

SAMOA
**MICRO, SMALL & MEDIUM
ENTERPRISES (MSME)**
DEVELOPMENT POLICY AND STRATEGY





The Samoa Micro, Small, Medium Enterprises (MSME) Development Policy and Strategy was developed with assistance from the Government of New Zealand, under the Private Sector Development Programme.

SAMOA

**MICRO, SMALL AND MEDIUM
ENTERPRISES (MSME)**

DEVELOPMENT POLICY AND STRATEGY
2020



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MESSAGE FROM THE MINISTER

Talofa lava,

I have great pleasure in presenting this first Micro, Small and Medium Enterprises (MSME) Development Policy and Strategy 2020 for Samoa. This Policy was endorsed by Cabinet under *FK(20) Faapitoa 43*.

MSME are estimated to represent more than 90 percent of businesses in Samoa. Therefore, the MSME Development Policy and Strategy recognise the importance of MSME to our national economy and local livelihoods. The Policy formalises needed Government interventions in Samoa's most progressive Sectors to ensure their responsiveness to the diversification and ongoing transformation of Samoa's economy.

The vision of this MSME Policy is that ***“Samoa will have a sustainable and globally competitive MSME sector that contributes to growth in GDP, employment and exports”***. This is aligned with the Government's long-term vision in the ***Samoa 2040*** to transform the economy over the next 20 years to sustainably increase the incomes and employment of all Samoans, allowing each citizen the opportunity to pursue the best, most productive life possible.

This Policy is intricately linked to Samoa's overarching National Planning Framework and as the first, foundational MSME Development Policy for Samoa, some interventions will take time to assess and fully develop. Considering the global challenges such as the COVID-19 Pandemic and Climate Change which have significantly affected our national and international economies; it is anticipated that the impact of these on MSME would be amplified. In this regard, I invite all our Stakeholders to use this document as a Guide, to inform their actions and Policy interventions and ensuring that our collaborative efforts to further develop the MSME Sector in Samoa, are coherent and responsive.

I take this opportunity to express our sincere gratitude and appreciation to the Government of New Zealand for providing technical assistance to develop this MSME Development Policy and Strategy, and for their continuous commitment to the developing of the MSME Sector and Private Sector in Samoa.

I also acknowledge and extend my sincere appreciation to all Stakeholders who were involved in the development of this Policy. Your valuable contribution ensured this document remains relevant and practical in contextualising and developing MSME in Samoa.



Hon. Lautafi Fio Selafo Purcell
MINISTER OF COMMERCE, INDUSTRY AND LABOUR



FOREWORD FROM THE CHIEF EXECUTIVE OFFICER

The Government of Samoa, through the Ministry of Commerce, Industry and Labour (MCIL), is committed to promoting and encouraging the development of MSME Sector in Samoa. Hence, the undertaking of this assignment is the first step of Government: to formalise MSME context and policy issues; to re-focus efforts and interventions, to reconnect with development partners, and to ensure growth and sustainability of MSME.



MSME contribute significantly to national development and employment. Despite their significant contribution, MSME face several constraints that hamper their development and growth, which necessitates Government interventions. These include business environment constraints relating to legislative and regulatory frameworks, access to finance, labour supply, business development support, as well as internal constraints relating to business management skills and the capacity to meet financing requirements.

The MSME Development Policy and Strategy 2020 contains six thematic goals to support economic growth: (1) Development of supportive institutional and regulatory frameworks; (2) Provision of appropriate business advice and support; (3) Availability of finance, financial services, and investment; (4) Supply of enabling infrastructure; (5) Availability of an appropriately skilled labour force; and (6) Advancement of a culture of entrepreneurship and innovation.

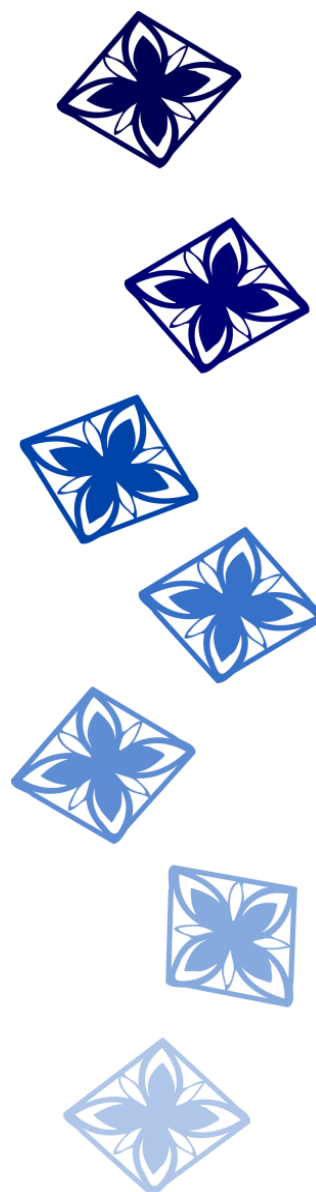
Although this Policy was largely compiled and drafted before the COVID-19 pandemic, its goals and strategies are even more relevant today, as MSME struggle to grow and sustain their businesses. Hence, a resilient MSME Sector will be a vital contributor towards Samoa's recovery from the aftermath of the COVID-19 crisis. The implementation of this Policy, is therefore vital to recovering Samoa's MSME Sector, and to make them more resilient, competitive, and sustainable.

The MCIL is mindful of limitations that were faced during the development of this Policy. Hence, as more reliable data, testing of new coordination mechanisms and emerging insights provide further evidence to inform future MSME Policy reforms; it is therefore envisaged that this Policy will be reviewed and strengthened within the next three to five years. Nonetheless, the monitoring and evaluation of Policy goals and strategies will be an ongoing work.

I would like to express our sincere gratitude and appreciation to the Consultants Jennifer Bartlett and Geoff Walton, Palladium Australia, Ākina Foundation (NZ) and the New Zealand's Ministry of Foreign Affairs and Trade for the technical assistance and crucial support in developing this Policy. I also wish to acknowledge and extend our sincere appreciation to all our Stakeholders for their valuable insights and support in developing this first foundational MSME Development Policy and Strategy for Samoa.

A handwritten signature in blue ink, appearing to read 'Pulotu Lyndon Chu-Ling'.

Pulotu Lyndon Chu-Ling
CHIEF EXECUTIVE OFFICER – MCIL





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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
BLP	Business Link Pacific
CBS	Central Bank of Samoa
DBS	Development Bank of Samoa
MAF	Ministry of Agriculture and Fisheries
MCIL	Ministry of Commerce, Industry and Labour
MCIT	Ministry of Communications, Information and Technology
MCR	Ministry of Customs and Revenue
MESC	Ministry of Education, Sports and Culture
MFAT	Ministry of Foreign Affairs and Trade
MOF	Ministry of Finance
MSME	Micro, Small, Medium Enterprises
MWCSD	Ministry of Women, Community and Social Development
MWTI	Ministry of Works, Transport, and Infrastructure
NZ MFAT	New Zealand Ministry of Foreign Affairs and Trade
PFIP	Pacific Financial Inclusion Programme
PHAMA	Pacific Horticultural and Agricultural Market Access program
PSC	Public Service Commission
PSO	Private Sector Organisation (as registered with MCIL as an Incorporated Society)
PTI	Pacific Trade and Invest
SAME	Samoa Association of Manufacturers and Exporters
SBASAH	Small Business Association of Samoa Arts & Handicrafts Incorporated
SBEC	Samoa Business Enterprise Centre (now called the Samoa Business Hub)
SBH	Samoa Business Hub
SBS	Samoa Bureau of Statistics
SCCI	Samoa Chamber of Commerce and Industry
SFA	Samoa Fa'afafine Association
SFAI	Samoa Farmers Association Incorporated
SFFI	Samoa Farmers Federation Incorporated
SHA	Samoa Hotels Association
SME	Small and Medium Enterprises
SNPF	Samoa National Provident Fund
SNTF	Samoa National Tripartite Forum
SPBD	South Pacific Business Development
SROS	Scientific Research Organisation of Samoa
SUNGO	Samoa Umbrella of Non-Government Organisations
TCIB	Trade Commerce and Industry Board
TSAI	Tautai Samoa Association Incorporated
UNESCAP	United Nations Economic and Social Commission for Asia Pacific
UNIDO	United Nations Industrial Development Organisation
UTOS	Unit Trust of Samoa
WIBDI	Women in Business Development Incorporated

EXECUTIVE SUMMARY

- The Government of Samoa (GOS) recognises the importance of micro, small and medium size enterprises (MSME) to the national economy and local livelihoods. It has therefore developed a *MSME Development Policy and Strategy* to focus efforts on developing Samoa’s ‘MSME sector’. In doing so, the Government acknowledges that whilst these businesses share some commonalities, different sizes and types of businesses have different needs and growth prospects which require specific policy responses.
- Due to the limited availability of data on MSME in Samoa, the Policy is adopting an ‘interim’ definition of MSME to provide an indicative guide for current purposes, which can be updated when more reliable data is available in the next few years. This definition applies the ‘number of registered employees’ as the size indicator, with ‘registered’ constituting those workers registered for PAYE, and ‘employees’ using the definition from the Labour and Employment Relations Act 2013. Under this definition, the following employee number ranges are assigned to each size category:

BUSINESS SIZE CLASSIFICATION	Micro	Small	Medium	Large
NUMBER OF REGISTERED EMPLOYEES	<5	5-9	10-25	>25

It is important to note that this general definition does not need to, nor should dictate MSME participation in business support programmes, for which specific participation criteria can be set according to programme objectives.

- It is estimated that there are more than 4000 SME and there is no documented estimate for microenterprises, although the number of businesses in each size category (as defined in this Policy) cannot be accurately determined from available data sources at this time. Therefore, a data management initiative is proposed under this Policy to overcome the critical data gap and develop a robust profile of the nature and scale of MSME in Samoa.
- The Policy sets out the Government’s vision for MSME in Samoa as: ***“SAMOA WILL HAVE A SUSTAINABLE AND GLOBALLY COMPETITIVE MSME SECTOR THAT CONTRIBUTES TO GROWTH IN GDP, EMPLOYMENT AND EXPORTS”.***
- The Policy sets out several long-term objectives:
 - To increase the number of MSME participating in the formal economy.
 - To grow MSME contribution to GDP.
 - To grow employment in MSME.
 - To increase profits made by MSME.
 - To increase the number of women owned MSME.
 - To grow the value of exports (including tourism) by MSME.
 - To build the international competitive advantage of MSME.
 - To grow MSME participation in the following target sectors: tourism; agribusiness including manufacturing and niche food processing; and professional services including digital information technology services.

