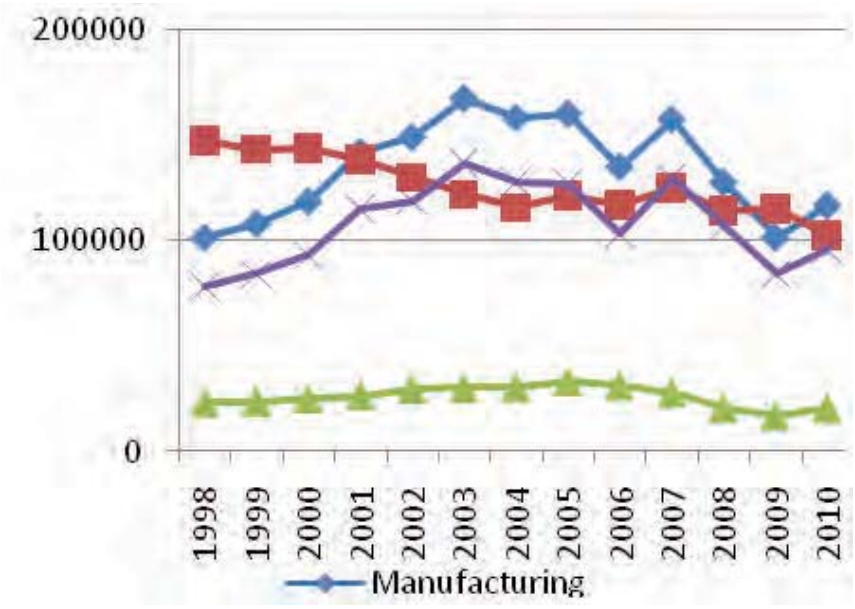
Figures 13 and 14 illustrate the trends in the manufacturing and agriculture sectors over the past decade.

Figure 13: Real growth rates of manufacturing and agricultural value added 1999-2010



Source: Bureau of Statistics, Samoa

Figure 14: Value added, in constant 2002 prices 1998-2010 (thousands of SAT)



Source: National Office of Statistics, Samoa

In 2010, around 200 manufacturing businesses were registered with the Ministry of Revenue. The largest number of businesses was in the food processing sub-sector, representing 30 per cent of the registered businesses. Businesses in building products, garments and printing and packaging make up almost equal numbers, with each representing around 15 per cent of all registered businesses. Furniture making represented around 5 per cent of the businesses. The food processing and beverage industries remain the most competitive. The tobacco and building-component industries could become more viable if major constraints, such as anomalies in the tariff structure between raw and finished goods and between capital and finished goods, are addressed. These industries are relatively capital intensive and rely on imported raw materials. Prospects for garments are the least promising, but there is a possibility for higher end products for the tourist and foreign markets that emphasize Samoan design. Adjustments are necessary for many enterprises, to improve cost-effectiveness and diversify into higher value-added products and sources of intermediary products. Such adjustments would require capital, however, and high interest rates and costs of financing limit the ability of businesses to adjust.

As noted above, most firms in the manufacturing sector in Samoa are small and have a narrow product range. One foreign owned manufacturing firm, Yazaki Samoa Ltd, operates in Samoa. This is a Japanese-owned company making automotive wire harnesses for the Australian market. When Yazaki began

operations in 1991, it had 3,000 employees. By 1999, however, Yazaki provided only 1,700 jobs. This was still significant, as it represented 16 per cent of all jobs in the formal private sector. In 2011, Yazaki further reduced its workforce to between 800 and 1000 employees, and some of those jobs were temporarily under threat due to the disruptions to the global auto supply chain caused by the 2010 earthquake and tsunami in Japan. Yazaki Samoa enjoys the support of the Samoan Government in terms of the provision of facilities for their factories. This is a large advantage as it enables Yazaki to limit their investments in Samoa to only their operational needs.

Exports of Samoan manufactured goods will always be constrained by the country's distance from major international markets. This large distance makes all imports more expensive, and reduces the competitiveness of exports due to high shipping costs, which are incurred twice: once for imported raw materials and then for exporting the finished products. Another constraint is the country's small size (in terms of both land and population), which results in a small local market and a lack of economies of scale. Large scale production is not feasible due to an inadequate supply of local raw materials and the excessive cost of bulk imports of such materials. Like most small island economies in the Pacific and elsewhere, although Samoa has a large exclusive economic zone and marine resources, the two main factors of production, namely land and labour, are limited and, hence, the possibilities for developing large scale industries are also limited. Furthermore, capital intensive industries require foreign investment and the technical expertise of multinational corporations, but such corporations may not find Samoa appealing for this type of venture. The aforementioned factors are beyond the realm of feasible solutions by the government or the private sector. Other constraining factors, which may possibly be addressed, include the lack of venture capital and weak credit system, which have resulted in relatively high interest rates and, insufficient infrastructure (telecommunication, electricity and water), which in turn serve as constraining factors as they increase the costs of production. Low capacity utilization contributes further to increasing the cost structure and reducing competitiveness in the international market.

The World Bank's annual cost of doing business assessment indicates that Samoa has made good progress in reducing the cost of doing business (See Table 4). In 2010, Samoa was ranked 67, and in 2011 rose to the rank of 61 among 188 countries reviewed by the World Bank. Samoa has improved markedly in six of the 15 cost of doing business indicators. The costs and time required to register properties and start a business have fallen and currently are below the regional averages (for the East Asia and the Pacific region). Taxes on profits have declined and the number of procedures required to start a business are fewer. Samoa's performance in the remaining nine indicators remains unchanged. For example, the cost of enforcing a contract remains high and, despite significant improvements, the costs of registering property and starting a business are still higher than international averages. Similarly, the number of processes and the time taken for these processes are also assessed as being high compared to other countries. Tax administration is definitely an area that requires improvement. The time needed to prepare and pay taxes remained unchanged in the most recent cost of doing business assessment and exceeds the time needed to prepare and pay taxes in Vanuatu, Fiji and Mauritius, as well as the regional and international averages (224 compared 218 and 199, respectively). The findings of the World Bank suggest that there is still room for the Samoan Government to implement actions to increase the efficiency of processes that hinder business growth. It is important to note, however, that the trade costs and timeframe will always be relatively high in Samoa (compared to countries that are not small island states) due to the costs of shipping and factors relating to logistics, including the frequency of ships and flights.

Table 4: World Bank Cost of Doing Business in Samoa, 2004-2011

Cost of Doing Business - Samoa	2004	2005	2006	2007	2008	2009	2010	2011
Cost to enforce a contract (% of claim)	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7
Cost to register property (% of property value)	...	2.1	1.9	1.8	1.8	1.7	1.6	1.6
Cost to start a business (% of income per capita)	52.3	48.7	46.4	45.5	41.3	39.8	9.9	9.8
Time required to enforce a contract (days)	455	455	455	455	455	455	455	455
Time required to register property (days)	...	147	147	147	147	147	147	27
Time required to start a business (days)	42	42	35	35	35	35	9	9
Procedures required to enforce a contract (number)	44	44	44	44	44	44	44	44
Procedures required to register a property (number)	...	5	5	5	5	5	5	5
Procedures required to start a business (number)	9	9	9	9	9	9	5	5
Time to prepare and pay taxes (hours)	...	...	224	224	224	224	224	224
Total tax rate (% of profit)	...	...	20.2	20.2	19.8	18.9	18.9	18.9
Trade: cost to export (US per container)	...	...	930	930	930	820	820	820
Trade: cost to import (US per container)	...	...	848	848	848	848	848	848
Trade: time to export (days)	...	...	27	27	27	27	27	27
Trade: time to import (days)	...	...	31	31	31	31	31	31

Comparing Samoa with Fiji and Vanuatu (Samoa's main competitors in the Pacific region) and with Mauritius (a small island economy with similar characteristics to Samoa), it is evident that while Samoa's trade costs are not significantly higher, the lower costs in Mauritius and Fiji have been instrumental for trade promotion in those countries. Samoa has a significantly lower cost of doing business than Vanuatu, however. On the other hand, the times needed to export and import in Samoa are higher than in Fiji, Vanuatu and Mauritius and are also higher than the East Asia and the Pacific regional averages of 10.9 days for exports and 11.4 for imports. The costs of registering properties and the number of procedures required to start a business are lower in Samoa than all three countries, and Samoa's taxes on profits are significantly lower than in Fiji and Mauritius, but are higher than Vanuatu. It takes more time to enforce a contract in Samoa than in Fiji and Vanuatu, but less time than needed in Mauritius. In general, however, the high costs of doing business are typical of small island economies and Samoa is not doing much worse than similar countries. It is important to note that there is very little room for small island economies to reduce their cost structure. Table 5 shows a comparison of the World Bank Cost of Doing Business figures for Samoa, Fiji, Vanuatu and Mauritius.

Table 5: World Bank Cost of Doing Business comparison of Samoa with Fiji, Vanuatu and Mauritius, 2011

Cost of Doing Business - 2011	Vanuatu	Fiji	Samoa	Mauritius
Cost to enforce a contract (% of claim)	74.7	38.9	19.7	17.4
Cost to register property (% of property value)	7	2	1.6	10.6
Cost to start a business (% of income per capita)	37.9	23.8	9.8	3.8
Time required to enforce a contract (days)	430	397	455	645
Time required to register property (days)	188	68	27	26
Time required to start a business (days)	39	46	9	6
Procedures required to enforce a contract (number)	30	34	44	36
Procedures required to register a property (number)	2	3	5	4
Procedures required to start a business (number)	8	8	5	5
Time to prepare and pay taxes (hours)	120	163	224	161
Total tax rate (% of profit)	8.4	39.3	18.9	24.1
Trade: cost to export (US per container)	1565	654	820	737
Trade: cost to import (US per container)	1465	630	848	689
Trade: time to export (days)	26	22	27	13
Trade: time to import (days)	30	23	31	13
Scale: 1 - Lowest, 4 - Highest	**1**	**2**	**3**	**4**

Source: World Bank Cost of Doing Business Report 2011

Three types of manufacturing are relevant to Samoa. First, agro-processing, based on available or potentially available supplies. For this type of manufacturing to thrive, it is necessary to reduce the risks faced along the value chain by farmers and by buyers, in terms of supply shocks and low volumes. The weaknesses in the supply of local agricultural products, their poor quality and a lack of supply chains have hampered a potentially viable agro-processing sub-sector in the past. The second type of manufacturing is assembling manufacturing for re-export (e.g. Yazaki). The third is the manufacture of high value-added high-end specialized niche products, which capitalizes on Samoa's comparative advantages. This third type maximizes the returns on Samoa's relatively limited size and resources. It is unlikely that the private sector in Samoa will be able to build the scale and the capacity to compete on the basis of price or quantity with large producers in Asia and South America; it is therefore more feasible to specialize in niche products (typically with low price elasticity and high income elasticity), targeting specific niche markets, and to compete on the basis of quality and branding, rather than quantity and price. This model tolerates the high cost of production in Samoa and allows for larger mark-up. For instance, the organic certification of the virgin coconut oil produced and marketed by the Women in Business Development Inc (WIBDI) justifies a higher price than the average international price for coconut oil. Coconut-based cosmetics and skin and hair care products are other products with higher value-added and are high-end products with relatively low price elasticity.[5] There is also ample opportunity for high value-added high-end organic nonu products, such as energy drinks and herbal and natural supplements. The market for energy drinks and herbal and natural supplements in developed countries, particularly in the United States (US), is increasing, with particular demand for organic products and products from countries known to have low levels of pollution, which excludes nearly all industrialized developed and middle-income developing countries.

[5] *Numerous coconut-based high value-added products are already being sold worldwide, including the Pure Fiji organic and natural coconut-based cosmetic and skin and hair products manufactured in Fiji. Similar products to Pure Fiji are produced in Thailand and Sri Lanka, while in Brazil, a natural and organic energy drink based on coconut has been developed, manufactured and marketed by an American firm (all production processes are based in Brazil). In the Philippines, a new use was found for coconut husks, as the fibre could be made into mats that are much cheaper than imported synthetic matting materials used for control of erosion in the construction of infrastructure such as roads and bridges.*

It is important to note that fair trade market regulations and support to farmers associations are crucial in the third type of manufacturing, to avoid the concentration of profits and mark up at the top of the value chain (manufacturing and distribution) and in the supporting services (e.g. finance, marketing and management) rather than at the bottom, (i.e. the farmers, particularly women, the most vulnerable group in the value chain). This type of manufacturing is particularly conducive to sustainable inclusive growth as it generates greater employment compared with the other two types and is more conducive to capital accumulation. Such capital can be utilized for further investment and to generate higher tax revenues that may be utilized in increased expenditure on human development.