Specific targets will be defined for these objectives when baseline data is available.

- Following extensive consultations across the private sector, financial sector, development partners, and Government, it has been determined that the objectives will be achieved by progressing the following six thematic goals that support MSME growth:

1. Development of supportive institutional and regulatory frameworks.
2. Provision of appropriate business advice and support.
3. Availability of finance, financial services, and investment.
4. Supply of enabling infrastructure.
5. Availability of an appropriately skilled labour force.
6. Advancement of a culture of entrepreneurship and innovation.

- The following 22 targeted strategies have been identified to achieve the overarching goals. While *all* of these are relevant and important, the following priority scale is applied to help focus efforts according to the potential to achieve immediate, short- and medium-term results.

1 = **EXTREMELY HIGH PRIORITY:** Progressing this strategy immediately is essential to strengthen the foundations for MSME development in Samoa.

2 = **HIGH PRIORITY:** Efforts should commence now to secure the resources and support to be able to progress these strategies in the short to medium term.

3 = **MEDIUM PRIORITY:** Efforts should commence now to secure the resources and support to be able to progress these strategies in the medium term.

GOALS	STRATEGIES	PRIORITY
Goal 1: Development of supportive institutional and regulatory frameworks	1.1 Strengthen the institutional structures and capacity for development of the MSME sector.	1
	1.2 Improve mechanisms for public and private sector coordination and collaboration in MSME development.	1
	1.3 Offer low-cost, performance-based, and time-bound fiscal tax incentives to stimulate the SME capital investment required for growth and facilitate uptake of these incentives.	2
	1.4 Consider the impact of Samoa's import tariffs on MSME efficiency and competitiveness under any future tariff structure review.	2
	1.5 Progress targeted regulatory reforms that improve the business environment for MSME.	2
Goal 2: Provision of appropriate business advice and support.	2.1. Provide MSME with information on starting and operating a business including how to access relevant business development support, targeted to respective audiences.	1
	2.2. Support the provision of affordable and targeted business training to MSME, and an advanced acceleration program to high-potential SME.	1
	2.3. Support efforts to improve SME access to relevant, quality commercial business advisory services.	1
	2.4. Enable a multi-partner, integrated 'export development initiative' to support SME with the potential to increase exports in competitive sectors.	2
	2.5. Facilitate the engagement of MSME in product value chains for domestic and export markets.	2

Goal 3: Availability of finance, financial services, and investment	3.1. Strengthen the quality and availability of financial sector data to better understand the financial needs of MSME relevant to policy development.	1
	3.2. Collaborate with the financial and private sectors to improve access to credit for 'bankable' MSME by addressing supply and demand side constraints.	1
	3.3. Facilitate the provision of insurance to MSME.	2
	3.4. Enable MSME awareness of and access to globally competitive and locally relevant financial infrastructure.	2
	3.5. Promote and facilitate domestic and foreign investment and alternative financing mechanisms for SME in promising sectors and with feasible growth plans.	3
	3.6. Promote the importance of financial literacy training for current and future micro and small enterprises.	3
Goal 4: Supply of enabling infrastructure	4.1. Ensure the implementation and updating of the respective Sector Plans for energy, ICT, transport, water, and waste management, while continually identifying infrastructure-related constraints to MSME development and feasible solutions	2
	4.2. Prepare for, manage, and respond to infrastructure and services issues that constrain MSME business operations following disaster incidents.	3
Goal 5: Availability of an appropriately skilled labour force	5.1. Progress and strengthen ongoing efforts to build a skilled workforce for the benefit of both employees and employers.	2
Goal 6: Advancement of a culture of entrepreneurship and innovation.	6.1. Strengthen community knowledge of skills in and attitudes to entrepreneurship.	2
	6.2. Facilitate MSME access to emerging technologies and skills that support entrepreneurship and innovation.	2
	6.3. Foster innovation through supporting research and development and technology incubator programs.	2

- As the first MSME Development Policy for Samoa, this is a 'foundational' policy. Some policy options will take time to assess and have not been designed in detail prematurely. The implementation of high priority activities in the immediate term will provide further evidence to inform more specific policy reforms in the future. More reliable data, the testing of new coordination mechanisms and emerging stakeholder insights will support the design of more targeted initiatives. Accordingly, this Policy can, and should be reviewed and strengthened within the next three years.
- The GOS is committed to implementing the Policy and its strategies and calls for the support of development partners in doing so. Considering the fiscal constraints faced by the GOS, some strategies will require supplementary resources. Going forward, it will be critical that the generous support being provided by development partners for private sector development be aligned to this strategy, and that all partner efforts are coordinated to avoid duplication and address gaps.



COMPLETELY COCONUT



VANILLA-KOKO SAMOA



PART A: CONTEXT FOR MSME POLICY DEVELOPMENT

1. BACKGROUND

Micro, small, and medium size enterprises (MSME) are estimated to represent more than 90 percent of all businesses in Samoa and almost half of the commercial workforce¹. The Government of Samoa (GOS) recognises their importance to the country's economic development. It has therefore committed to promoting and encouraging the development of the 'MSME sector', acknowledging that it represents a diverse range of businesses making different contributions and facing different needs.

Demonstrating this commitment, the Government has mandated the Ministry of Commerce, Industry and Labour (MCIL) to lead development of the MSME sector, with its Industry Development and Investment Promotion (IDIP) Division tasked with "*promoting the development of MSME through formal set up of policy and strategies.*"² Intentions for MSME development are also reinforced in the MCIL-coordinated *Trade, Commerce and Manufacturing Sector Plan 2017/2018 - 2020/2021*, where a key output is to: "*promote the development of MSME and implement macroeconomic policies and practices that are consistent with Samoa's objective of increasing exports and enhancing competitiveness.*"

The Government acknowledges that MSME in Samoa can face a range of issues in establishing, operating, and growing their enterprises. These include business environment constraints relating to legislative and regulatory frameworks, finance and financial services, labour supply, business development resources and other external barriers. They also include internal constraints relating to business management skills and the capacity to meet financing conditions. Such constraints have been the subject of considerable discussion to date, and it is widely recognised that different categories of businesses within the broadly defined 'MSME sector' (e.g., different by size, by industry type, or by formal versus informal operation³) face different issues.

Therefore, the GOS commissioned the development of this MSME Development Policy and Strategy to prioritise MSME policy issues and focus the Government's response. It has been led by MCIL, with the support of New Zealand's Ministry of Foreign Affairs and Trade (MFAT), under the Private Sector Development Programme (PSDP).

2. MSME IN SAMOA

DEFINITION OF MSME

To date Samoa has not had an official definition for MSME or large businesses that indicates formal criteria for each 'size'. Therefore, different agencies have adopted different definitions to meet their respective needs, with some opting for defining size by number of employees, and others by financial indicators, such as turnover (for the Ministry of Customs and Revenue (MCR)) or loan value (for financial institutions). This has created confusion in MSME development efforts in Samoa, leading to overwhelming support by stakeholders in private sector development to formalise one definition.

Determining one definition that all stakeholders agree on is a challenge that is compounded by a lack of available data on financial or employee number indicators for businesses in Samoa. It is not possible to use both financial and employee indicators of size simultaneously, as a one or two-person firm can generate

¹ Samoa Bureau of Statistics, 2013

² MCIL Corporate Plan 2016/17 to 2019-20

³ Formal businesses are defined as those in the tax system (i.e., with a Tax Identification Number (TIN) issued by MCR). Informal businesses are those that do not have a TIN.

significant turnover, while another business with multiple employees may be considered small in terms of turnover. This challenge is not unique to Samoa and will likely be compounded as more businesses work in the global economy.

Therefore, only one indicator of size is being adopted for this Policy. Following an assessment of various options, it has been determined to use the number of ‘registered’ employees as the defining indicator (see below for qualification of each term). Table 1 applies this indicator and sets out the proposed measure of each ‘size’ category.

Table 1: Defining MSME in Samoa - Size Criteria

BUSINESS SIZE	Micro	Small	Medium	Large
NUMBER OF REGISTERED EMPLOYEES	<5	5-9	10-25	>25

Key considerations for this MSME definition include:

- Different stakeholders have different views on what ‘defining’ MSME means and why a definition is needed, so it is not possible to deliver a catch-all solution. This basic definition of size criteria is an indicative guide. It does not need to restrict any agency’s work targeting MSME, as program-specific criteria can be applied for participation qualification purposes.
- ‘Employee’ is defined as per the Labour and Employment Relations Act 2013: “...a person who enters into or works under a contract with an employer, whether the contract be for manual labour, clerical work or otherwise and whether it be a contract of service or apprenticeship or a contract personally to execute work and includes a worker and a managerial personnel’. This includes full time, part time and seasonal employees.
- ‘Registered’ employees are those registered by the employer with MCR for PAYE tax purposes or with the Samoa National Provident Fund (SNPF) for statutory contribution.
- It is recognised that some enterprises (e.g., farm enterprises) can employ many workers on a cash-in-hand, seasonal and/or part time basis. However, as many are informal businesses which do not need to register workers for PAYE, they are not counted in this definition. Doing so would mean many small holder farmers would be viewed as running ‘large’ businesses. This does not disregard the importance of such jobs for local livelihoods, but it avoids a distorted representation of Samoa’s private sector.
- Under this definition, Government reporting of business activity can still assume financial indicators as needed (e.g., for MCR). However, to avoid confusion it is recommended that reporting is presented according to tala ranges, rather than using the terms ‘micro’ and ‘SME’ as classified to date, for which the turnover upper threshold (SAT 1 million) used to date is arguably too high.
- This definition aligns with the categorisation used in the Samoa Bureau of Statistics (SBS) *Samoa Business Activity Survey 2013* which is useful for long term data analysis.
- If a decision is taken in the future to move to a financial indicator of size using turnover as the measure, the tendency to align ranges with tax thresholds should be avoided as linking the two creates unnecessary confusion and implications when tax policy changes. It also reinforces the unnecessary tendency to associate MSME Policy with tax policies, rather than business support.

- Regardless of the definition used, it is important to strengthen understanding of the nature and scale of microenterprises and SME in Samoa according to a range of financial variables (turnover, value of assets, level of investment, and loan size), that can be cross-referenced with employee numbers. This requires improved data collection and analysis that complies with privacy laws.
- The suitability of this definition should be revisited in three years, when learnings from this foundational Policy and Strategy can be considered and the expected critical data will be available. Thereafter it should be reviewed every five years. Sustaining a living, relevant definition also coincides with critical medium-term fiscal planning and therefore ensures the long-term viability of the MSME Policy.

THE PROFILE OF MSME IN SAMOA

Due to the limited availability of business data, it is not possible to develop an up-to-date and comprehensive ‘profile’ of MSME in Samoa. The Government’s *Business Activity Survey 2013 Report* presented a valuable analysis of Samoa’s businesses based on a sample group of 1257 registered businesses. Where more recent information is not available, those findings are being used to inform this Policy. However, these are being treated with caution due to the limitations faced by the Samoa Bureau of Statistics (SBS) maximising survey reach and sector representation⁴.

The number of (formal) MSME in Samoa is estimated to be more than 4000; however, the number of formal businesses in each size category (as defined by this Policy) is not available at this time. The number of informal (predominantly micro) enterprises is not documented.

While other information sources about MSME may not directly align with the new employee number size definition, they nonetheless help build a ‘profile’ of MSME in Samoa.

- Business Licencing data for 2019 shows that the total number of registered, active businesses is just over 4000, around 3800 (95%) of which have a turnover of less than SAT 1 million. According to alternative definitions used to date, these have been referred to as ‘SME’ (as recorded in the Business Licencing database) or MSME (as per turnover measures used by MCR. (Note: as some of these businesses hold more than one licence, the total number of formal ‘enterprises’ with active licenses is more than 5200)⁵.
- According to the Business Licencing data, 89% of businesses with a turnover of less than SAT 1 million are in Upolu, with the balance in Savaii.
- A breakdown of all businesses by sector can also be derived from the Business Licencing database. Table 2 shows sector breakdown for those businesses with a turnover of less than SAT 1 million. (It is not currently possible to present this table with employee [numbers] data or disaggregate by turnover ranges).

⁴ Agriculture and fishing businesses were omitted from this survey, and business reach was limited to the SNPF data and VAGST register.

⁵ MCIL analysis of Business Licencing data.

Table 2: Sector breakdown of registered businesses (total vs turnover of < SAT 1 million) ⁶

SECTOR	REGISTERED BUSINESSES BY SECTOR (TOTAL NUMBER)	REGISTERED BUSINESSES BY SECTOR WITH < SAT 1 MILLION TURNOVER		SECTOR BREAKDOWN OF REGISTERED BUSINESSES WITH < SAT 1 MILLION TURNOVER
		(NUMBER)	(% OF TOTAL)	
Agriculture*	49	42	86%	1.1%
Commerce	14	12	86%	0.3%
Community	5	4	80%	0.1%
Construction	272	250	92%	6.4%
Education	15	15	100%	0.4%
Energy	27	19	70%	0.5%
Entertainment	16	16	100%	0.4%
Finance	85	75	88%	1.9%
Fisheries*	12	9	75%	0.2%
Food Industry	202	195	97%	5.0%
Garment / Textile	105	103	98%	2.7%
Health	36	34	94%	0.9%
ICT	83	79	95%	2.0%
Manufacturing	65	58	89%	1.5%
Professional Services	171	164	96%	4.2%
Public Works	26	25	96%	0.6%
Retail	1205	1183	98%	30.5%
Service	362	341	94%	8.8%
Tourism	246	230	93%	5.9%
Transport	1056	1027	97%	26.5%
TOTAL	4052	3881	95%	100%

Source: GOS Business Licence (BL) 2019 data from MCR

* In terms of informal (predominantly) microenterprises, anecdotal evidence shows they are dominated by the agriculture and fisheries sector. Therefore, the figures for agriculture and fisheries are significantly low.

The above insights are a start to building the profile of MSME in Samoa but warrant further review and refinement as new information from various sources becomes available. They also highlight the need for better MSME data and analysis. At this time, it is not possible to overlay MCR recorded financial indicators (turnover ranges, averages, or median values) with the employee number definition. This could however be achieved through the future integration of databases so that business license, TIN, PAYE, and turnover data can be cross-referenced and disaggregated for reporting purposes. This would support ongoing SBS efforts to improve business data collection and analysis so that a comprehensive and reliable profile of the nature and scale of MSME in Samoa can be developed.

When more robust data of MSME is available, Samoa will be better positioned to update the MSME definition, refine this (foundational) MSME Policy and Strategy, and take MSME development to the next level, including considering an Act of Parliament for MSME.

⁶ Categorized as 'SME' in the BL database and 'MSME' by MCR turnover definition

3. APPROACH TO DEVELOPING SAMOA'S MSME DEVELOPMENT POLICY

GUIDING PRINCIPLES

The MSME Development Policy and Strategy was developed according to the following guiding principles:

- It reflects the Samoan context and local priorities. While global best practice has been considered in its development, the Policy has been written first and foremost to be relevant to Samoa.
- It aligns with the broader strategies set out under *Samoa 2040* draft Concept Note and the *Strategy for the Development of Samoa 2016/17 - 2019/20*.
- It considers the current and forecast fiscal environment, and in doing so avoids presenting a 'shopping list' of ideas that the budget may not be able to accommodate.
- It recognises that MSME development touches on most Ministries, most Sector Plans, most private sector activity, and most development partner programs in some form. However, it does not attempt to solve all issues MSME development touches on. Rather, it focuses on actionable priorities with most direct and relevant impact for MSME.
- It includes an Action Plan of activities to help focus implementation.
- It recognises that with some exceptions, it will predominantly be the large and medium-size businesses that will drive economic growth and formal employment in Samoa. Therefore, the Policy pays particular attention to targeted initiatives that support the scale up and 'graduation' of high-potential businesses to/through these size categories.
- It recognises that micro and small enterprises (MSEs) - often informal businesses - play an important role in sustaining livelihoods through employment and in supporting the growth of other SME and large businesses. It respects that not all MSE owners want to, and/or have the potential to, formalise and/or scale up. However, others that do will need support as they seek to formalise in order to access new business development opportunities and grow.
- It recognises the specific constraints to entrepreneurship faced by women and people with a disability, and in doing so, proposes initiatives that overcome identified barriers.
- It is based on extensive stakeholder engagement and opportunities for feedback.

METHODOLOGY

The development of this Policy and Strategy from September 2019 to February 2020 involved:

- An extensive desk study of materials relevant to the multiple aspects of MSME development in Samoa and best practice globally. (Refer Appendix 1)
- Consultations with more than 70 public, private and development sector stakeholders during 10 days in country and an extended period of remote consultations. (Refer Appendix 2).
- Issuing surveys to the private sector directly and via PSO, to invite responses on questions about key policy issues or submissions more broadly. (Refer Appendix 3).
- A validation workshop for interested public, private and development sector stakeholders.
- Circulation of final draft for comments.

4. SAMOA'S MACROECONOMIC ENVIRONMENT: CONSIDERATIONS FOR THE MSME POLICY

The macroeconomic context must be considered in any MSME Policy, including understanding sector performance to identify how policies might be targeted, and budgetary constraints to help weigh up the costs and benefits of proposed strategies.

ECONOMIC SECTOR ANALYSIS

Table 3 presents a snapshot of the performance and outlook for Samoa's industry sectors according to current contribution to GDP and historical performance.

Table 3: Indicators of Sector Performance in Samoa

INDUSTRY	% GDP 2018 (VALUE ADDED, AT CURRENT PRICES)	% GROWTH IN GDP SINCE 2010
Agriculture	7%	29%
Fishing	3%	35%
Food & Beverages manufacturing	4%	12%
Other manufacturing	3%	-52%
Construction	3%	-48%
Electricity and water	6%	287%
Commerce	31%	38%
Accommodations & Restaurants	2%	43%
Transport	4%	21%
Communication	7%	9%
Public administration	8%	43%
Financial services	9%	44%
Business services	4%	28%
Ownership of dwellings	6%	22%
Personal and other service	3%	-6%
	100%	25%

Source: CBS Quarterly Bulletin July 2019

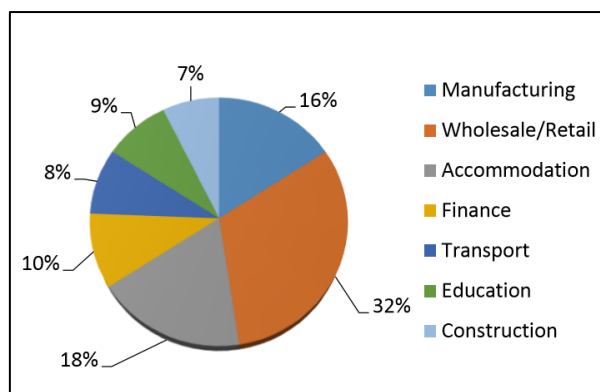
While official growth forecasts are not available for each sector, the following projections have been prepared by MCIL:⁷

- Agriculture and fisheries are expected to decline by 4% between 2018/19 and 2020/21.
- Manufacturing (including food and beverage) is expected to grow 9% between 2018/19 and 2020/21.
- Commerce is expected to grow 10% between 2018/19 and 2020/21.

In terms of contribution to employment, the *Samoa Labour Market Survey Report 2016* estimates formal employment share by private sector industry groups. This is represented as Figure 1.

⁷ Provided by MCIL, November 2019. Note that these projections were pre-COVID19 and are therefore subject to change due to the COVID19 restrictions from mid-March 2020 which significantly impacted on the local economy and official growth forecasts

Figure 1: Distribution of Private Sector workforce by industry



Source: MCIL Samoa Labour Market Survey Report 2016, p. 11

According to the report, wholesale/retail, accommodation (tourism) and manufacturing account for 66% of formal sector employment in Samoa. It should be noted that agriculture did not feature in this study because the sector primarily involves household and other informal labour. However, a separate labour force survey conducted in 2017⁸ found that agriculture, forestry, and fishing combined accounted for 22% of total employment in Samoa.