B. Poverty reduction and employment generation

The growth of the manufacturing sector is crucial for balanced inclusive growth, which is a necessary condition for poverty reduction. The manufacturing sector currently directly employs about 10 per cent of total employed labour, down from 16 per cent and 15 per cent of total employment in 2004 and 2007, respectively. The sector also currently contributes around 14 per cent of total employment in the private sector, down from 22 per cent and 19 per cent of total private sector employment in 2004 and 2007, respectively.

Women constituted 60 per cent of total manufacturing employment in 2004. In 2007 and 2010 the number of women employed by the sector declined to 53 per cent and 46 per cent, respectively. Correspondingly, the contribution of the manufacturing sector to female employment declined from 26 per cent in 2004 to 20 per cent in 2007 and fell further to 12 per cent in 2010. The same trend is exhibited in the sector's contribution to female employment in the private sector, where employment fell from 33 per cent in 2004 to 25 per cent in 2007 and further down to 17 per cent in 2010.

The private sector provided employment to approximately 75 per cent of the female workforce in Samoa in 2010, down from 77 per cent and 79 per cent in 2004 and 2007, respectively. Clearly the decline in the manufacturing sector, leading to lower demand for labour, has affected women and men disproportionately. Various forms of gender inequalities, notably wage inequality, prevail in the manufacturing sector. This is confirmed by the trends in the average weekly wages in the sector. The average weekly wages for males grew by 73 per cent during the period between 2004 and 2007, while the average weekly wage for their female counterparts grew by only 29 per cent during the same period. During the period between 2007 and 2010, the average weekly wage for women employed by the manufacturing sector grew by only 9 per cent, while the average weekly wage of their male counterparts grew by 91 per cent during the same period.

It is no surprise that the manufacturing sector was the first to shed labour during the period of low and negative growth between 2008 and 2010. Three labour market surveys conducted in 2004, 2007 and 2010 demonstrate that the average weekly wage paid by the private manufacturing sector is among the lowest of all sectors. In 2004, the average weekly wage paid to males was the third lowest, followed by accommodation and restaurants and wholesale and retail, while for females it was the lowest of all sectors. This ranking persisted in 2007, while in 2010, the ranking for both males and females in the manufacturing sector improved disproportionately. The improvement was quite significant for males' average weekly wage, while females moved to rank third lowest, followed by accommodation and restaurants and transportation.

Employment in the manufacturing sector has been declining over the past six years, from 3,505 workers in 2004, down to 3,230 workers in 2007 and then to 1,805 workers in 2010. The drop in employment is mainly due to the significant reduction of the Yazaki workforce, which fell from 2,137 employees in 2007 to 836 in 2011. Growth in the manufacturing sector has benefits for other sectors. For example, indirect employment is generated by the manufacturing sector in the areas of commercial agriculture and supporting services (e.g. shipping, accounting, payroll, marketing, legal services and information technology) and this employment increases when demand is created by a growing manufacturing sector. In addition, a growing manufacturing sector ultimately serves as import substitution, export-oriented or, ideally, both at same time. This serves to reduce the trade deficit and ease the pressure on the government budget and foreign reserves, allowing for more resources to be allocated for poverty reduction and accelerating progress towards the achievement of the Millennium Development Goals. Clearly, however, the manufacturing sector in Samoa has yet to realize its potential in poverty reduction.

In Samoa, the SROS established a bio-diesel plant that produces 200 litres of bio-diesel per batch from coconut oil and possibilities exist for establishing a commercial-level coconut oil extraction plant, with the capacity to produce 2 million litres of oil per year, which could be used for electricity generation. Furthermore, the Women in Business Development Inc in Samoa is developing a market for virgin coconut oil, and for organic production and certification of coconuts, which raises the income from coconuts by five times over the normal income.

C. Investment

Key to the development of the private sector is the creation of a conducive environment for both domestic and foreign private investment in trade. In 2009, the inward flows of foreign direct investment (FDI) into Samoa amounted to USD 1 million, which is significantly less than the average annual FDI

flow of USD 3 million between 1995 and 2005. In comparison to Fiji and given the present scale of the Samoan economy, Samoa has the potential to attract an average of USD 54 million per annum.

While significant progress has been made in maintaining financial and macroeconomic stability in Samoa, there is concern that this situation has not led to an increase in foreign direct investment. It should be noted, however, that private investment flows into Samoa are masked by inflows of foreign remittances. It is estimated that at least 10 percent of foreign remittances are in the form of long term investment projects, although no in-depth study has been conducted to confirm this.

Foreign direct investment is demand driven, cost driven or a combination of the two. Demand driven FDI usually caters to the domestic market in the recipient country, geographically close major export markets or major export markets that are easily accessible due to Free Trade Agreements. The latter, for instance, encouraged South-East Asian countries to invest in Arab and South American countries to avoid the quota system in the US. Cost driven FDI, on the other hand, is attracted by lower costs of production in recipient countries, such as cheap labour. Developed and developing countries, alike, compete fiercely for FDI at the global level. At the regional level, Samoa competes with other Pacific countries, particularly Fiji and Vanuatu. The Pacific region, as whole, has low potential for attracting FDI, however, compared to other regions, with the exception of the tourism industry and some services. In general, Pacific countries mostly attract intra-regional investment.

D. The cluster development approach

Cluster Initiatives are one of several local economic development initiatives that provide a promising approach for Samoa as they combine sector, village and business development in an integrated manner. The approach enables the effective utilization of Samoa's natural resources base and comparative advantages, but require a clear cluster development strategy and plan of action, designed in close collaboration with the main private and public sector stakeholders in the agriculture, industry and trade sectors. Well-designed feasibility studies and value chain analysis are also essential to identify clusters and the required interventions to develop them. Supporting policies and incentive structures to promote value addition activities for each commodity may vary and so will the approach needed to address supply constraints and other bottlenecks in the value chain[6].

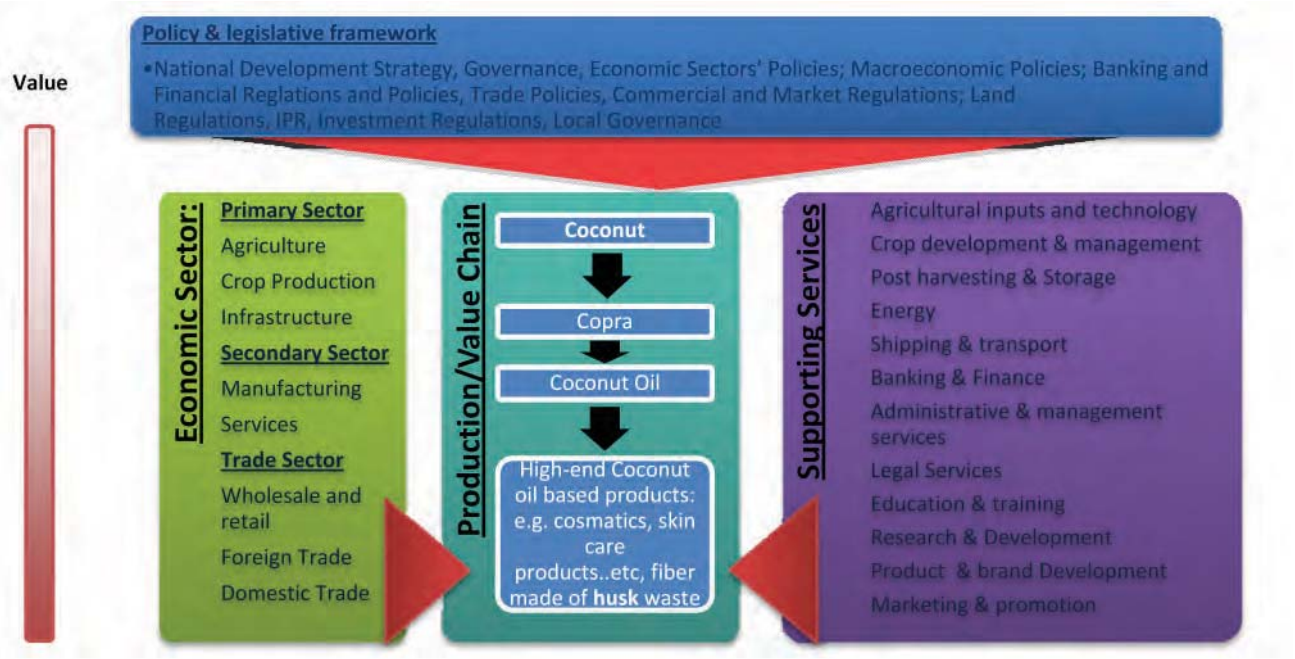
It should be noted here that the weaknesses in a value chain are often related to gender issues, e.g. in skills development, communication, networking and access to technology, where women are often at a disadvantage because of gender inequalities, especially because of unequal sharing of reproductive tasks. Hence, a gender-responsive approach to value chains is needed. In addition, the policy environment can contain elements that perpetuate gender-related weaknesses or bottlenecks in value chains (e.g. policies on land use, on subsistence work and subsidies for particular sectors but not others).

The cluster approach focuses on the linkages and interdependence between actors, but is not limited to a sector in the traditional sense. It also includes sectors that use the outputs or provide some of the inputs, such as infrastructure, skilled workers and know-how. Competitiveness requires the coordination of all producers of intermediate goods, infrastructure providers and the government for necessary policy and regulation and training. Cluster initiatives support inter-firm and public-private collaboration, institutional development and the removal of constraints for targeted regions to promote local and regional industrial development. Clusters are networks that include firms (producers) in one sector, often located in one geographic area, with interdependent firms and specialized suppliers – for marketing, packaging, testing and so on; knowledge institutions such as the local university; research institutes, such as the Scientific Research Organization of Samoa; training institutes; bridging institutions, such as brokers and consultants; and customers, such as hotels, traders, shops, exporters and processing firms - linked to each other in a value chain[7]. Figure 15 provides a simplified illustration of a cluster development approach to coconut-based product manufacture.

[6] The value chain is the sequence of productive stages of a process – for instance seed production for a crop, other inputs required such as fertilizers, water, energy and know how to deal with pests and other hazards, harvesting, post harvesting storage, transport, markets, further processing where required to make additional products, and so on. The Value Chain involves different actors that provide specific inputs into the different stages of the process. Value-added initiatives can be defined as those that promote, strengthen or even build for the first time, where missing, the different stages of the value chain that will eventually contribute to the competitive advantage of a product or service. Value chain analysis emphasizes the needs and benefits of micro-level cooperation and coordination.

[7] The cluster initiative builds on the models of Porter on determinants of firm competitiveness and have a strong emphasis on the local and regional dynamics of production and competitiveness. For more, see Porter, M.E. Clusters and Competition.

Figure 15: A cluster development diagram

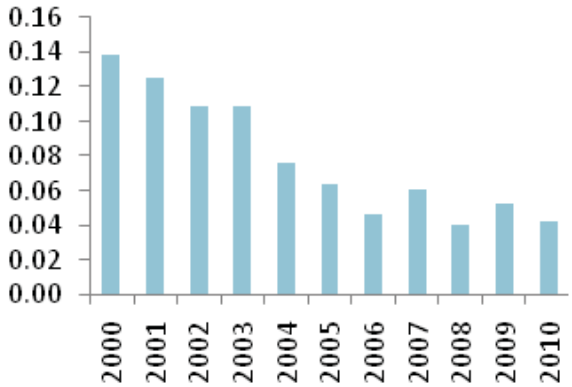


The advantages of adopting the cluster development approach is that it allows for linking policies and plans in various sectors (mainly agriculture, forestry and fisheries with manufacturing and trade) in a coherent and practical framework. It identifies bottlenecks in each stage of the production chain and directly traces them to the relevant sector or sub-sector; provides better monitoring and evaluation, as the approach provides clarity and concrete and quantifiable targets; and since it is built on private sector business models, it is relatively easy for the private sector to comprehend and utilize. In addition, government and development partner support, incentive structures and capacity development efforts can be tailored accordingly, for more precise targeting at the sub-sector and firm levels. Feasibility and product development studies and comprehensive cost-benefit analysis must proceed to identify the clusters and the feasible programmes to develop them.