BUDGETARY CONTEXT

According to the IMF Article IV consultation staff report (May 2019), a marginally positive fiscal balance is indicated for 2017/18, but the fiscal position is projected to worsen over future years. At the same time, Samoa remains at high risk of debt distress. Samoa has made substantial progress in implementing measures aimed at mitigating these risks. This suggests attention will need to be directed towards tightening fiscal policy, a strategy that will also involve strengthening both tax administration and public financial management while lowering the long-term debt-to-GDP ratio and placing downward pressure on the deficit. With respect to tax policy, it follows that this may also necessitate either reducing the scope of tax exemptions or changing the way they are delivered to minimize their budget impact. This is recognised in a paper developed in parallel with this document. *The Role of Tax Incentives for MSME in Samoa* (Appendix 4) was prepared to inform the incentive recommendations adopted in this Policy.

It also follows that a fiscally responsible approach should be taken in identifying other non-tax MSME policy initiatives that have budget implications. Trade-offs in other areas may need to be made when strategies require a new budget commitment.

The GOS budget estimated average for the past five financial years is 600 million tala. The exact percentage of the GOS' budget allocated to MSME development cannot be determined at this time as it is not centralised in one Government Ministry. At a minimum, there was direct funding for MSME of SAT 450,000 in 2018/19 via SBEC (now Samoa Business Hub) for a loan guarantee scheme. There is also an annual Private Sector Organisation's (PSO) grant providing SAT 200,000 for administrative operations of these organisations. There are small, MSME-centred PSO that benefit from this grant. The Government also provided support to MSME through the: Samoa Tourism Authority (STA) marketing; MCR tax incentives; Ministry of Agriculture & Fisheries (MAF) extension and technical services; and Scientific Research Organisation of Samoa (SROS) subsidised services for Products Certification.

⁸ SBS, MCIL, ILO Labour Force Survey 2017, p. 27

5. THE POLICY AND PLANNING CONTEXT

This MSME Development Policy and Strategy aligns with the Government's short- through long-term strategic direction, specifically:

- Samoa 2040: Transforming Samoa to a Higher Growth Path
- Strategy for the Development of Samoa 2016/17 - 2019/20.
- Samoa's Sector Plans

Refer Appendix 5 for a summary of these plans highlighting the Policy's alignment.

PART B: THE MSME DEVELOPMENT POLICY FRAMEWORK

1. THE MSME DEVELOPMENT POLICY VISION FOR SAMOA

“SAMOA WILL HAVE A SUSTAINABLE AND GLOBALLY COMPETITIVE MSME SECTOR THAT CONTRIBUTES TO GROWTH IN GDP, EMPLOYMENT AND EXPORTS.”

2. MSME DEVELOPMENT POLICY OBJECTIVES

The long-term objectives of the Samoa MSME Policy and Strategy are:

- To increase the number of MSME participating in the formal economy.
- To grow MSME contribution to GDP.
- To grow employment in MSME.
- To increase profits made by MSME.
- To increase the number of women owned MSME.
- To grow the value of exports (including services) by MSME.
- To build the international competitive advantage of MSME.
- To grow MSME participation in the following target sectors: tourism; agribusiness including manufacturing and niche food processing; and professional services including digital information technology services.

Baseline figures and time bound targets will be established during the policy’s first three years of implementation when data is expected to become available.

3. MSME DEVELOPMENT POLICY THEMATIC GOALS

To achieve these objectives, this Policy is based on a set of thematic goals determined through extensive consultation and desk study of relevant policies and plans for Samoa. Underpinning each of these goals is a series of targeted strategies, and policy responses (see Part C) aimed at promoting the growth of MSME:

Goal 1. Development of supportive institutional and regulatory frameworks.

Goal 2. Provision of appropriate business advice and support.

Goal 3. Availability of finance, financial services, and investment.

Goal 4. Supply of enabling infrastructure.

Goal 5. Availability of an appropriately skilled labour force.

Goal 6. Advancement of a culture of entrepreneurship and innovation.



PART C: STRATEGIES FOR ACHIEVING THE MSME POLICY'S GOALS

The MSME Policy Goals can be realised through progressing a series of Government led and/or supported strategies. Part C details strategies that have been determined as most relevant and important to achieving the goals. It includes an overview of the policy issue that each one addresses and the specific policy responses that are proposed. It also indicates which Government Ministry/ies will be assigned responsibility to lead or co-lead the proposed activities.

Table 4 below presents a summary of those strategies. While *all* of these have been qualified as relevant and important, the following priority scale is applied to help focus efforts according to the potential to achieve immediate, short- and medium-term results.

- 1 = **EXTREMELY HIGH PRIORITY:** Progressing this strategy immediately is essential to strengthen the foundations for MSME development in Samoa.
- 2 = **HIGH PRIORITY:** Efforts should commence now to secure the resources and support to be able to progress these strategies in the short to medium term.
- 3 = **MEDIUM PRIORITY:** Efforts should commence now to secure the resources and support to be able to progress these strategies in the medium term.

Table 4: Summary of Strategies to achieve MSME Policy Goals

GOALS	STRATEGIES	PRIORITY
Goal 1: Development of supportive institutional and regulatory frameworks	1.1 Strengthen the institutional structures and capacity for development of the MSME sector.	1
	1.2 Improve mechanisms for public and private sector coordination and collaboration in MSME development.	1
	1.3 Offer low-cost, performance-based, and time-bound fiscal tax incentives to stimulate the SME capital investment required for growth and facilitate uptake of these incentives.	2
	1.4 Consider the impact of Samoa's import tariffs on MSME efficiency and competitiveness under any future tariff structure review.	2
	1.5 Progress targeted regulatory reforms that improve the business environment for MSME.	2
Goal 2: Provision of appropriate business advice and support.	2.1. Provide MSME with information on starting and operating a business including how to access relevant business development support, targeted to respective audiences.	1
	2.2. Support the provision of affordable and targeted business training to MSME, and an advanced acceleration program to high-potential SME.	1
	2.3. Support efforts to improve SME access to relevant, quality commercial business advisory services.	1
	2.4. Enable a multi-partner, integrated 'export development initiative' to support SME with the potential to increase exports in competitive sectors.	2
	2.5. Facilitate the engagement of MSME in product value chains for domestic and export markets.	2
Goal 3: Availability of finance, financial services, and investment	3.1. Strengthen the quality and availability of financial sector data to better understand the financial needs of MSME relevant to policy development.	1
	3.2. Collaborate with the financial and private sectors to improve access to credit for 'bankable' MSME by addressing supply and demand side constraints.	1
	3.3. Facilitate the provision of insurance to MSME.	2

	3.4. Enable MSME awareness of and access to globally competitive and locally relevant financial infrastructure.	2
	3.5. Promote and facilitate domestic and foreign investment and alternative financing mechanisms for SME in promising sectors and with feasible growth plans.	3
	3.6. Promote the importance of financial literacy training for current and future micro and small enterprises.	3
Goal 4: Supply of enabling infrastructure	4.1. Ensure the implementation and updating of the respective Sector Plans for energy, ICT, transport, water, and waste management, while continually identifying infrastructure-related constraints to MSME development and feasible solutions	2
	4.2. Prepare for, manage, and respond to infrastructure and services issues that constrain MSME business operations following disaster incidents.	3
Goal 5: Availability of an appropriately skilled labour force	5.1. Progress and strengthen ongoing efforts to build a skilled workforce for the benefit of both employees and employers.	2
Goal 6: Advancement of a culture of entrepreneurship and innovation.	6.1. Strengthen community knowledge of skills in and attitudes to entrepreneurship.	2
	6.2. Facilitate MSME access to emerging technologies and skills that support entrepreneurship and innovation.	2
	6.3. Foster innovation through supporting research and development and technology incubator programs.	2

- As the first MSME Development Policy for Samoa, this is a ‘foundational’ policy. Some activities underpinning these strategies will take time to assess and have not been designed in detail prematurely. The implementation of high priority activities in the immediate term will provide further evidence to inform more specific policy reforms in the future. More reliable data, the testing of new coordination mechanisms and emerging stakeholder insights will support the design of more targeted initiatives. Accordingly, these strategies and their associated activities can, and should be reviewed and strengthened within the next three years.
- The GOS is committed to this Policy and to mobilising activities under the respective strategies. However, doing so calls for the support of development partners. Considering the fiscal constraints faced by the GOS, some strategies will require supplementary resources. Going forward, it will be critical that the generous support being provided by development partners for private sector development be aligned to this strategy, and that all partner efforts are coordinated to avoid duplication and address gaps.

GOAL 1. DEVELOPMENT OF SUPPORTIVE INSTITUTIONAL AND REGULATORY FRAMEWORKS

STRATEGY 1.1: STRENGTHEN THE INSTITUTIONAL STRUCTURES AND CAPACITY FOR DEVELOPMENT OF THE MSME SECTOR.

THE ISSUE: The development of the MSME sector is best supported by public and private institutions with clearly defined mandates for MSME development and sufficient resources to undertake mandated functions. The GOS has supported the institutional foundations for MSME development through: (i) The appointment of the Ministry of Commerce, Industry and Labour (MCIL) as the Ministry responsible for MSME, with its Industry Development and Investment Promotion (IDIP) Division tasked with *promoting the development of MSME through formal set up of policy and strategies*⁹; and (ii) Providing Private Sector Organisations (PSO) with funds to support efforts in developing their respective sectors/areas of focus. However, these foundations require strengthening.

MCIL requires adequate financial resources to fulfil its MSME mandate. It also requires access to reliable data to pursue targeted strategies. Furthermore, as MSME development has links to other Ministries and agencies, MCIL relies on their cooperation (e.g., by providing relevant data, communicating information, and coordinating activity) to fulfil its MSME mandate. However, due to the absence of legislation assigning respective Ministry accountabilities, and a lack of defined, agreed roles and responsibilities for MSME development, this cooperation has been difficult to achieve, thus limiting MCIL's capacity to deliver.

In addition, the PSO established to lead sector development also require increased funding and capacity strengthening to achieve MSME growth outcomes in line with their mandates. Annual Government grants to PSO are limited, at SAT 200,000 in FY2018/2019 but was increased to \$250,000 in FY2019/2020. In the interests of maximising Government investment and encouraging more results-driven activities, increased funding for PSO would benefit from a stronger alignment of funding to MSME growth outcomes.

POLICY RESPONSE: The Government of Samoa will:

- 1.1 (i) Formalise Government accountabilities for the *MSME Policy and Strategy* with MCIL as lead agency and other relevant Ministries as partners with mandated roles and responsibilities (e.g., MCR in data collection and sharing, MOF in funding). [TCI Board, MCIL].
- 1.1 (ii) Allocate sufficient resources within MCIL's Industry Development and Investment Promotion Division to coordinate the implementation of this Policy and Strategy, manage MSME information resources, and serve as a central point for MSME-related inquiries. This will include revising staffing and initiating a staff capacity development program to build understanding of the MSME issues and opportunities in Samoa and global trends. [MCIL, PSC, MOF].
- 1.1 (iii) Revise and increase the PSO Grant funding program to align distribution of funds with the meeting of certain criteria demonstrating outcomes in supporting private sector development to date, and a business case demonstrating how productivity and employment for members will be enhanced in the future through targeted activities. (To include gender targets). [MCIL].
- 1.1 (iv) Introduce a cross-agency data initiative to improve the quality and availability of MSME data. (Mandate and resource MCIL and SBS to lead the activity; establish MOUs with agencies whose data is required; engage the financial sector (see Strategy 3.1); and initiate a data management

⁹ MCIL Corporate Plan 2016/17 to 2019-20.

project to allow data analysis across business licence, PAYE TIN and tax data). [TCI Board, MCIL, SBS, MCR]

- 1.1 (v) Consider legislation in the future to specify all Ministries' accountabilities in MSME sector development. This will be based on lessons learned from the implementation of early strategies. [MCIL].

STRATEGY 1.2: IMPROVE MECHANISMS FOR PUBLIC AND PRIVATE SECTOR COORDINATION AND COLLABORATION IN MSME DEVELOPMENT.

THE ISSUE: Private sector development is enabled by effective cross-government agency and public private sector coordination and cooperation. However, stakeholders in Samoa report that private sector development is impeded by a lack of coordination and communication across the Ministries and with the business community. Although a high-level TCI Board was established to table policy issues under the TCI Act 1990, it does not meet regularly. The work of the TCI Board has had limited input from the MSME Sector; hence, it is expected that this Policy will regenerate interest in and support from the Board.

POLICY RESPONSE: The Government of Samoa will:

- 1.2 (i) Revitalise the high-level TCI Board as the high-level forum at which private sector policy issues can be raised with the Minister, and via which the Policy is monitored. [TCI Board, MCIL].
- 1.2 (ii) Establish a public private forum mechanism to collaborate at operational level on progressing priorities identified in the MSME Development Policy. (Options for consideration include establishing issue-specific sub committees to work on matters or establish a Working Group to cover multiple priorities identified in the Policy. To comprise representatives from Government (e.g., MCIL, MCR, MOF, CBS, MAF, SBS, STA) and the PSO, the Terms of Reference will include improving communication and information sharing amongst MSME stakeholders and achieving cross-agency efficiencies in delivering on policy priorities). [TCI Board, MCIL].
- 1.2 (iii) Ensure MSME Policy priorities are tabled in the GOS/Donor Joint Policy Action Matrix (JPAM) Group which focuses on private sector development project needs and opportunities. [MOF, MCIL].
- 1.2 (iv) Work proactively with development partners to secure their support and resourcing for the implementation of the strategies outlined in this Policy. [MOF, MCIL].

STRATEGY 1.3: OFFER LOW-COST, PERFORMANCE-BASED, AND TIME-BOUND FISCAL TAX INCENTIVES TO STIMULATE THE SME CAPITAL INVESTMENT REQUIRED FOR GROWTH AND FACILITATE THE UPTAKE OF THESE INCENTIVES.

THE ISSUE: MSME growth relies on the capacity of business owners to invest in their businesses. For many MSME in Samoa, financial constraints and tax burdens prevent them from making the needed investment to scale up, for example by buying capital equipment. Meticulously designed, tax incentives can stimulate this investment. However, as they can represent a cost to Government, they need to be designed with consideration of the overall macroeconomic and budgetary context. In Samoa's case, IMF Article IV indicates the need for tighter fiscal policy in Samoa¹⁰ which suggests the provision of fiscal incentives for Small and Medium Enterprises (SME) should be approached conservatively. According to best practice, incentives should also be time-bound, linked to company performance (e.g., increased exports) and targeted at sectors

¹⁰ IMF Article IV, March 2019.

experiencing strong growth and in which Samoa has, or has the potential for, competitive advantage. Importantly any review of tax incentives for SME should not be considered in isolation; but rather, within a review of overall tax and incentive policy.

Beyond the provision of fiscal incentives, attention must also be given to improving how they are communicated to target SME and their accounting service providers. While some information is readily available on current incentives in MCIL's Investment Guide and online, the dissemination of up-to-date advice is not consistent across agencies, and therefore it can be confusing to target audiences. Furthermore, perceptions about difficulties in accessing incentives prevail, indicating the need for better facilitation. A particular case in point is the "Accelerated Depreciation" provision, which enables companies to offset capital investment against profits more quickly. This is a particularly effective incentive, which is little known by the private sector.

POLICY RESPONSE: The Government of Samoa will:

- 1.3 (i) Review current incentives schemes to identify those which should be phased out and those that should be continued or adopted, based on being low-cost, time-bound, and performance-based fiscal incentives that encourage SME with the potential to scale up, to undertake the necessary investment in capital, equipment, and new technology¹¹. [MOF, MCR, MCIL, Investment Committee, National Revenue Board].
- 1.3 (ii) Promote information about existing fiscal incentives to SME – Accelerated Depreciation - together with other business information as part of a proposed business information portal (see Strategy 2.1). [MCIL, MCR].
- 1.3 (iii) Undertake an awareness campaign about all current fiscal incentives to Samoa's accounting business advisory network and PSO, so that they can provide appropriate advice to SME clients and members. [MCIL, MCR].

STRATEGY 1.4: CONSIDER THE IMPACT OF SAMOA'S IMPORT TARIFFS ON MSME EFFICIENCY AND COMPETITIVENESS UNDER ANY FUTURE TARIFF STRUCTURE REVIEW.

THE ISSUE: Whilst tariff changes throughout this decade have been implemented to be in-line with trade agreements that Samoa accedes to, business owners and PSO have reported that Samoa's import tariff structure is constraining business growth. They also report that to date there has been insufficient consultation with MSME on tariff reform and call for a consultative review of tariffs that gives heightened consideration of business constraints.

POLICY RESPONSE: The Government of Samoa will:

- 1.4 (i) Commit to an overall tariff review that considers the impact of current regulations on MSME growth, efficiency, and global competitiveness within the context of broader trade policy reform imperatives. [MOF, MCR, MFAT, National Revenue Board].

¹¹ This requires a decision to be taken on the options provided in the *Role of Tax Incentives for MSME in Samoa* Paper prepared as a supplementary piece of work to inform this Policy.

STRATEGY 1.5: PROGRESS TARGETED REGULATORY REFORMS THAT IMPROVE THE BUSINESS ENVIRONMENT FOR MSME.

THE ISSUE: Over the past several years, Samoa has made significant progress in regulatory reforms aimed at improving the ease of doing business. However, there are three aspects of reform which are noted as in need of further attention with respect to supporting MSME sector development.

Firstly, although significant progress has been made with the Intellectual Property Act 2011, there is a lack of awareness and understanding of the Act which has limited its role in protecting trademarks, patents, designs, and geographical indications. This is expected to be addressed with the new WIPO-funded Enhancement of Innovation Program which will increase awareness of these matters amongst businesses and, through MCIL in the near future, provide free advice on Intellectual Properties and branding to MSME.

Secondly, while the Competition and Consumer Protection (CCP) Act 2016 make provision for enforcement of labelling and standards, work is still underway to fully implement this extensive legislation. Since the enactment of the CCP, standards for locally produced goods have been instated. Furthermore, the MCIL has been working collaboratively with the MCR and Ministry of Health over the past decade to enforce labelling requirements for imported goods. The establishment of the Samoa Competition and Consumer Commission under the CCP also establishes a gateway for complaints regarding goods and services to be discussed and resolved.

Thirdly, MSME require clarity on the revisions to be made to the Foreign Investment Act. The review is currently underway, and the views of the private sector have been gauged.

Although the development of this Policy did not identify the need for new MSME-specific regulatory reforms, it will be important to monitor emerging requirements as development of the MSME sector progresses.

POLICY RESPONSE: The Government of Samoa will:

- 1.5 (i) Progress the roll out of the Enhancement of Innovation Program and its establishment of a Branding Bureau within MCIL. [MCIL].
- 1.5 (ii) Support awareness raising amongst MSME and professional business advisors (through PSO, the Samoa Business Hub and other targeted avenues) about how the Intellectual Property Act protects trademarks, patents, designs, and geographical indications, and how MSME can access advice if, and when needed. [MCIL].
- 1.5 (iii) Complete the review of the Foreign Investment Act with consideration given to its role in enabling investment in MSME. [MCIL].
- 1.5 (iv) Identify new regulatory reforms that emerge for MSME development. [TCI Board, MCIL].
- 1.5 (v) Consider introducing legislation that directly provides for the 'development of the MSME sector' and provides a legal requirement for cross-Ministry accountabilities when adequate data on the nature and scale of MSME is available to inform the drafting of an Act. [TCI Board, MCIL].

GOAL 2. PROVISION OF APPROPRIATE BUSINESS ADVICE AND SUPPORT

STRATEGY 2.1: PROVIDE MSME WITH INFORMATION ON STARTING AND OPERATING A BUSINESS INCLUDING HOW TO ACCESS RELEVANT BUSINESS DEVELOPMENT SUPPORT.

THE ISSUE: MSME development is enabled by easy access to all ‘need-to-know’ information about starting or operating a business through one central source. Although there are some helpful resources for MSME in Samoa, they are available through a range of different channels, and consultations indicate there is a lack of awareness within the MSME community about what information and business development support (BDS) is available (such as Government services, commercial Business Advisory Services (BAS) providers, and training programs). Furthermore, due to the ad hoc nature of this information, there are some duplication and gaps. Until such information is consolidated, streamlined, and centralised to ensure ease of access for target audiences, MSME development in Samoa will continue to be hindered.