E. Trade, Manufacturing and Agricultural linkages

Samoa suffers from a chronic, persistent and unsustainable trade deficit. In 2010, the trade deficit was nearly 30 per cent of GDP and the merchandise trade deficit was 45 per cent of GDP, slightly below the average deficit during the past decade. Reducing the trade deficit to a sustainable level can be achieved through the expansion of export oriented productive sectors (i.e. agriculture, manufacturing and services), import substitution or, ideally, a combination of both. Figure 16 illustrates the low and declining ratio of merchandise exports to imports.

Figure 16. The ratio of exports to imports, 2000-2010

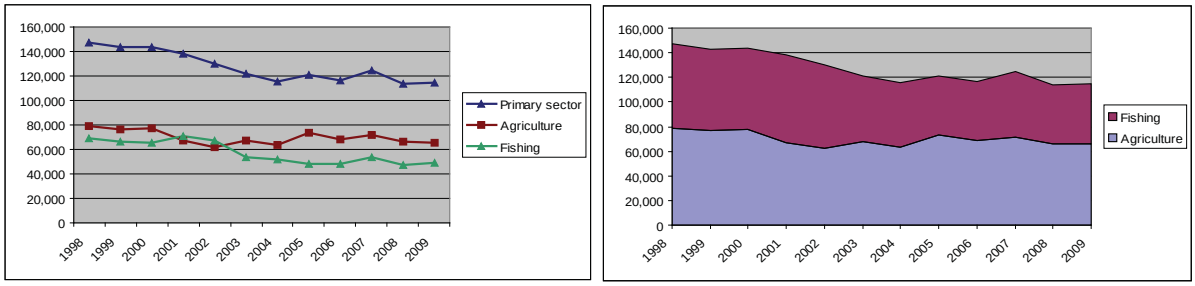


Source: Central Bank of Samoa

The main possibilities for export-oriented and import substitution industrialization in Samoa is agro-processing. Such an emphasis would again perpetuate the importance of agriculture in terms of its contribution to subsistence activities, especially in the development of the rural areas, and

its contribution to the manufacturing sector. This will require, however, that the linkages between agriculture and manufacturing be strengthened. Utilizing the cluster development approach, the agriculture policy and sector plan should, primarily, cater to agro-processing manufacturing though promoting agricultural products that enter into agro-processing value chains designed by industrial policies and complemented with careful trade policies that provide the necessary protection during the infancy phase as well as facilitate and enhance access to foreign markets. Export promotion will require enhancing competitiveness, which in turn necessitates reducing production costs.

Figure 17: Primary sector output, 1998-2009 (at constant 2002 prices in thousands of SAT)



Source: Samoa Bureau of Statistics

Samoa has a relatively productive natural resource base, which has supported interrelated production activities in the primary sector such as crops, livestock, fisheries and forestry products. The promotion of the primary sector has always been accorded a high priority in the national economic plans, where this was seen as a vital component for the revitalization of the village economy.[8] Yet the outcomes in the sector over the last decade have been disappointing, with reductions in outputs across the sector and declines in productivity from a low base.

Although the agriculture and fisheries sector combined contributed less than 10 per cent of the country's GDP in 2010, around 75 per cent of households (15,786) are active in agriculture, with a total population of just over 118,000. Although 50 per cent of these agriculturally active households derive some of their income from agriculture, only 728 households, constituting merely 5 per cent of all households that are active in agriculture, reported that their agricultural production was mainly for sale. For most agriculturally active households, therefore, agricultural production is for subsistence only. Notably, many wage-earning households engage in supplementary subsistence production. Despite consistent economic growth since the 1990s, with the exception of the period between 2008 and 2010, agriculture stagnated for the past decade. Although agriculture is still considered a major contributor to subsistence activity within the economy, the trend over the past decade indicates a decline in subsistence agriculture activity, which is indicative of shifts in demographics and labour mobility within the economy.

Opportunities for agriculture are constrained first by limited access to land and second by the nature of potential markets. The domestic market is small and is catered for mainly by subsistence rather than commercial production. The domestic market is steadily increasing, however, driven mainly by the demands of the tourism industry and export opportunities. These new demands will require investment in production of local products to meet high quality and supply requirements that will be best met through a combination of enhanced subsistence and commercial farming. The competiveness of export products will require efforts in reducing the cost and logistics of transport, given Samoa's relatively remote location.

Income disparity is growing between rural and urban areas, with a thriving services sector in urban areas in contrast with stagnating rural-based agriculture. It has also been noted that poverty disparities between the rural and urban areas have worsened. The development of agriculture is the most effective means to address these poverty and income disparity concerns.

The deteriorating agriculture sector also reflects the lack of investment and financing in the sector over the last decade. Profitability of the main long term crops: coconuts and cocoa have become negative or marginal at best, given the increasing developmental and maintenance costs and increasing volatility in world market prices. At the same time, short term crops such as bananas and taro have been devastated by pests and diseases, partly brought about by poor crop and soil management practices as farmers sought to farm land intensively so as to increase their outputs rapidly. Furthermore, the removal of subsidies for agricultural inputs, combined with a reduction in import duties on imported agricultural

[8] *See for instance - 2000-2001 Statement of Economic Strategy;*

products has negatively affected the sector over the last two decades. The lack of countervailing measures led to flooding the Samoan domestic market with heavily subsidized agriculture substitutes. The demise of the agriculture sector is also linked to the lack of clarity in legal, policy and administrative processes with regard to secure access to customary land and regarding property rights. This has been a major factor leading to investors and financiers shying away from the use of customary land. There is also a lack of timely agricultural data and business statistics to allow more vigorous analysis of the constraints and opportunities in agriculture. While there is relatively adequate capital and labour from existing village resources to meet the demands for subsistence farming, it is clear that commercial farming will require significant inputs of capital investment, technology, expertise in commercial agriculture and skilled labour.

The objective of the Industry Development and Investment Promotion Division of MCIL is to provide a high level of support for industry development and to facilitate an Investment friendly environment. Figure 17 indicates the current structure of the division, which requires restructure in order to effectively implement the core functions of the division, as highlighted in the TCMSP.

Figure 18: Current structure of the Industry Development and Investment Promotion Division

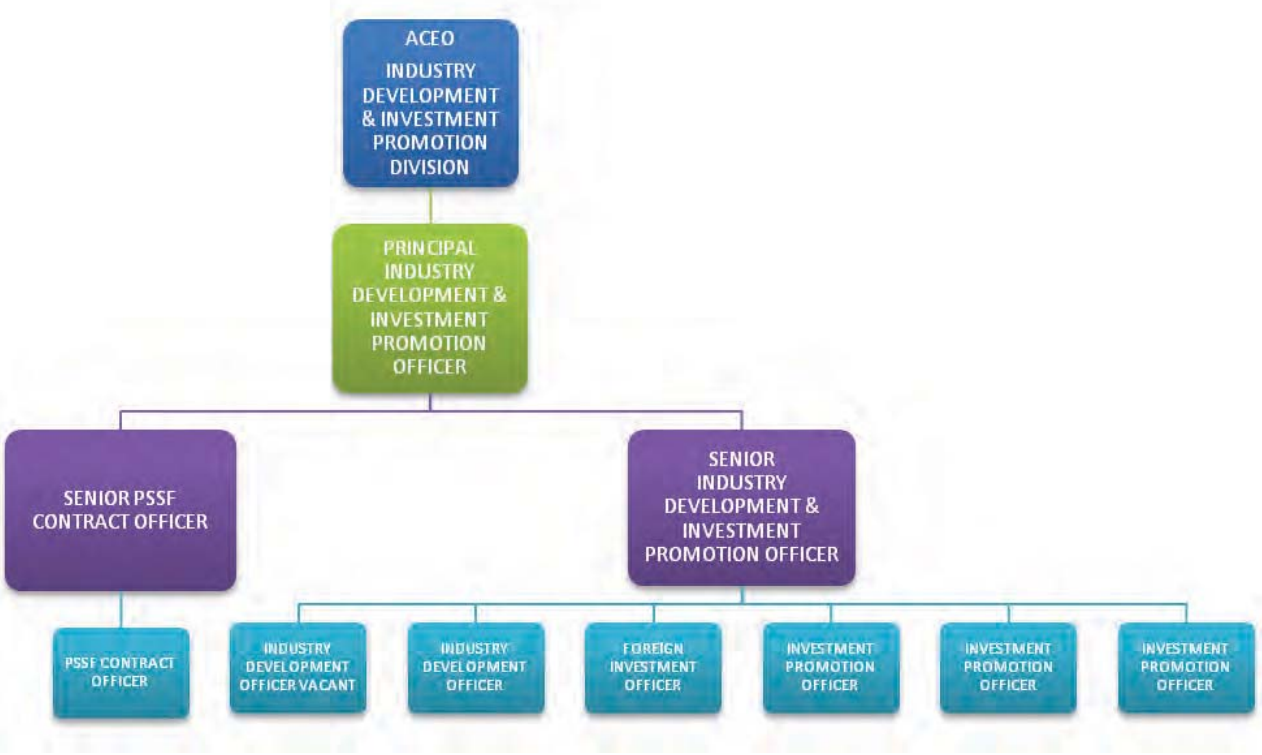
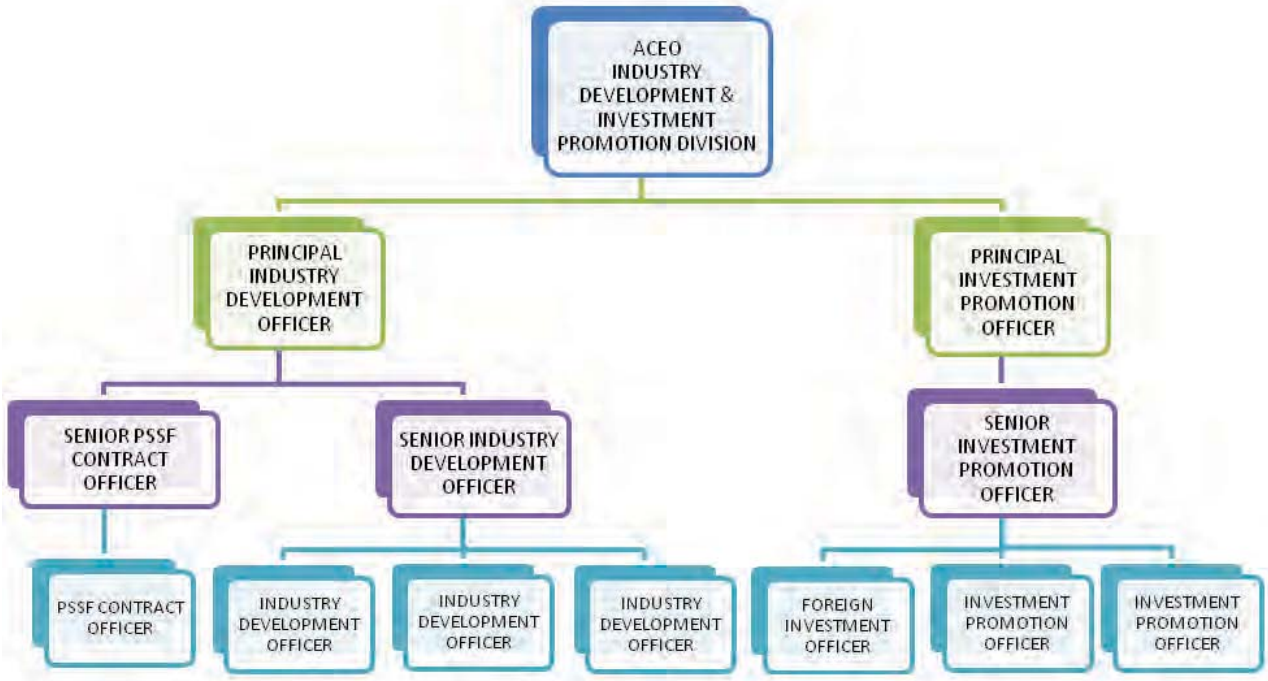


Figure 19: Proposed structure for the Industry Development and Investment Promotion Division



I miss U babe
I miss U babe
I miss U babe
I love my life
I love my life
I love my life

CHAPTER 5:

FOREIGN TRADE

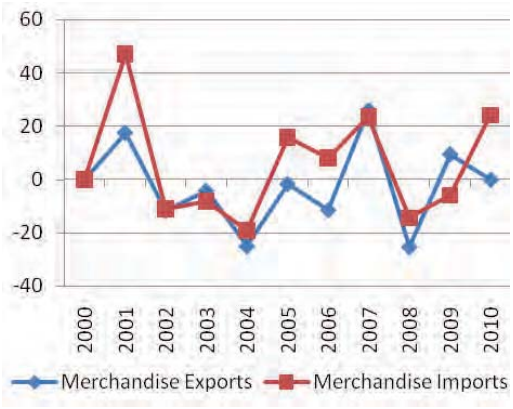
A. Introduction

In 2011, Samoa's foreign trade policies underwent a comprehensive review as part of the Enhanced Integrated Framework (EIF) programme. Prior to this, in November 2010, a Diagnostic Trade Integrated Study (DTIS), which included trade facilitation, trade performance, institutional arrangements and supporting and related sub-sectors, was finalized and validated by stakeholders. In addition to assessment and situation analysis, the DTIS provided a plan of action for implementation over the three years from 2011 to 2013, as well as funding mechanisms for various trade related projects. Thus, the TCM Sector Plan will rely on the DTIS situation analysis and action matrix as the main framework for the foreign trade sub-sector plan. The following brief situation analysis summarizes and complements the comprehensive situation analysis provided in the DTIS and links foreign trade with manufacturing and other productive sectors and sub-sectors.

B. Merchandise trade performance

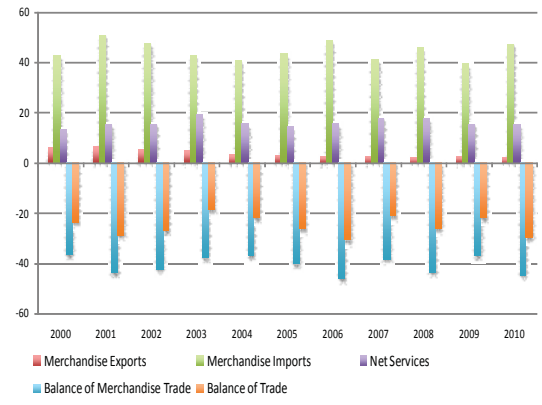
Samoa's export structure currently comprises mainly agriculturally based goods, with minimal value-adding. Throughout the period between 2000 and 2010, merchandise trade recorded a widening deficit, while net services recorded a small surplus (Figure 20). As a result, the overall balance of trade has been negative throughout the entire period. While growth rates of merchandise exports and imports were highly correlated during the period between 1999 and 2009, this correlation broke down in 2010, with a sudden spike in imports and a small drop in exports causing the merchandise trade deficit to widen. The decline in exports in 2010 came despite a relatively good performance during the first two quarters of that year, compared with the first two quarters of 2009. Throughout the period, the balance of trade deficit was mainly financed by receipts from tourism, remittances and foreign aid.

Figure 20: Growth rates of merchandise exports and imports, 2000-2010



Source: Central Bank of Samoa

Figure 21. Trade indicators (% of GDP), 2000-2010

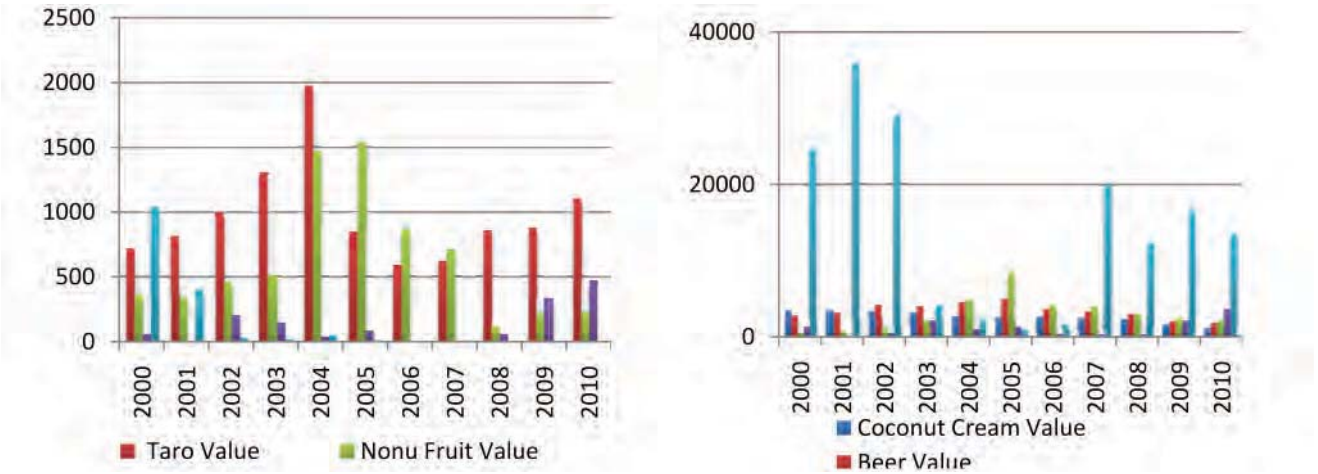


Source: Central Bank of Samoa

Until the mid-1990s, merchandise exports were traditionally driven by copra based products, including coconut cream and coconut oil. A major shift in the export structure was noted with the entrance of fish exports in the early 1990's, which have continued to dominate the list of export products until now.

A five year analysis of exports in the period between 2003 and 2009 indicates that the overall value of exports continued to decline sharply, with total earnings decreasing by over 26 per cent in 2008. Throughout the past decade merchandise exports were primarily made up of fish, despite the significant decline of fish exports during the period between 2003 and 2006, followed by taro and nonu fruit. Kava exports were significant up until 2001 but declined sharply due to the ban placed on kava imports that year in most European markets. The ban was subsequently lifted in 2008, raising prospects for increased kava exports from Samoa in future.

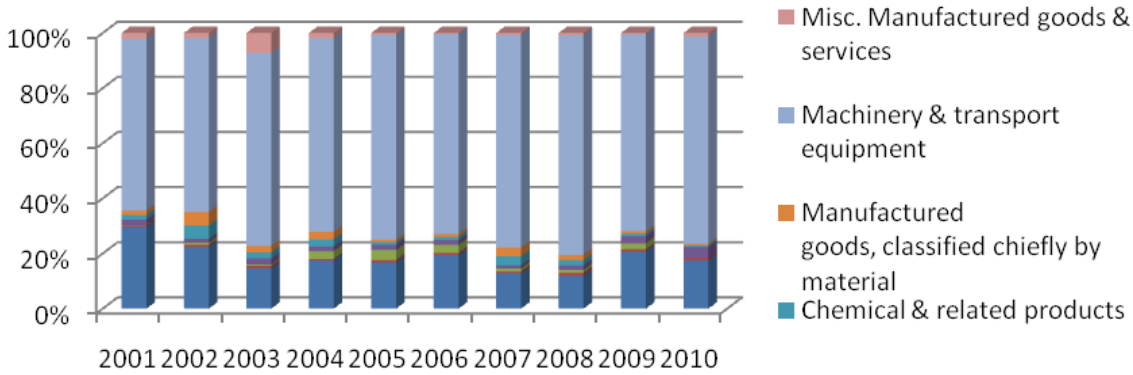
Figure 22. Trends of major exports (current prices, 000s SAT), 2000-2010



Source: Central Bank of Samoa

According to the findings of the five year analysis, there has been negative export growth overall, as reflected in the export figures for key export commodities, with zero earnings recorded for coconut oil in 2009. The only exports that recorded positive growth during this period were nonu juice and Yazaki exports. Interestingly, during the period between 2001 and 2010, food and beverage exports, which are mainly agricultural commodities, declined from 30 per cent in 2001 to 18 per cent of total merchandise exports in 2010. Meanwhile, Yazaki exports rose from 63 per cent to 76 per cent of total merchandise exports during the same period. It is important to note, however, that all inputs in the Yazaki products are imported and the domestic value-added is low. Yet, Yazaki contributes significantly to exports and employment generation in Samoa.

Figure 23. Composition of exports by category, 2001-2010



Source: Central Bank of Samoa

A detailed analysis of the export structure further indicates fluctuations in the performance of all of the key exports in the past five years, mainly due to supply side constraints: limited market access and fluctuating and unpredictable demand and international prices for these products. In view of these constraints, the government developed the National Export Strategy 2008-2012, which aims to improve the contribution of the export sector to the overall economy.

The manufacturing sub-sector is not large and is focused mainly around agro-processing, but it plays an important role in terms of its contribution to the country's balance of payments and provides vital employment opportunities. This makes it important to invest in and to revitalize this sub-sector as the platform on which a trade-focused development strategy is dependent for success. In terms of poverty alleviation, local production needs to remain the core of the food system and it is necessary to support and increase the capacity of Samoan farmers and fishermen to trade their produce locally, regionally and internationally.

Direction of Exports – Key Markets

Samoa's key export markets have changed considerably over the past three decades. While Europe and New Zealand were the top two markets in the 1970s, reflecting the dominance of copra and cocoa shipped to Europe and bananas to New Zealand, the early 1980's saw a shift in the composition of markets with entrance of coconut oil exports to the USA, and increased exports of taro to New Zealand. In the 1990's, New Zealand took over from the USA as the leading export destination due to the entrance of exports of canned coconut cream and declining exports of other major commodities. In the 2000's, however, exports of canned coconut cream declined dramatically in the face of competition from cheaper products manufactured in South-East Asia. In 2011, the top export markets for Samoa are American Samoa and the USA, mainly due to the export of fish. Exports to this market declined drastically, however, after the closure of the tuna cannery plant in American Samoa.

C. Services

Samoa's major asset is its people and they are considered to be its key potential comparative advantage in terms of international trade. This is reflected in the services sector, which has the highest contribution to GDP. A significant number of the country's population is employed in this sector, and the sector contributes significantly to the creation of new jobs. The services sector includes migrant workers, telecommunications, education, transport and finance. These services play a significant role in assisting other sectors of the economy as well as contributing to the economic and social well-being of the population.

Tourism plays a leading role in foreign exchange earnings, earning the equivalent of over 20 per cent of GDP. The format of the present GDP statistics on hotels and restaurants clearly illustrates the relative importance of tourism as it feeds across to other industries shown in the national accounts statistics. It also plays a significant role in the balance of payments, especially when counting visiting friends and relatives as part of the tourism industry. Other emerging service income sources captured in the current account include the telecommunications net settlements fees earned through the offshore centre. The export of professional services, including professional sports players, development consultants and seamen contributes around SAT 5 million per annum.

D. Trade regime, policies and strategies

Economic reforms in Samoa have been implemented since 1997 and are aimed at improving the efficiency of the public sector, opening up the economy and developing its small private sector. A key reform by the government was to reduce import tariffs, in line with the accepted wisdom on creating a competitive private sector and to allow support for its application to join the World Trade Organization. Samoa has now concluded its accession package, which was adopted by WTO members in December 2011, and is on schedule to ratify by June 2012.

The government's economic reforms that dismantled the tariff barriers protecting local produce from foreign competitors were not universally appreciated. This macro-policy change led to changes in the economic structure, most evident in the 1990s. The tertiary sector, particularly commerce, fared well in the same period, however, along with the transport and communications industries, but the primary and secondary sectors, including manufacturing, shrank further. The tariff structure remains unfavourable to the manufacturing sector due to anomalies such as imposing low tariffs on finished consumption goods and higher tariffs on the inputs and capital goods needed by Samoan manufacturers.

The trade regime for Samoa is relatively open in terms of export and import procedures. The main requirements include being a holder of a current business license and meeting requirements as set out in the relevant legislation and regulations for exporting and importing. There are limited restrictions on exports of reserved commodities, such as raw logs of timber and live coral. In terms of imports, the current restrictions include the ban on importing left hand derive vehicles more than 12 years old, plastic bags and turkey tails. The restriction on plastic bags was prompted out of environmental concerns while restrictions on old vehicles, turkey tails and asbestos are for health reasons.

Recent major trade policy documents include the National Export Strategy 2008-2012 and the Trade Policy Statement 2009, as described below.