POLICY RESPONSE. The Government of Samoa will:

- 2.1 (i) Develop and promote a centralised Government online resource (e.g., a MCIL portal/micro site) dedicated to all private enterprise development. It will include a summary of all information that businesses (including, but not limited to MSME) should consider at different stages of their lifecycle, and for different sectors, with links to relevant resources such as: existing MCIL tools (e.g. Investment Policy); new MCIL tools (e.g. digital content such as YouTube); the online Business Registry; a list of training providers; a link to the new Trade Portal; a list of BAS support; a link to BAS providers (on the BLP Portal); and other relevant resources. [MCIL].
- 2.1 (ii) Prepare and distribute a simplified information package covering the above for the micro enterprises that do not have internet access. This could be done in partnership with other organisations, e.g., SBH to leverage its existing outreach activity to remote micro and start-up enterprises, and MCR to reach newly registered businesses. Such an initiative will need to identify and address specific barriers facing women and marginalised groups. [MCIL].

STRATEGY 2.2: SUPPORT THE PROVISION OF AFFORDABLE AND TARGETED BUSINESS TRAINING TO MSME, AND AN ADVANCED ACCELERATION PROGRAM TO HIGH-POTENTIAL SME.

THE ISSUE: Emerging and growing MSME typically require some degree of business training in one or more subjects to better equip themselves to successfully manage their enterprise. Samoa has seen many business training programs delivered to date by SBEC (now SBH), training institutions (e.g., APTC), financial institutions, PSO and donor-funded programs. Despite this, there are reports of limited awareness of business training opportunities, although the relaunch of SBEC as the Samoa Business Hub (SBH) in late 2019 is expected to increase awareness of the Hub’s new generation of business training.

Beyond MSME business training and general support, it is also common for contemporary Governments to launch and/or support ‘business accelerator’ models as part of their entrepreneurship development agenda. Samoa is in a fortunate position that such a program has already been designed as part of SBH’s new strategy. SBH’s Accelerator Program will deliver a package of advanced, tailored capacity development support to qualifying SME who demonstrate the potential for scale-up.

While SBH is independently managed, funding from the Government enables it to deliver its services at a subsidised rate. Similarly, funding of PSO enables targeted business training to be provided if a PSO decides to utilise it for that purpose. The Government recognises that due to the financial constraints facing many MSME, subsidised training and support is essential for inclusive economic development. However, over the years Samoan MSME have become accustomed to receiving free or heavily subsidised business training,

making it extremely hard for any business training providers to charge commercially viable fees. It is timely now as Samoa's businesses mature, for training providers to establish the commercial value of training within the marketplace and position it as a necessary investment for MSME, while designing a fee and financing model that balances investment, affordability, and accessibility. Where these models are directly fulfilling Government priorities, such as SBH's and PSO's training and support to develop the MSME sector, there is a business case for the Government and its development partners to provide funding that enables the delivery of valued, subsidised services on a needs basis.

POLICY RESPONSE: The Government of Samoa will:

- 2.2 (i) Provide increased core funding to SBH to deliver:
 - a. Short-term business training programs for micro, small and start-up enterprises based on a subsidised fee schedule.
 - b. A business accelerator program targeted at established SME with strong potential to scale up.
(This funding would require that the programme content and delivery mode will be tailored to the respective needs, stage of development and absorptive capacity of targeted enterprises. It will also require that it be designed to meet the needs of women and marginalised groups). [MOF, MCIL].
- 2.2 (ii) Support the delivery of PSO-run training to their members where the need for sector-specific business / technical training has been identified, through the PSO funding program. [MOF, MCIL].
- 2.2 (iii) Seek development partner support of and coordination in business training programs so that gaps are addressed, and duplication of efforts avoided. [MCIL, MOF].

STRATEGY 2.3: SUPPORT EFFORTS TO IMPROVE MSME ACCESS TO RELEVANT, QUALITY COMMERCIAL BUSINESS ADVISORY SERVICES.

THE ISSUE: While business training and support programs play an extremely valuable role in helping MSME to grow, businesses also need to engage more bespoke, professional expertise that they do not have themselves. Commonly outsourced business advisory services for SME include expertise in accounting, strategic planning, marketing, and branding, and information technology. It may include performing certain business functions on a regular basis or solving one-off business problems.

Samoa has a growing network of business advisory service providers; however, more internationally competitive, and diverse services are needed to meet the current and future needs of Samoa's SME. The private sector (specifically SCCI and local business advisory service (BAS) providers) have already started addressing this supply need¹². This will require ongoing private-sector led, Government-enabled efforts to (a) continue strengthening the advisory and technical competencies within existing BAS providers (e.g. accounting firms, marketing agencies, ICT consultants and SBH, amongst others); and (b) overcome gaps in local BAS (e.g. expertise in preparing financial proposals, investment facilitation, developing social impact frameworks, digital transformation, disaster risk management, international standards compliance; and

¹² The SCCI coordinated, NZ MFAT-funded Business Link Pacific (BLP) Program commenced in 2018 with the primary objectives to (i) build a local network of quality BAS providers and (ii) stimulate the uptake of BAS by in-need SME through fee subsidies. Current funding for the program ends in December 2021, although the program is expected to sustain and grow into the future.

export facilitation). On the demand side, the provision of subsidies is currently stimulating uptake of business advisory services at commercial rates, and impacts are being monitored.

Regarding microenterprises, although the level of sophistication and depth of business advisory services required is significantly less than for SME, and although their capacity to pay for services is even more constrained, it is still important to make relevant business advisory services available to them, including but not limited to supporting informal enterprises through the formalisation process. For micro enterprises, this is best addressed through introductory business training programmes (see 2.2 above), such as some of those delivered by SBH, which cover the basic essentials of setting up and running a small business.

POLICY RESPONSE: The Government of Samoa will:

- 2.3 (i) Ensure Government-supported microenterprise training (e.g., SBH) includes 'basic' business advice and support, e.g., allowing time for confidential questions, making network referrals, and coordinating cross-agency support to help enterprise formalisation. [MCIL].
- 2.3 (ii) Support the delivery of professional training and development programs for Samoa's network of business advisory service providers (as currently facilitated under SCCI and BLP). [MCIL].
- 2.3 (iii) Support efforts to overcome gaps in the local business advisory network where in-demand knowledge and skills are not currently adequate. This can include funding support (e.g., via direct funding for the Samoa Business Hub's Accelerator Programme to bring in relevant external expertise to meet business needs), or subsidised services (e.g., SROS research development and technical support to qualifying businesses if no private provider exists¹³). It can also include indirect support, e.g., collaborating with SCCI to bring in the expertise on priority business/technical areas to partner with and/or transfer knowledge to BAS providers and relevant public sector officials. Priority areas to be considered include financial proposal development; investment facilitation; developing social impact frameworks; digital transformation; disaster risk management; international standards compliance (e.g., SPS, food safety/HACCP); and export facilitation. [MCIL].
- 2.3 (iv) Consider supporting the extension of partial subsidies post 2021 for business advisory services to SME that have high-priority business need but are yet to engage a professional advisor due to awareness and/or affordability constraints.¹⁴ [MCIL, MOF].

STRATEGY 2.4: ENABLE A MULTI-PARTNER, INTEGRATED 'EXPORT DEVELOPMENT INITIATIVE' TO SUPPORT SME WITH THE POTENTIAL TO INCREASE EXPORTS IN COMPETITIVE SECTORS.

THE ISSUE: Although increasing exports is a government priority, and many private sector players express interest in entering/scaling up export markets, the development of export markets currently faces several key constraints.

Firstly, there is lack of up-to-date detailed market research on Samoa's competitive advantage now, and potential for the future, for products and services in international markets. Although some market research in agriculture products is being undertaken¹⁵, there is an overall lack of robust evidence of sources of growth

¹³ 'Qualifying' SME are those that have identified a viable market, developed a credible business plan to capitalise on that market and are willing to make a meaningful contribution to SROS's costs.

¹⁴ As provided under the SCCI-partnered, MFAT-funded BLP programme.

¹⁵ The donor funded PHAMA + Program has undertaken studies, market systems analyses for Noni and Taro.

sectors, which considers parallel investments by competitor economies, and market-specific analyses of constraints and opportunities. This restricts Government and private sector investment decisions.

Secondly, businesses also report a lack of Government support in export facilitation. The new Trade Portal has been designed to improve centralised access to information about exporting which will go part of the way to addressing concerns.

Thirdly, for SME already exploring or engaging in exports, there is a lack of local professional advisory services specialising in exporting (also identified under Strategy 2.3).

Finally, there is a need to build existing/prospective SME exporters' links to overseas business networks.

The 2014 Export Development Strategy Review proposed the establishment of a dedicated Export Promotion Agency; however, due to the significant investment in resources and reform this would require, it should be a longer-term proposition. Rather, in line with the recommendations from phase one of the ongoing review of the Foreign Investment Act, a sensible short-term solution would be to strengthen MCIL's Industry Development and Investment Promotion Division's export promotion activities in line with its mandate. Further to this, as accountability for or support of the various aspects of exporting lie with different agencies and individuals, there is a need and opportunity to facilitate the integration of all pieces under a TCI Board-led, MCIL-coordinated, cross-partner export development initiative.

POLICY RESPONSE: The Government of Samoa will:

- 2.4 (i) Allocate sufficient resources within MCIL for its IDIPD to undertake export promotion functions in line with its mandate. This will include revising staffing and initiating a staff capacity development program to build understanding of export promotion. [MCIL, PSC, MOF].
- 2.4 (ii) Lead the development of a cross-partner 'export development initiative' under the TCI Board, that identifies the export facilitation priorities across all the private sector, including but not limited to the following activities to support SME exporters with a business case. [TCI Board, TCI Subcommittee, MCIL].
- 2.4 (iii) Commission the development of a National Industrial Development Policy (NIDP) which analyses overall sources of economic growth for Samoa based on global/regional demand trends, considering parallel investments underway by competitor economies and Samoa's current/potential competitive advantage. The NIDP will identify the specific opportunities for micro, SME, and large businesses by sector. [MCIL].
- 2.4 (iv) Facilitate donor and/or business partner-led research on market-specific analyses of sector development and export constraints and opportunities. This will include identifying market players overseas - e.g., importers, distributors, wholesalers, agents, retailers.¹⁶ [MCIL, MOF, MFAT].
- 2.4 (v) Provide all essential and up to date information for SME about exporting on the new Trade Portal. [MCIL].
- 2.4 (vi) Enable the development of professional technical and business advisory services in export facilitation, so that SME with export potential can access such services in the local market. (Covered under 2.3 (iii) above). [MCIL].