National Export Strategy 2008-2012: A total of 53 activities are identified in the NES implementation plan. Between 2009 and 2010, 30 activities commenced; the majority are still ongoing but a few are now considered complete. A pivotal element in the implementation of the NES, the establishment of a national export agency (NEA) is still pending, however. A report by the Commonwealth Secretariat proposed options on the possible structure for such an organization and a plausible option proposed was to house this under an existing ministry, either the MFAT or the MCIL. The MFAT because it was at the forefront of the NES project and the NES Steering Committee is already in place, which could act as the advisory council for the NEA. It was also believed that having the prime minister as the responsible minister for the MFAT would signal strong commitment by the government for export promotion.

Implementing the NES is an operational issue, one that may be more appropriately handled under the MCIL, as a line ministry also responsible for investment promotion. It is logical that in a small economy export promotion and investment promotion be handled by one agency, as has been successfully done in Mauritius and Costa Rica. In addition, the MCIL also services the Trade Commerce and Industry Board that is also mandated with resolving the problems that hamper progress and restrain the advancement of trade, commerce and industry in Samoa.

The preferred option by many is an independent authority with no political or bureaucratic interference in its day to day management. Due to funding constraints, it is assumed that the government would provide funding for the body to be established as a State Owned Enterprise (SOE).

Trade Policy Statement 2009: This document is a compilation of the trade and trade related policies that currently exist. It should not be considered as a trade strategy in any way, however. A draft trade strategy was developed around the same time as the statement but, when the DTIS project commenced, it was realized that the DTIS report would provide a comprehensive overview across the sectors, as well as consider the cross cutting issues relating to trade. It is expected that the Trade Policy Statement will undergo a review after a certain period to ensure the information contained therein is accurate and readily accessible to exporters and importers.

E. Challenges

The key challenges facing Samoa in terms of improving foreign trade are described below.

Inadequate and unstable supply of inputs

Many of the challenges facing the growth of an export-oriented manufacturing sector in Samoa lie in the capacity of the domestic primary sector, mainly the agricultural sector. The lack of sufficient inputs and the unstable supply of those inputs by the agricultural sector, is a key issue.

Distance from major markets

The long distance from major markets (e.g. Australia and New Zealand) means that transportation costs for Samoan goods are relatively high when compared to international costs, and volumes are limited. The high costs often create a monopoly position that freight carriers and airlines can exploit and thereby increase the costs of trade even further. The high transport cost is a direct tax on exports and imports, and is thus one of the main obstacles Samoa will need to overcome if it is to compete effectively in the global market. The transformation of the economy towards a larger services sector and the significant advances made in telecommunications and information technology (IT) provides an ideal opportunity to overcome some of these geographical constraints, however. The government and private sector have both invested heavily in telecommunications infrastructure but the rate of utilization of is still very low, due to the high cost of some kinds of IT and the lack of appropriate policies, marketing and supporting infrastructure to enable the private sector to fully benefit from IT development.

Lack of economies of scale

As explained previously, Samoa's demographic and geographic characteristics contribute to the lack of economies of scale. In addition, most businesses find it difficult to attract potential business partners and most do not have the necessary collateral to access adequate financing. This means they cannot allocate resources for necessary market intelligence or invest in new skills and technologies. Furthermore, because of its small size and isolation, the private sector may lack the skills and resources to generate innovative project proposals or even manage aid projects funded by donors. This places a

high premium on the skills that foreign investors and skilled foreign workers can bring. Furthermore, the lack of economies of scale compounds the ineffectiveness of local businesses in competing in a global environment. It is important to note that Samoa is inherently best equipped to attract small to medium sized investments, rather than large scale investments.

Land

The land tenure system in Samoa is under review, with a view to balancing the need to expand development with the need to maintain the fa'asamoa culture. The long length of time it takes for foreign investors to secure land in Samoa has long been held as one of the main contributing factors to the low levels of foreign investment. There has been significant progress in recent years in reducing the time and cost required to register a property in Samoa, however, with the time required falling from 147 days to only 27 days and with the cost falling from 2.1 per cent to 1.6 per cent of the value of the property. Any reforms should include not only reforms to the legislation governing the leasing of land but also reforms that decrease further the time and costs required to secure customary land ownership as well the settlement time for customary land disputes. A review is planned of the government's customary land leasing policy and how it may contribute to greater economic use of these lands, to trade and to providing a sustainable income for landowners. The government, with foreign assistance has developed the legislative framework to promote greater economic use of customary land through leasing to attract private investment and to create opportunities for the informal rural economy to access financing, employment opportunities as well as assisting the poor, who only have customary land as their assets.

Financing

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

Banking and finance infrastructure is regulated by the Central Bank of Samoa. The main players in the financial services sector include the two foreign owned banks (ANZ and Westpac), two locally owned banks (the Samoa Commercial Bank and the National Bank of Samoa); as well as the Development Bank of Samoa; the National Provident Fund, which lends to individual Samoans using their contributions as security, as well as to businesses; two microfinance schemes and one small business finance scheme, the latter operating through guarantees; and five insurance (life and non-life) companies.

Marketing

No single entity is tasked with marketing for all products. The lack of coordination of marketing efforts is seen as a major impediment to the development of the trade sector. The marketing of agriculture products is vested with the Ministry of Agriculture, while manufacturing products are marketed jointly by the Samoa Association of Manufacturers and Exporters (SAME) and the MCIL. The lack of clarity in the roles of MFAT and MCIL further compounds this problem. The tourism industry is marketed jointly by the STA, the Samoa Hotels Association and the private sector. Coordination of marketing efforts is not only weak, it also does not present a unified macro approach to marketing, despite efforts such as Lotonuu. There is a huge imbalance in the marketing budgets in favour of tourism, which receives around SAT 7 million annually, while manufacturing has been somewhat neglected.

Trade and export promotion and facilitation

Trade promotion remains inadequate and lacks clear policies, an incentive structure, legal framework and institutional capacity. Failure to meet Sanitary and Phyto-Sanitary (SPS) and bio-security requirements often also hinders the expansion of exports. For instance, the government has successfully negotiated tariff-free access for goods to Japan and China, but access to these markets is hampered by the need to have an SPS and a hygiene monitoring and legal regime in place. This issue was emphasized by the DTIS. Furthermore, more in-depth analysis of the NES is needed. There is also a need to strengthen the capacities of the MCIL and the trade division of MFAT to enable them to implement the DTIS action matrix and play an active role in trade promotion and enhancing trade facilitation.

CHAPTER 6:

ENHANCING AN ENABLING ENVIRONMENT FOR THE PRIVATE SECTOR

A. Introduction

The Strategy for Development of Samoa (SDS) has set Private Sector Led Economic Growth and Employment Creation as a priority (Goal 2). In 2006, the private sector accounted for about 58 per cent of GDP and two thirds of formal employment. Hence, accelerating economic growth through private sector development is vital. The SDS also encourages manufacturing activities and especially the diversification of agricultural products to utilize by-products and to be promoted vigorously. Furthermore, it highlights, under the trade policy, that the government will continue to implement its trade liberalization policy during the period between 2008 and 2012; this includes the continuous review of tariff liberalization to the benefit of the manufacturing sector, which exports and produces locally.

B. Business environment

A comparison in 2009 of the business environments in Samoa, Fiji Vanuatu and Mauritius suggests that, in general, the business environment in Samoa is highly comparable, often more favourable, in comparison with the other three countries. Samoan firms face similar, or fewer, difficulties than their counterparts in Fiji, Vanuatu and Mauritius in terms of doing business. A higher proportion of firms in Samoa do external auditing, have certification from the International Standards Organization (ISO) and use bank finance. Furthermore, Samoan firms are more engaged in foreign trade than their counterparts in Fiji, Vanuatu and Mauritius, as indicated by the percentage of exporters in the total number of private sector firms. Nonetheless, more Samoan firms consider trade regulations a major constraint. This may be attributed to tariff anomalies, which most businesses have explicitly mentioned in the ongoing dialogue with the private sector and its main associations (SAME and Chamber of Commerce). The value of collateral needed to acquire a loan in Samoa, is relatively high, second to Fiji. This perhaps explains the highly positive perception of access to finance in Fiji, which is far better than in Samoa, Vanuatu and Mauritius, as indicated by the lower percentage of firms in Fiji perceiving access to finance as a major constraint. There is also ample room for improving tax administration in Samoa, which is considered a major constraint by more Samoan businesses than their counterparts in Fiji, Vanuatu and Mauritius, as well as the East Asia and the Pacific and the world averages of 8.9 per cent and 12.03 per cent, respectively. This was also indicated by the high number of hours needed to prepare and pay taxes, as discussed previously.

Table 6: Environment for Doing Business comparison, 2009

Environment for Doing Business - 2009	Vanuatu	Fiji	Samoa	Mauritius
Percentage (%) of exporter firms	4.28	19.15	26	15
ISO certification ownership (% of firms)	26.98	22.85	31	11
External auditing of financial statements (% of firms)	43.58	90.05	72	59
Firms using banks to finance expenses (% of firms)	33.18	50.74	69	39
Firms using banks to finance investment (% of firms)	41.4	37.13	48	37
Firms with bank loans or lines of credit (% of firms)	45.84	37.82	51	47
Value of collateral needed for a loan (% of loan amount)	191.3	214.69	206	60
% of firms expected to give gifts to get an operating license	6.5	1.21	15	0
% of firms expected to give gifts to secure a government contract	8.79	3.04	14	9
% of firms expected to give gifts to tax officials	4.58	4.47	20	0
% of firms expected to pay Informal payments to public officials	4.25	10.2	29	6
% of Firms Formally Registered when Started Operations in the Country	88.06	93.48	88	84
% of Firms Identifying Business Licensing and Permits as Major Constraint	13.3	6.04	4	19
% of Firms Identifying Corruption as a Major Constraint	42.42	35.07	22	51
% of Firms Identifying Crime, Theft and Disorder as Major Constraints	35.58	17.6	23	42
% of Firms Identifying Customs & Trade Regulations as Major Constraint	13.54	10.49	19	18
% of Firms Identifying Access to Finance as a Major Constraint	28.99	6.66	16	46
% of Firms Identifying Labour Regulations as a Major Constraint	18.33	19.17	3	9
% of Firms Identifying Tax Administration as Major Constraint	9.77	16.12	20	16
% of Firms Identifying Tax Rates as Major Constraint	26.55	26.6	33	25
Average Time to Clear Imports from Customs (days)	13.43	11.98	14	10
Average Time to Clear Direct Exports Through Customs (days)	n/a	11.59	10	10
Days to Obtain Construction-related Permit	47.54	50.7	13	72
Days to Obtain Import License	13.3	12.22	7	23
Days to Obtain Operating License	17.77	6.52	5	19
Delay in Obtaining a Mainline Telephone Connection (days)	9.47	13.58	8	39
Delay in Obtaining a Water Connections (days)	7.8	53.45	6	30
Delay in Obtaining an Electrical Connection (days)	3.65	19.81	10	19
Scale: 1 - best environment (green), 4 - hardest environment (red)	1	2	3	4

Source: World Bank Enterprise Survey, 2009

C. Structure of government incentives and support

The government provides support and various incentives to the private sector, under several schemes. The main schemes are the Duty Concession Scheme, Code 121, the Private Sector Support Facility (PSSF)

and the repealed Enterprises Incentives Scheme 1998/99 (see Annex 3 for details of the number of manufacturers assisted under these schemes). The MCIL administers the various schemes. In addition, the MCIL facilitates the servicing of the Trade, Commerce and Industry Development Board as a forum for government ministry and private sector dialogue on issues pertaining to trade, commerce and industry.

The aims of each of the main schemes are as described below.

- The objectives of the PSSF are private sector development and increased trade, which are recognized as the engines of economic growth for Samoa.

- The Duty Concession Scheme aims to encourage the development of the tourism and manufacturing industries. The programme is mainly for the exemption of the customs duty on imported raw materials, machinery and capital goods.

- The Code 121 scheme aims to further develop domestic businesses, including commercial poultry farmers, commercial manufacturers of agricultural products, commercial handicraft manufacturers and commercial elei garment manufacturers to effectively manufacture high quality competitive products for both the domestic and international markets. The assistance is mainly for the reduction of the import duty from 8 per cent to zero for imported raw materials and other particular materials for use by businesses approved under the Customs Tariff Amendment Act 2008.

The majority of manufacturing is in food and agro-processing and these are mainly locally owned businesses that mostly rely on domestically produced agricultural products, such as nonu fruit, coconuts and taro. Non-agro processing mostly involves foreign investment, such as the wire harness business (Yazaki); plastic tanks; gas, water and paints, and rely heavily on imported raw and intermediate inputs. The manufacturers are mainly assisted for duty exemptions on the import of raw materials and production machinery for improving the manufacturing process. The need to import raw materials and machinery poses many challenges for the industry, however. Given the high share of imported inputs in manufacturing, the level and administration of import concessions as well as the time and procedures to clear imports are crucial factors for Samoan manufacturers to consider. As suggested by the World Bank surveys of the business environment and the costs of doing business, these are areas where further improvements are needed. Five of the group of non-agro processing manufacturers have foreign components and were issued approval under the Foreign Investment Act 2000. These are Yazaki, BOC Gases Samoa Ltd, Samoa Paints Ltd, Rotomould Samoa Ltd and Argent Distributors Samoa Ltd. Yazaki is, notably, a major exporter of wire harnesses to Australia and the MFAT continues to negotiate and request three derogations (renewable) from the Government of Australia for duty exemptions on the exports of Yazaki.

The Scientific Research Organization of Samoa

The SROS is a newly-formed government initiative, established in 2006, to provide scientific and technical research and develop technologies that provide benefit to Samoa's industry and economy. It is an independent corporate body constituted and operating under the provisions of the SROS Act 2008 that reads and forms part of the Research and Development Institute of Samoa Act 2006 ("the principal Act"). Under the Act, a nine member board is established, taking into account the organization's purposes and functions and is responsible for policy control and governance of the organization.

The primary objective of the SROS is to assist farmers and businesses through scientific and technical research, with the aim of adding value to local resources and services, so as to encourage development in the national economy. There is a need to add value to food production in Samoa to fully utilize local resources (agricultural produce), generate income and employment and reduce imports. There is also a need to exploit energy sources that are renewable, to combat high energy costs.

Research and development into value-adding to goods and services is expected to bring about significant improvements in national GDP and social benefits to Samoans. The SROS aims to conduct scientific research and develop technologies with outcomes of great value in the development and sustainability of value-added goods and services for export and to achieve reductions in fuel imports and greenhouse gas emissions. The organization provides an advisory service to the private sector and government on technical matters that promote the national economy. The private sector frequently employs the organization's advisory services on export quality management issues, product formulation and process optimization. The technical services provided by the SROS support the consultancy services through chemical, microbiological and physical analyses of samples submitted by stakeholders, for a fee.

Moreover, the SROS has recently attained international accreditation status for its chemistry and microbiology laboratories, with International Accreditation New Zealand (IANZ), as fully compliant under the ISO 17025 standards for specific scopes of tests/analysis. This achievement will help stimulate Samoa's exports, while also improving local food quality and safety standards and the SROS will potentially become Samoa's certified international accrediting authority that would testify to the safety and conformance of local food products to international standards.

SROS achievements to date include:

- The launch of SROS's "Samoa Pure" branded new product developments: avocado cooking oil and breadfruit and cassava flour in February 2012, using locally grown and available Samoan fruit and produce. All three products have great commercial potential, with necessary up-scaling opportunities explored for import substitution and export prospects.
- Renewal of the Bottled Water Monitoring Programme with the Ministry of Health (MOH) for another 12 months to analyze the compliance of bottled water companies' products with national bottled water standards set by the MOH.
- The ranking of SROS's proven coconut biodiesel technology as a prominent potential renewable energy source in a study titled "Structuring Investments in Biofuels and/or Biodiesel in Savaii". Findings of this report have been tabled with the National Energy Coordinating Committee (NECC) for potential up-scaling by the Electric Power Corporation (EPC), with a final decision pending and a pilot trial planned for one of EPC's generators.
- The positive annual International Accreditation New Zealand audit outcome post-accreditation attainment in early 2011, reaffirming SROS laboratories' IANZ certification status to internationally recognized and accepted standards.
- SROS's nutritional and sensory evaluation of five new Samoan taro varieties, specifically developed by the MAF for export. A report titled, "Comparative Nutritional Value and Sensory Attributes of Five Samoan Talo Developed for Export", dated March 2010, detailing the SROS findings, was submitted to the MAF for their information and necessary action.
- Successful completion of two separate water quality monitoring contracts from the Asian Development Bank (ADB) via the Snowy Mountains Engineering Corporation (SMEC) for seawater quality monitoring analysis around the Fagaloa and Ufato Bays, and the contract from the Secretariat of the Pacific Regional Environment Programme (SPREP) on freshwater quality monitoring in the areas of Afulilo, Taelefaga and Uafato.

Other research projects in the pipeline, with funding yet to be secured, include:

a) Sugar syrup - This project looks at utilising locally grown starchy produce to manufacture sugar syrup to be used as a substitute for imported sugar and derived products. Sugar syrup has wide applications in the food, brewing, textile and pharmaceutical industries and the SROS hopes to provide a substitute for use in the food and brewing industry in particular. Currently, Fiji is the only country in the Pacific that produces and exports sugar.
b) Avocado margarine – Using the recently launched SROS avocado oil as the base ingredient, this project aims to produce an avocado margarine spread.
c) Coconut cooking oil – The objective of this project is to refine the quality of existing coconut cooking oils to improve its quality, eliminate the present strong coconut odour and meet other essential parameters with regards to its high cooking temperature.
d) Bio-ethanol production from nonu fruit – The aim is to produce bio-ethanol from locally available nonu fruit, in addition to the manioka and breadfruit, to use as biofuel in motor vehicles.
e) Maintain (b)
f) Maintain (c)

The above-mentioned research projects are aligned with the SROS aims to: (i) conduct research into value adding of local resources, (ii) develop prototype products based on research and (iii) promote the national economy through research and development. They also contribute towards the Trade Sector Plan's overarching development outcomes.

The Small Business Enterprise Centre

The Small Business Enterprise Centre (SBEC) was established under the control of the (Western) Samoa Small Business Enterprise Development Trust, incorporated under the Charitable Trust Act 1965 of Western Samoa. SBEC's mandate is to provide assistance to all small businesses in Samoa, with the exception of multinationals. SBEC was primarily created to provide encouragement and assistance to small business entrepreneurs in Samoa and it therefore targets enterprises with the following characteristics:

Number of employees:	*Up to five fulltime*
Production Process:	*Simple*
Financial System :	*Cash flow accounting and little documentation*
Credit Sources:	*First or second time access to credit*
Market:	*Predominantly local market*
Legal structure:	*Sole proprietorship/partnership/cooperative*

To achieve its mission, the SBEC provides the following core services:

- Small business management training
- Small business advisory services
- Facilitation of access by small enterprises to financial resources
- Advocating and facilitating small businesses into positive change.

In 2008, an impact assessment of the work of SBEC to support small business development in Samoa provided the following analysis:

- A survey conducted with SBEC clients confirms a positive and significant economic and social impact from SBEC's activities to date. It confirms the significant impact of SBEC services on the standard of living and well-being of the client, family and local community and, in particular, survey respondents indicated having achieved improved access to better education, health care, food and all the basic needs. Importantly, clients who previously had no regular source of income have become empowered by the success of their small businesses, more self reliant and better able to take part in local activities through their raised status.
- The economic analysis indicates that for every tala invested in SBEC, over three tala has been generated for the Samoan economy, and that for every additional tala of economic activity, government revenues benefit by 0.12 (12 per cent). Due to the leverage affect of funding from the New Zealand International Aid and Development Agency (NZAID), the actual impact from the Government of Samoa (GoS) funding is closer to 20 tala of economic impact per tala invested.
- The value of the economic impact per tala invested by NZAID and the GoS is 6.58 and 19.73 respectively and shows the leveraging effect of combined donor funds.
- The businesses each employed 3.3 wage workers, on average, for an annual average payroll of SAT 25,500 per business. The total number of people directly engaged in the businesses and achieving economic benefit was 5.8.
- The nation-wide value of increased revenues is likely to be around SAT 12 million per year.
- The results show that for every tala invested in SBEC, 3.06 tala has been generated for the Samoan economy[9] by the programme as a whole.
- Given the large average size of the businesses surveyed, it is estimated that around 2,500 people have been employed nationwide through the establishment of SBEC serviced businesses.

[9] *Benefits included in the cash flow are at the business owner level only.*

Table 7: Small Business Loan Guarantee – Access to finance assessment

Average loan size- ADB scheme	18,520
Average loan size- NZAID	5,847
Net-benefit impact of SBEC loans	1.75
Forecast rate of foreclosure (2008-2024)	10%
Future interest on Guarantee loan balance	5%
Recovery rate from foreclosed loans	20%
% of impact directly attributable to SBEC	66%
Annual loan clearance rate as % of total portfolio	5%
Average loan defaults	9%

Source: SBEC

To date, the SBEC has provided support to more than 1,000 small businesses in Samoa. The following table provides a summary of the number of clients served by the SBEC through its training and access to finance services.

Table 8: Number of training courses and participants, 2002-2009/10

Course		2002	2003	2004	2005	2006	2007	2008	2009
Start Your Business	No. of training courses	11	5	5	6	17	19	8	4
	No. of participants	212	139	92	115	375	331	129	80
Marketing & Finance	No. of training courses	0	1	3	2	1	1	0	0
	No. of participants	0	14	15	26	11	4	0	0
Customer Service	No. of training courses	5	8	7	5	3	6	3	7
	No. of participants	91	131	101	86	65	136	69	180
Other (Fee Earning)	No. of training courses	9	3	1	4	1	0	7	11
	No. of participants	233	79	20	188	24	0	121	265
Total	No. of training courses	**25**	**17**	**16**	**17**	**22**	**26**	**18**	**22**
	No. of participants	**536**	**363**	**228**	**415**	**475**	**471**	**319**	**525**

Source: SBEC

In 2009, 1,994 businesses were registered with the Ministry of Revenue, a drop of 14 businesses from the previous year. More businesses were registered as services businesses than for any other sector, followed by retail (1,670 businesses) and, distantly, by tourism (199 businesses). The SBEC supports 193 small services businesses. These service businesses include taxis, mechanical services, food services, cleaning services, entertainment businesses, professional services, health services and importers/exporters.

In 2009, SAT 459 million were distributed in commercial loans to this sector, reflecting consistent growth in loan exposure in recent years. Loans mostly comprised "building, construction and installation" (SAT 295 million) and "transport, storage and communication" (SAT 80 million). Loan exposure to the building sector has significantly increased, rising from close to SAT 150 million in 2004/05 to close to SAT 300 million currently.

Table 9. Businesses supported, by zone, 2002 -2010

Zone	Male	Female	Total
Apia Urban Area	227	254	**481**
North West Upolu	66	48	**114**
Rest of Upolu	95	88	**183**
Savaii Island	256	126	**382**
Total	644	516	**1160**

Source: SBEC

Table 10. Businesses supported under the small business loan guarantee scheme, 2002-2010

Business Type	Male	Female	TOTAL
Agriculture	160	80	**240**
Fishing	14	9	**23**
Handicrafts	19	39	**58**
Manufacturing	81	108	**189**
Retail	154	154	**308**
Support Services	115	65	**180**
Tourism	17	24	**41**
Transportation	84	37	**121**
Totals	644	516	**1160**

Source: SBEC

The National University of Samoa (NUS) has students enrolled in 15 service-related courses, for which most have experienced increases in demand. A wide range of vocational institutions offer training to the services sector, including the Australia Pacific Technical College (APTC), Pacific International Unitech, Uesiliana Technical College, Tesesse Administrative Studies, Marist Centre, Laumua O Punaoa Technical College and the Don Bosco College. Most of these institutions have experienced an increase in student enrolments in service related courses.

Table 11: Institutional trends

Characteristic	Value/Number	Trend **(from prior year)**
Businesses Registered with the MoR	1,994 (2009)	**Decreasing**
Small Businesses **(SBEC, WIBDI, METI)**	193 (SBEC)	
Companies	570	**Increasing**
Loans to sector **(average exposure)** Excludes DBS	SAT 458,800,000[10] (2009)	**Increasing**
Total SBEC Loans to sector	SAT 7,734,694	
Population by Industry **(Census 2006)**	14,965	
Education to sector **(participants)**	**1,075 (2008)**	**Increasing**

Source: SBEC

Public Sector Support Facility

The PSSF provides financial support to the private sector through the national private sector organization, the Samoa Chamber of Commerce. For example, the PSSF provided support to the Samoa Association for Manufacturers and Exporters, a member of the Chamber, to assess and facilitate in the capacity development of local manufacturers, including in ISO 9001:2008 certifications. Twelve firms were initially signed on for the certification programme and seven were certified by the end of 2010. Such manufacturers now meet the stringent requirements of overseas markets through this certification and can therefore export to those markets. For instance, due to this ISO certification, Wilex Co. now supplies packaging materials for Star Kist Company in American Samoa for its tuna products.