¹⁶ To complement / supplement the Market Systems Analyses undertaken by PHAMA+.

- 2.4 (vii) Assist SME that are currently exporting or have export potential to build market linkages to overseas networks that can be a source of sector-specific, business advice, business contacts and potential partnership and/or investment. This will include supporting outward trade missions to connect SME - which are not yet exporting to a particular country but have good potential to do so – to importers, distributors, wholesalers, agents, and retailers overseas. [MCIL, MFAT].

STRATEGY 2.5: FACILITATE THE ENGAGEMENT OF MSME IN PRODUCT VALUE CHAINS FOR DOMESTIC AND EXPORT MARKETS.

THE ISSUE: In Samoa, the private sector is driving value chain linkages. Technology is opening new opportunities to grow these, as evident with SkyEye’s Maua App. Its linking of rural market vendors and producers to consumers, highlights the potential to extend to exporters in the future.

While value chain development is best led by the market, Governments can play a support role in the enabling environment or where market failures exist. One example of this is the Ministry of Women, Community and Social Development’s (MWCSO) support for Village Committees. Their meetings provide the opportunity for rural members to understand how to connect with markets and identify prevailing issues for Government consideration. These meetings provide a valuable platform for policy makers to learn from local communities about their enterprise development needs, and conversely, for strengthening community awareness of business opportunities.

POLICY RESPONSE: The Government of Samoa will:

- 2.5 (i) Strengthen knowledge sharing and collaboration between MWCSO (its Economic Development Division) and MCIL to strengthen mutual understanding of rural producers’ needs, and business opportunities. [MWCSO, MCIL].
- 2.5 (ii) Ensure MCIL is engaged in the consultation for the next Community Sector Plan to develop a shared commitment to progressing value chain integration opportunities for microenterprises, particularly rural farmers. [MWCSO, MCIL].
- 2.5 (iii) Support private-sector efforts to link MSME in value chains by ensuring the business enabling conditions are conducive to the relevant investment. [MCIL].
- 2.5 (iv) Explore the opportunity for Government sponsorship of a symposium that brings together producers and buyers for target sectors. [MCIL].

GOAL 3. AVAILABILITY OF FINANCE, FINANCIAL SERVICES AND INVESTMENT THAT SUPPORT MSME GROWTH AND SUSTAINABILITY.

STRATEGY 3.1: STRENGTHEN THE QUALITY AND AVAILABILITY OF FINANCIAL SECTOR DATA TO BETTER UNDERSTAND THE FINANCIAL NEEDS OF MSME RELEVANT TO POLICY DEVELOPMENT.

THE ISSUE: Of critical importance to designing policy that enables micro and SME to access financial products and services is understanding current trends and business needs in the target markets. This requires: (i) financial institutions' consistent and reliable tracking of micro and SME financial data covering a wide range of variables (including employee numbers, business turnover, loan size, asset value, sector, gender, location, approvals/rejections) and (ii) the sharing of this data for policy analysis.

Although some of this data is tracked to varying degrees in Samoa by individual financial institutions, there is no consistency in the information collected, the quality of data is questionable, and it is not readily available to inform policy decisions. This issue is compounded by the absence of a consistent definition for MSME to date, on which to base reporting. Therefore, at this time it is not possible to present an accurate nation-wide profile of the number of banked MSME and credit utilisation.

POLICY RESPONSE: The Government of Samoa will:

- 3.1 (i) Engage financial institutions in collecting and sharing anonymised data (to protect client confidentiality) on the utilisation of financial products and services according to an agreed methodology including the new MSME size criteria, financial indicators (business turnover, loan size, asset values) and other variables (sector, gender, location, approvals/rejections). [CBS, DBS, TCI Board, TCI Subcommittee, MCIL, SBS].
- 3.1 (ii) Introduce and maintain a regular analysis of data on MSME' (and large businesses') uptake of financial products and services to inform policy decisions. [CBS, DBS, MCIL, SBS].
- 3.1 (iii) Undertake regular quantitative analysis of the capital needs of businesses in Samoa that enables mapping of requirements (according to sector, size, business stage, purposes, and other relevant variables) to ensure access to capital responses evolve with market needs. [CBS, DBS, MCIL].

These activities form part of the cross-agency data initiative proposed under Strategy 1.1.

STRATEGY 3.2: COLLABORATE WITH THE FINANCIAL AND PRIVATE SECTORS TO IMPROVE ACCESS TO CREDIT FOR 'BANKABLE' MSME BY ADDRESSING SUPPLY AND DEMAND SIDE CONSTRAINTS.

THE ISSUE: Some MSME are unable to access the credit they need to sustain or scale up operations. In Samoa, this can be attributed to supply-side and demand-side factors.

Supply side considerations: There is sufficient liquidity for lending to SME by the commercial banks and Development Bank of Samoa (DBS). Despite this supply, as is the case in other Pacific Island countries many MSME report they are unable to access the credit they need to invest in their business, with the binding constraints being high interest rates and the conditions for collateral (land and/or buildings) that they cannot meet. This collateral issue is of particular concern for women who do not have ownership rights on land or other assets.

SBEC (now SBH) has been addressing the collateral issue by guaranteeing MSME loans made by commercial banks by 80-100%, with the maximum loan guarantee recently increasing from SAT 50,000 to SAT 100,000. While this scheme was designed to give banks the confidence to provide uncollateralised loans to borrowers that have demonstrated their ability to repay, it is unclear if this outcome has been achieved. A second

scheme under the ADB-funded SABS programme has supported agri-businesses seeking loans between SAT 100,000 to 1.5 million; however, that programme is not expected to release further loan guarantees. Consequently, going forward there will be a gap in addressing the issue of collateral shortfall facing established SME looking to borrow more than SAT 100,000 to reinvest in their businesses, but who do not have sufficient security to put against the loan. The opportunity for these businesses to scale up is being missed as a result. As noted above, this is especially relevant to women. (Apart from collateral concerns, lending practices in Samoa are reportedly not disadvantaging women).

The collateral issue has also been the focus of Government reform. With support from the ADB, the Personal Property Securities Act 2013 was introduced to provide for movable assets to be used as collateral for loans. However, apart from DBS, the banks have not indicated an intention to change their lending policies to allow for the use of moveable assets as collateral. Given DBS is a government-owned bank and is receiving strategic advice from ADB, it can lead the way and demonstrate to the other banks that moveable assets can be used to successfully repay loans in default. This will require the normalisation of legal instruments such as assignment agreements (e.g., of receivables) and warehouse receipts and the active use of the moveable assets register, showing which assets have been pledged against loans.

Beyond the collateral issue, the lack of a credit bureau in Samoa to date had been an impediment to access to finance, with credit providers lacking the type of information they need to help make SME lending decisions. Following a failed attempt a few years ago, the establishment of a bureau is again under consideration, with ADB set to advise the Government on its establishment. Once up and running, it *may* encourage the banks to lend to SME based on their loan repayment history.

Regarding micro-finance, there is a sufficient supply for micro and small businesses with DBS, South Pacific Business Development (SPBD), Women in Business Development Inc. (WIBDI) and other informal lenders all serving this end of the market. Under its new strategy, the SBH will also enter this market to fill an identified gap for micro and small enterprises looking for loans of up to SAT 10,000. While this is a positive indicator of supply, having so many players serving this end of the MSME market raises risks. For example, borrowers can take out loans from several different organisations if borrower information is not shared, compounding repayment burdens.

Another supply-side consideration lies with reports of inadequacies with the systems and skills for assessing loan applications within some credit providers, although some institutions are already working to address this.

Demand-side considerations: Credit providers report that their lending is constrained by poor quality loan applications. Many proposals do not present an adequate business case for financing. Some efforts are already underway to address this, for example SBH business plan training to date. This will be enhanced in the future with more hands-on assistance with financial proposals for SME looking to borrow SAT 50,000-100,000. The BLP program meanwhile has been strengthening supply and uptake of quality professional business advisory services. However, further investment in a collaborative, medium- to long- term response is needed to strengthen the depth and breadth of expertise in country. This is critical for two reasons: (i) to ensure business owners have an adequate understanding of their position, potential and risk before seeking credit and (ii) to improve the quality of proposals to maximise likelihood of a loan. Improving the availability and quality of such local expertise will likely grow loan applications by women, as it is understood that the key reason loan applications by women are lower than for men is due to women being cautious about entering debt, and possibly less confident to do so. Having a quality financing proposal can overcome this.

POLICY RESPONSE: The Government of Samoa will:

- 3.2 (i) Encourage the implementation of recommendations in the CBS/UNESCAP Study on access to finance (undertaken in 2019 and officially launched in August 2020). [CBS].
- 3.2 (ii) Encourage DBS (with advice from ADB) to lead the way on the use of moveable assets as collateral for business loans. [CBS, DBS, MOF, MCIL].
- 3.2 (iii) Provide funding to the Samoa Business Hub to enable their support to SME in the development of bankable proposals including credible financial projections (as per Strategy 2.3). [MOF, MCIL].
- 3.2 (iv) Enable the extension of BLP's program to build capacity amongst the local business advisory network in preparing bankable financing proposals for loan applications. (as per Strategy 2.3). [MCIL].
- 3.2 (v) Establish a Credit Bureau in Samoa. [CBS].

STRATEGY 3.3: FACILITATE THE PROVISION OF INSURANCE TO SUPPORT THE SUSTAINABILITY OF MSME.