The PSSF has assisted a number of manufacturers in market exploratory visits and participation in overseas trade fairs and world expos, thus assisting in the establishment of markets. Product development is another area in which the PSSF has assisted, not only in engaging expert services, but also in the labelling and packaging of manufactured products. Furthermore, the PSSF also assists manufacturers in market development through promotion on television, radio, billboards, magazines, websites and brochures.

Another achievement of the PSSF was within the agriculture sector, which is linked to manufacturing. In this case, the PSSF assisted in the establishment and commercialization of chilli (bird eye species)

[10] *Research and Statistics Department, Central Bank of Samoa*

farms to supply the Apia Bottling Company, which manufactures Samoa's own chilli sauce and exports to Fiji, Australia and New Zealand.

Annex 4 lists 75 PSSF cases that were declined for the following reasons:

- The applicant did not meet the eligibility criteria of the scheme i.e. they have to operate for at least a year (12 months) before applying for assistance from PSSF. Moreover, PSSF does not fund the establishment of businesses.
- Most of the requests for capital items are declined, given that this is outside the coverage of the PSSF. The scheme is geared mainly towards marketing initiatives and market development and not towards the procurement of capital items. One capital item that is approved under the scheme, on a case-by-case basis, is water tanks. Water tanks are only considered for projects that meet the criteria of the scheme and are located in areas that the water service of the Samoa Water Authority (SWA) cannot reach, however. Other capital items approved are materials for greenhouses; these were also treated on a case–by-case basis, depending on the nature and the level of development of the applicants.
- A few applications were declined on the basis that the applications were not complete and did not present any information on the background of the project the applicant wished PSSF to assist in funding.
- A few applications met the eligibility criteria of PSSF but were declined on the basis that the activity requested was not in line with the objectives of the PSSF. For example, requests by companies for participation at the Shanghai Expo 2010 for the purpose of obtaining trade information or to source cheap raw materials from China, but not to promote and market their services.
- Applications from NGOs were declined on the basis that their activities are not commercial and trade activities. But most NGOs are referred to other schemes, such as the European Union (EU) Micro project.
- Others were declined because they were already being provided funding by other donors.
- Individual members of the same association applying for the same activity were asked to apply in a group rather than in individual applications, as in the case of Samoa Mamanu and Manufacturers Inc.

More cases were declined in the financial year (FY) 2008/9, i.e. at the initial stage of the facility, when awareness about the aims of the PSSF was low, than in later years. The agriculture (crops and livestock) sector has had the most declined cases because the sector is not interested in marketing their activities but is rather focused on development activities and they mostly request capital items such as tractors, equipment, machinery, vehicles (trucks), tools, barbed wire for fencing and cows, which fall outside the coverage of the scheme. The review of the PSSF in FY2009/10 recommended the inclusion of capital items under the scheme, given that this is where the needs of many in the private sector lie.

D. Limitations and challenges

The private sector in Samoa faces numerous challenges, some of which are inherent due to geographic and demographic characteristics. Some of the challenges are a product of a combination of inherent and policy characteristics, such as the high costs of doing business. There is a need for more coherent trade and industrial policies that are geared towards promoting the manufacturing sector and that target particular clusters, based on Samoa's comparative advantages. For instance, tariff schedule anomalies, where tariffs applied to imported finished products are the same for imported raw materials. For example, tariffs on plant/machinery for manufacturing purposes is a 20 per cent duty rate. Lack of venture capital and limited finance options is another major challenge. There is a need for more aggressive export promotion policies and incentives that focus on performance and on exporting firms and ensure that Samoan exports comply with the SPS, bio-security, hygiene and quality requirements of major export markets. This should complement Samoa's efforts to enhance its international market access through trade negotiations and WTO accession. While the DTIS did not include an in-depth review of the NES, it highlighted that trade promotion has been inadequate thus far.

In addition, the private sector lacks management and marketing capacity, particularly export-oriented expertise. There is also a major deficiency in terms of public awareness among consumers and the business community regarding government support schemes, so many businesses fail to take advantage of them.

PART III:

TCM PLAN FRAMEWORK

CHAPTER 7:

SECTOR AND SUB-SECTOR OBJECTIVES, STRATEGIES, OUTCOMES AND PERFORMANCE/OUTCOME INDICATORS

A. Vision for the trade, commerce and manufacturing sector

Maximize the gains from domestic and foreign trade and enhance productivity, income generation opportunities and equitable sustainable livelihoods for all Samoans

B. Sector theme

Productivity, value-adding, competitiveness, income generation and fair trade

C. Sector challenges and possible remedies

The table below lists the key challenges faced by the trade, commerce and manufacturing sector and lists the policies, strategies and interventions designed to address those challenges.

Table 12: Sector's challenges and possible remedies

Challenges	Policies, strategies and interventions
i. Inadequate and unstable domestic supply of raw material and intermediate inputs, mainly due to the weakness of the agriculture sector.	A strong and productive primary sector is a necessary condition for productive manufacturing and beneficial trade. Identifying bottlenecks and constraints in the primary sector and working with relevant stakeholders to address them will enhance primary sector productivity and ensure stable and sustainable supply that caters to the demand of the industrial and trade sectors.
	Enhance and institutionalize cross-sectoral partnerships and consultations among stakeholders in the government, non-governmental organizations, civil society and the private sector.
	Adopt a cluster and value chain development approach to boost value addition and enhance sectoral linkages. This approach will also ensure equitable distribution of income across sectors and between urban and rural areas, accelerating progress towards the elimination of poverty and hardship in Samoa.
	Enhance partnerships with the education and training sector to enable it to better cater to the demand from the productive sector for a workforce equipped with the needed skills and knowledge. This will be achieved through enhanced collaboration with the relevant agencies and development partners to attain better alignment of education and training policies and initiatives and strengthen the production and dissemination of labour market data and information.
ii. Lack of economy of scale	"Escape the scale trap" through prioritizing, promoting and supporting high value-added niche products, targeting niche export markets and tourism and upscale marketing and branding.
	Enhance manufacturers' access to finance, technical assistance and technology transfer in order to boost productivity and capacity utilization.
	Adopt a cluster development approach and create business incubators.
	Adopt private selective targeted support, geared to identify and promote winners and linked directly to performance.
iii. Lack of venture capital and limited finance options. The credit and finance systems and markets in Samoa are limited and are relatively weak. There are low levels of banking by the population, limited investment available to individuals	Develop policies and a regulatory framework to support investment, extension of credit and mobilization of savings from remittances; strengthen domestic financial institutions; incorporate informal institutions and link them with formal institutions; and increase the amount of lending to small-scale entrepreneurs and businesses.
	Create various funding and finance options to cater to the wide range of needs, priorities, capacities and sizes of private sector establishments.

and firms because of the higher consumption over income, as recorded in the last household income and expenditure survey in 2008, and high interest rates, with large gaps between what the financial institutions pay for deposits and what they collect in interest. This difference of 7 to 9 per cent between deposits and loans is high and has remained high in spite of the recent economic reforms. iv. The current land tenure system remains an obstacle in two forms: first, inadequate land for industrial development and supporting projects and infrastructure; second, limited access to finance, since land is the only accepted collateral for secured loans.	Establish new, and enhance existing, finance schemes to provide soft loans to businesses.
	Improve banking regulations and expand the use of soft/nonphysical collateral (e.g. land leases).
v. Due to the lack of domestic savings, Samoa relies heavily on foreign investment. In this realm, Samoa competes regionally with Fiji, Vanuatu, Solomon Islands and Papua New Guinea (PNG), and globally with other developing countries, many of which provide a more favourable investment environment.	Reduce administrative barriers to foreign direct Investment.
	Review and make necessary changes to the tax base to be more investment friendly.
	Continue to reduce the costs of doing business and improve the business environment.
vi. High costs of doing business.	Undertake a comprehensive study to analyze the cost structure of doing business in Samoa and recommend feasible solutions to the cost components that can be reduced.
	Reduce the burdens of the following: starting, registering and closing businesses, registering properties, preparing and paying taxes and enforcing a contract.
	Expand the utilization of e-governance through electronic Internet-based systems and provide better support services to businesses.
	Explore further and prioritize public private partnership (PPP) modalities and options for various projects and initiatives, when feasible, particularly for energy, infrastructure, transportation and port management.
	Reduce costs and achieve sustainability, particularly environmentally, of energy.
	Reduce dependency on fossil fuels for energy and expand the utilization of renewable energy sources.
vii. The private sector lacks management and marketing capacity, particularly export-oriented expertise.	Establish business incubators and adopt a cluster development approach.
	Support exposure to and engagement in international trade forums and expos.
	Lead the consultation process with international and regional partners to enhance access to training and mentoring programmes.
	Continue to promote and support efforts that aim at obtaining internationally recognized certification and accreditation (e.g. ISO) for Samoan businesses.
	Increase focus on effective human resource development and skills for increased productivity in all sectors through increased business training - finance, management, marketing and promotion of entrepreneurial skills. This should be done within the school curriculum and for adults, as is being done by organizations such as SBEC and WIBDI. Make vocational training more effective by being demand driven rather than supply driven and promoting mentoring and partnerships to develop entrepreneurial and business management skills.
	Create more training programmes outside the school; provide incentives for on-the-job training; increase training effectiveness and appropriateness in formal and vocational system; link all levels of education to productive activities; and increase training in entrepreneurship.
	Develop a training and capacity building action plan per segment (farmer, extension, services, processors, buyers) with short-term modules to include theory and practical hands-on material.

viii. Lack of trade and industrial policy measures: currently there is no coherent trade and industrial policies that are geared towards promoting the manufacturing sector and targeting particular clusters based on Samoa's comparative advantages.	Enhance the sector-wide planning approach and adopt a coherent trade and industry sector wide plan and policy.
	Enhance linkages among economic sectors, particularly between the primary and secondary sectors, through joint programming and planning.
	Adopt a cluster and value chain development approach based on Samoa's comparative advantage.
ix. Failure to meet SPS and bio-security requirements in export markets often constitute a challenge to increase Samoa's exports. The MAF introduced the need for HACCP approvals in the fisheries area and this led to growth of this export area.	Improve trade facilitation institutional capacity.
	In collaboration with leading development and trading partners, enhance SPS, bio-security and quality assurance legislation, institutional capacities, facilities (e.g. testing labs and quarantine facilities) enforcement and monitoring mechanisms at the point of production and adopt uniform measures and standards of quality and SPS for both foreign and domestic markets.
x. Tariff schedule anomalies: tariffs applied to imported finished products are the same for imported raw materials. For example: Yoshida Commercials imports its raw materials for manufacturing sandals at 20 per cent and the finished products (sandals) are imported at 8 per cent duty rate. The same anomalies are shared by the garment industry.	Undertake a comprehensive review of the tariff structure to identify and correct tariff anomalies.
xi. Trade liberalization, including PICTA and approaching WTO accession, will create new challenges for Samoa's manufacturers.	Undertake a human development impact assessment of joining the WTO and PICTA to identify positive and negative impacts and recommend measures to maximize positive impacts and mitigate and minimize negative effects.
	Increase economic resilience through domestic value added.
	Engage all relevant stakeholders, particularly the private sector, in trade policy formulation and the negotiation of FTAs and ensure that their interests and concerns across all economic sectors are prioritized.
xii. Samoan manufacturers face very tough competition from Fiji in regional markets as well as Samoa's own domestic market. Fiji has been making concerted efforts in marketing and branding that have paid off (e.g. Pure Fiji, Fiji Water and Furniture). Fiji has tariff free entry under PICTA for its goods from 2012 while Samoa continues to face tariff and excise tax barriers.	Provide support to secure market access.
	Scale up marketing and branding efforts and assist the private sector in developing effective marketing strategies and focus on niche markets.
	Enhance value addition and focus on niche high end high value-added products targeting niche markets.
	Enhance measures (including legislative, institutional capacity, infrastructure, enforcement and monitoring mechanisms) for quality assurance, SPS and bio-security.

D. Sector objectives and strategies

The table below lists the Sector Policy Objectives (SPOs) and the related strategies.

Table 13: Sector objectives and strategies

Sector Policy Objectives	Strategies
SPO 1 Strengthen sector policy, legal, regulatory and strategic planning frameworks and processes.	"Always keep an eye on the bigger picture" by considering all potential positive and negative impacts on various groups, all stakeholders, other economic sectors, progress towards MDGs and the economy as a whole.
	Develop and implement a coherent sector-wide policy and planning framework with clear and feasible targets and monitoring and evaluation (M&E) indicators in close collaboration with all stakeholders.
	Adopt a results based management approach, enhance M&E mechanisms and establish a concurrent monitoring and impact assessment system or mechanisms.
	Develop and institutionalize mechanisms for concurrent stakeholder consultations, dialogue and feedback during implementation for effective and results oriented monitoring and evaluation of performance.
	Enhance institutional capacity of implementing divisions and agencies.
	Enhance partnership and collaboration with all relevant governmental and non-governmental agencies and regional and international development partners.
SPO 2. Enhance the enabling environment for the private sector as the main engine for economic growth and enhance its productivity, value adding and trade capacity.	"Listen to the private sector" to enhance dialogue, consultation and collaboration with the private sector.
	Explore further and prioritize Private Public Partnership (PPP) modalities and options for various projects and initiatives when feasible.
	Enhance the targeting and coverage of various private sector support initiatives.
	Minimize burdens of administrative and bureaucratic processes on the private sector.
	Enhance sectoral linkages, domestic market integration and partnerships among private businesses across economic sectors and geographic locations.
	Provide support for women entrepreneurs.
	Enhance the private sector's access to finance, technical assistance, technology transfers, foreign investment and partnerships and markets (foreign and domestic).
	Assist the private sector in developing effective marketing and branding strategies.
	Upscale and enhance the targeting of efforts aimed at attracting foreign investment, particularly when coupled with technology transfers.
	Assist the private sector to gain access to assistance from regional and international development partners.
SPO 3. Enhance the effectiveness of market mechanisms and the growth of commercial activities and create a level playing field for all in the domestic market.	Adopt a human rights based and gender sensitive approach in developing and implementing legal and regulatory frameworks.
	Enhance legal and regulatory frameworks, ensure their compatibility with international standards where it is in Samoa's best interest and develop clear and effective administration, implementation and monitoring mechanisms
	Enhance the effectiveness of the mechanisms for addressing non-compliance issues and conflict resolution
	Establish and institutionalize concurrent monitoring and impact assessment system/mechanisms
	Ensure continuous raising awareness of all stakeholders of their rights and obligations under all legal and regulatory frameworks
	Ensure equitable geographic and sub-sectoral coverage
	Work closely with private sector, governmental agencies and development partners to enhance commerce sub-sector and its contribution to providing sustainable livelihood, particularly to women.
	Enhance the engagement of all stakeholders at all times
SPO 4. Boost Samoa's capacity to engage in and reap the gains from trade through enhancing competitiveness, reducing trade deficit to	"Foreign Trade is a mean NOT an end" National development goals and targets dictate and govern all trade policies, initiatives and negotiations. Trade policies are directly and clearly linked to national and sectoral goals and targets and effectively utilized to achieve them.
	Effectively utilize trade policies, initiatives and FTAs to enhance actual market access, rather than potential and/or presumable access. Enhance Samoa's competitiveness and comparative advantages and formulate trade policies and initiatives to directly cater to them.
	Enhance the engagement of the private sector in the formulation, planning and implementation of all trade policies and initiatives and the negotiation and implementation of regional and international FTAs.
	Establish mechanisms for concurrent monitoring and impact assessment of trade policies and FTAs, starting with ex-ante impact assessments before and/or during the formulation/negotiation phases and
sustainable levels and promoting exports.	concurrent monitoring during the implementation phases and develop responsive policies and measures to maximize positive impacts, minimize negative impacts and protect and/or mitigate the negative impacts on vulnerable groups.
	Enhance the linkages between trade policies and initiatives and other sectoral policies and initiatives, particularly productive sub-sectors (e.g. agriculture, fishery, manufacturing and tourism).
SPO 5 Create a conducive environment for industrial development and boost the manufacturing sector in Samoa.	"Escape the scale trap and compete based on marketing, quality and branding rather than on quantity and price" by capitalizing on Samoa's existing and created comparative advantage and competitiveness in niche products with high domestic value-added, targeting niche and upscale markets through branding efforts.
	Adopt a cluster development approach to boost manufacturing and value addition and enhance the sectoral linkages.
	Enhance Samoan manufacturers' access to technical assistance and technology transfer.
	Adopt private selective targeted support geared to identify and promote winners and linked directly to performance.

SPO 6. Enhance linkages and spillovers among productive sectors.	A strong and productive primary sector is a necessary condition for productive manufacturing and beneficial trade. Identifying bottlenecks and constraints in the primary sector and working with relevant stakeholders to address them will enhance primary sector productivity and ensure stable and sustainable supply that caters to the demand of the industrial and trade sectors.
	Enhance and institutionalize cross-sectoral partnerships and consultations among stakeholders in the government, non-governmental organizations, civil society and the private sector.
	Adopt a cluster and value chain development approach to boost value addition and enhance sectoral linkages. This approach will ensure equitable distribution of income across sectors and between urban and rural areas, accelerating progress towards the elimination of poverty and hardship in Samoa.
	Enhance partnerships with the education and training sector to enable it to better cater to the demand from the productive sector for a Samoan workforce equipped with the needed skills and knowledge. This will be achieved through enhanced collaboration with the relevant agencies and development partners to attain better alignment of education and training policies and initiatives and strengthen the production and dissemination of labour market data and information to augment the demand and supply mechanisms of the labour market.

E. Sector outcomes and performance indicators

Table 14 lists the sector vision, theme and development outcomes as well as the SPOs and performance indicators.

Table 14: Sector outcomes and performance indicators

Sector Vision	**Maximize the gains from domestic and foreign trade and enhance productivity, income generation opportunities and sustainable livelihoods for all Samoans**				
Sector Theme	**Productivity, value-adding, competitiveness, income generation and fair trade.**				
Overarching Development Outcomes	**I. Improved quality of life for all Samoans** **II. Enhanced sector's contribution to inclusive, stable and balanced economic growth** **III. Enabling environment for the private sector as the main engine for economic growth** **IV. Enhanced sector's contribution to broadening and diversifying the Samoan economic base** **V. Enhanced sector's contribution to the augmentation of economic and social resilience** **VI. Enhanced sector's contribution to sustainable development and the achievement of the MDGs, particularly employment generation and poverty reduction.**				
Sector Policy Objectives (SPOs)					
SPO 1. Strengthen sector policy, legal, regulatory and strategic planning frameworks and processes.	**SPO 2. Enhance the enabling environment for the private sector as the main engine for economic growth and enhance its productivity, value adding and trade capacity.**	**SPO 3. Enhance the effectiveness of market mechanisms and the growth of commercial activities and create a level playing field for all in the domestic market.**	**SPO 4. Boost Samoa's capacity to engage in and reap the gains from trade through enhancing competitiveness, reducing the trade deficit to sustainable levels and promoting exports.**	**SPO 5. Create a conducive environment for industrial development and boost the manufacturing sector in Samoa.**	**SPO 6. Enhance linkages and spillovers among productive sectors.**
Sector Performance/Outcome Indicators					
1. 1. TCMP approved by Cabinet and implemented 1. 2. Budget allocation to TCMP main implementing divisions increased 1. 3. Institutional capacity of TCMP implementing divisions enhanced 1. 4. The availability and reliability of relevant up-to-date data	2. 1. The development and implementation of clear market regulatory and legislative framework 2. 2. Costs, procedures and time of business 2. 3. WB cost of doing business and business environment indicators 2. 4. No. of private sector firms benefitting from various PSS schemes 2. 5. Costs, procedures and time needed to apply for PSS schemes 2. 6. Efficiency, effectiveness and impact of various PSS schemes 2. 7. Business community awareness of PSS schemes 2. 8. The development and implementation of regulations and legislations addressing market imperfections 2. 9. Administration and monitoring mechanisms; 2. 10. Levels of awareness of male and female consumers and producers 2. 11. Mechanisms for addressing non-compliance and conflict resolution enhanced 2. 12. Stakeholders and clients feedback 2. 13. IPR registrations 2. 14. IPR effectiveness and ease of utilization.	3. 1. The development and implementation of Demotic market regulatory framework 3. 2. The existence, quality and effectiveness of regulations and legislation addressing market imperfections 3. 3. Efficiency and effectiveness of administration and monitoring mechanisms 3. 4. Levels of awareness of consumers and producers enhanced 3. 5. The existence of mechanisms for addressing non-compliance and conflict resolution 3. 6. Efficiency, effectiveness and relative simplicity of addressing non-compliance and conflict resolution 3. 7. Stakeholder and client feedback	4.1. Real growth rate of exports of goods and services 4.2. Balance of trade 4.3. Share of domestic value added in total exports 4.4. Share of manufactured goods in total exports 4.5. Market access through new FTAs and/or activation of existing FTAs 4.6. The establishment of SPS, Hygiene and quality assurance legislations, institutions, implementation and monitoring mechanisms 4.7. No. of rejected export shipments 4.8. Stakeholders and clients feedback	5.1. Real growth rate of manufacturing output, exports and value added 5.2. Share of domestic value added in total manufacturing output and exports 5.3. Share of manufactured goods in total exports 5.4. Average capacity utilization of domestic producers and exporters 5.5. Real growth rates of direct and indirect employment in the manufacturing sector 5.6. Stakeholders and clients feedback 5.7. Clusters output, value added, revenues generated and returns on investments 5.8. Employment of women and men per cluster	6.1. Real growth rate of primary sector output and value added 6.2. Share of domestic value added in total manufacturing output and exports 6.3. Share of domestic inputs in manufactured output 6.4. Quality, stability and sustainability of the supply of primary inputs to the manufacturing sector 6.5. Stakeholders and clients feedback

Sector Plan Targeted Outcomes (SPO)					
1. 1. A coherent sector planning and policy formulation developed 1. 2. TCMP approved by Cabinet and implemented by 2015 1. 3. Reliable and updated sector statistics for planning and M&E produced 1. 4. Institutional capacity of TCM Sector Plan implementing divisions enhanced	2. 1. Business environment improved and cost of doing business reduced, including costs, procedures and time of business and commercial processes; 2. 2. Efficiency, effectiveness and impact of various private sector support schemes enhanced: No. of private sector firms benefitting from various PSSF schemes increased; targeting enhanced; costs, procedures and time needed to apply for PSS schemes reduced and business community awareness of PSS schemes enhanced 2. 3. Private sector's productivity, capacity utilization and access to finance, training and technology enhanced 2. 4. Private sector's contribution to inclusive growth and MDGs achievement enhanced 2. 5. Development of policies and laws to protect Intellectual Property Rights and that encourage innovation.	3. 1. Domestic market regulatory and legislative framework created and implemented 3. 2. The effectiveness of regulations and legislations addressing market imperfections, including administration and monitoring mechanisms, enhanced 3. 3. Levels of awareness of consumers and producers enhanced 3. 4. The mechanisms for addressing non-compliance and conflict resolution enhanced 3. 5. Commerce sector's contribution to inclusive growth and MDGs achievement enhanced.	4.1. Competitiveness, the volume and value of exports enhanced and balance of trade improved 4.2. Share of domestic value added in total exports enhanced 4.3. Market access through new FTAs and/or activation of existing FTAs enhanced 4.4. Facilitate the implementation of commitments made in trade agreements and monitor the development implications 4.5. SPS, Hygiene and quality assurance legislations, institutions, implementation and monitoring mechanisms enhanced and No. of rejected export shipments reduced 4.6. The value, quality of services trade and access to foreign markets enhanced 4.7. Trade sector's contribution to inclusive growth and MDGs achievement enhanced.	5.1. Manufacturing sector output, exports, productivity and competitiveness increased 5.2. Share of domestic value added in total manufacturing output and exports increased 5.3. Average capacity utilization of domestic producers and exporters increased 5.4. Employment in the manufacturing sector increased 5.5. Manufacturing sector's contribution to inclusive growth and MDGs achievement enhanced	6.1. Primary sector quality, stability and quantity of supply enhanced, particularly inputs to the manufacturing sector 6.2. Greater linkages and spillovers among economic sectors achieved 6.3 Impact on climate change reduced