THE ISSUE: Access to affordable and relevant insurance products is important to MSME. This is becoming increasingly important with small island economies facing increased episodes of severe weather events and rising seas levels. GOS has already played a role in creating an enabling regulatory environment for conditions for insurance. A 2016 study¹⁷ found SME in Samoa are served by a small number of insurance companies that offer business-related insurance, and although micro insurance products are available, there is a lack of awareness amongst potential customers and a lack of experience and knowledge among insurance companies on how to develop and deliver inclusive insurance products. A 2018 study by SBH also found that most businesses are under insured due to lack of knowledge about and trust in insurance, as well as a lack of suitable products and the cost of the premiums which are comparatively high due to reinsurance costs for the insurance company and the limited size of the risk pools.¹⁸ Market-led solutions are required, which the Government can support through enabling the identification of specific barriers to and solutions for MSME access to insurance, in particular for climate change related disasters.

POLICY RESPONSE: The Government of Samoa will:

- 3.3 (i) Facilitate coordination amongst GOS, PSO, development partners and insurance providers to determine the specific MSME insurance barriers and associated solutions, with a focus on climate change disaster risk management, and innovative solutions. [TCI Board, TCI Subcommittee, MCIL, MOF, CBS (National Financial Inclusion Taskforce), DBS].
- 3.3 (ii) Improve communication and awareness of disaster risk and other business insurance amongst MSME through targeted activities such as: inclusion of relevant business continuity planning and insurance information on the proposed MCIL-hosted MSME business information portal (see Strategy 2.1); inclusion of information on business insurance in Government communications/events about climate change; and support of PSO delivery of events covering the same. [MCIL, CBS, DBS, MNRE].

¹⁷ Pacific Financial Inclusion Program Assessment for Samoa (2016).

¹⁸ SBH Microinsurance Feasibility Study, 2018

STRATEGY 3.4: ENABLE MSME AWARENESS OF AND ACCESS TO GLOBALLY COMPETITIVE AND LOCALLY RELEVANT FINANCIAL INFRASTRUCTURE.

THE ISSUE: While responsibility for the provision of financial infrastructure lies with the financial sector, the Government has a role to play in keeping abreast of new and evolving technologies (e.g., digital payment systems) and ensuring the enabling conditions are in place for introducing those already being adopted by advanced economies. It also has a role to play in generating awareness amongst the business community about such technologies through relevant communication channels (e.g., proposed MCIL business information portal).

Further to this, the Government recognises it has a role in identifying any financial infrastructure constraints facing the private sector and encouraging financial institutions to remedy these.

POLICY RESPONSE: The Government of Samoa will:

- 3.4 (i) Provide enabling conditions for the introduction/ evolution of critical financial infrastructure such as digital payment systems, which are expected to evolve at a rapid pace. [CBS, MOF].

STRATEGY 3.5: PROMOTE AND FACILITATE DOMESTIC AND FOREIGN INVESTMENT AND ALTERNATIVE FINANCING MECHANISMS FOR SME IN PROMISING SECTORS AND WITH FEASIBLE GROWTH PLANS.

THE ISSUE: Within Samoa's business sector, there is limited understanding about the potential for equity investment and alternative financing, and what is required to realise these opportunities.

Anecdotal evidence indicates credit is the preferred form of financing for MSME in Samoa, even though it can be difficult to obtain. In terms of alternatives, many business owners are not willing to give away equity of their business beyond family ties, and/or arguably do not recognise the additional value investors bring in the form of expertise, advice, and business networks. Friends and family often do not have the disposable income to invest in a start-up, while crowdfunding and angel investment have yet to be developed in Samoa. The financing challenges are compounded for start-ups as it is globally accepted that early-stage enterprises should avoid taking out loans due to the financial pressure they place on new businesses.

Regarding equity investors, notwithstanding the tendency for both local investors (e.g., SNPF and UTOS) and foreign investors to want to invest in larger businesses, it is still important to ensure equity investment is enabled for those SME seeking business partners. Private equity investment from overseas is enabled through the Foreign Investment Act 2001 (under review), but these opportunities are constrained by the lack of capacity amongst business owners and business advisors in preparing the calibre of financial proposals required to secure an investment.

This capacity constraint also limits the potential for Samoan social enterprises to attract impact investment, which should be treated the same as any investment with respect to presenting a quality proposal with a strong business case evidenced by market demand research and supported by credible financial projections. To attract impact investors, enterprises also need to be able to demonstrate their social or environmental impact.

It will be important to overcome these capacity constraints whilst building a sound understanding of the evolving nature of impact investment, and a realistic expectation for its potential for Samoan businesses. The Pacific experience in impact investment has also shown that investor demand lies with larger businesses, although the potential to have funds that diversify investment across a number of SME is being explored by some programs. Therefore, despite the prevailing global excitement around impact investing, and some successes in small-scale impact investments in the Pacific region, it will be critical to approach this with

caution in Samoa as the scale may be limited. Learnings from actors and programs in the region, which are actively engaged in impact investment, including amongst the Samoa diaspora, will be critical to understand the issues and opportunities it offers.

Similarly, awareness and expectations about equity investment and alternative sources of funding need to be managed across the informal and formal business community in Samoa. The potential of crowd funding for MSME - particularly for innovative and/or social enterprises - has attracted much enthusiasm globally. Business skills will be critical to delivering successful crowd funded projects, reinforcing a need to overcome business development and management gaps so that ill-equipped project proponents do not risk the country's reputation amongst crowd funding communities. Importantly, while there are reportedly no regulatory constraints to online crowd funding platforms at present, this evolving landscape will see emerging anti-fraud requirements that may have regulatory considerations.

Finally, with regards to other funding mechanisms, there is a lack of knowledge about funds available to Samoa's public and private sector for projects that can stimulate MSME growth, for example the Green Climate Fund (GCF).

POLICY RESPONSE: The Government of Samoa will:

- 3.5 (i) Continue to provide funding to SBH so that it can provide partial loan guarantees and support SME in the development of bankable proposals that include credible financial projections as required by equity investors and/or impact investors (as per Strategy 2.3). [MOF, MCIL].
- 3.5 (ii) Support the extension of BLP's program to build capacity amongst the local business advisory network in preparing SME's bankable financing proposals for equity investors and/or impact investors (as per Strategy 2.3). [MCIL].
- 3.5 (iii) Build public and private sector knowledge about the benefits of attracting investment and emerging alternative financing mechanisms (e.g., crowd funding, special investment funds) through public private sector fora (see Strategy 1.2) and business advisory capacity building (see Strategy 2.3). [MCIL].
- 3.5 (iv) Build targeted foreign investor networks (particularly in Australia, New Zealand, the USA, and China) including those with the potential to invest with local SME (as with larger businesses) operating in target sectors. This will be achieved by: (i) collaborating with existing programs such as Pacific RISE, Pacific Trade & Invest, Business Partnership Platform and New Zealand's new InvestPacific programme to identify investor prospects; (ii) promote the opportunity pension portability from New Zealand provides for new investment; and (iii) use overseas missions to identify investment prospects. [MCIL, MFAT].
- 3.5 (v) Strengthen investment promotion for SME seeking investors, and facilitation for targeted foreign investors through: (i) promoting profiles of investment opportunities on MCIL's website (or proposed business information portal); (ii) increasing resources for MCIL to play a more effective role in investment facilitation, (iii) proactively engaging with organisations and programs promoting investment in Samoa; (iv) hosting missions to Samoa for targeted investors; and (v) developing processes to remove bottle necks in investment facilitation. [MCIL].
- 3.5 (vi) Explore – with experienced actors in the region - the potential for crowdfunding for Samoan SME, including the appetite among the Samoan diasporas. [MCIL].

STRATEGY 3.6: PROMOTE THE IMPORTANCE OF FINANCIAL LITERACY TRAINING FOR CURRENT AND FUTURE MICRO AND SMALL ENTERPRISES.

THE ISSUE: Despite financial literacy training being delivered under a range of microfinance programs in Samoa, the incidence of borrowers defaulting on loans is reportedly high. There is sufficient anecdotal evidence that borrowers are turning to multiple sources to pay off loans and ending up caught in a debt spiral. The impact on families is reported as a critical social and business issue yet to be properly addressed.

POLICY RESPONSE: The Government of Samoa will:

- 3.6 (i) Encourage microfinance institutions to improve financial literacy training and improve due diligence on approving loans for business purposes. [CBS, MCIL]
- 3.6 (ii) Include financial literacy training in the primary and high school curriculum so that all graduates will be better equipped to manage their finances and service a (business or personal) loan. [MESC, CBS, MCIL].
- 3.6 (iii) Encourage, support, and provide funding for financial literacy training for micro and small business owners to educate them on ways to better manage their business income and control expenses to ensure business sustainability and minimise the likelihood of insolvencies/bankruptcies occurring. [CBS, MOF, MCIL].

GOAL 4. SUPPLY OF INFRASTRUCTURE THAT ENABLES MSME PRODUCTIVITY AND SUSTAINABILITY.

STRATEGY 4.1: ENSURE THE IMPLEMENTATION AND UPDATING OF THE RESPECTIVE SECTOR PLANS FOR ENERGY, ICT, TRANSPORT, WATER AND WASTE MANAGEMENT, WHILE CONTINUALLY IDENTIFYING CRITICAL INFRASTRUCTURE-RELATED CONSTRAINTS TO MSME DEVELOPMENT AND FEASIBLE SOLUTIONS.

THE ISSUE: Accessible, reliable, and affordable infrastructure and services are critical to the development of a productive and sustainable private sector. Like all economies, MSME in Samoa report impediments to business growth related to a range of infrastructure shortcomings. As GOS addresses all infrastructure priorities under the respective Sector Plans, the development and implementation of these plans is the avenue through which MSME concerns are considered. The voice of the private sector, including micro enterprises and SME is essential in the development of these sector plans.

POLICY RESPONSE: The Government of Samoa will:

- 4.1 (i) Implement the *Energy Sector Plan 2017-2022*, ensure MSME representation is adequate in the consultation for the next plan, and support solutions to binding constraints faced in accessing affordable, reliable energy. [MOF, MCIL].
- 4.1 (ii) Implement the *Communications Sector Plan 2018-2022*, ensure MSME representation is adequate in the consultation for the next plan, and support solutions to binding constraints faced in accessing affordable, reliable ICT. [MCIT, MCIL].
- 4.1 (iii) Implement the *Transport Sector Plan 2013-2018*, ensure MSME representation is adequate in the consultation for the next plan and support solutions to binding constraints faced in transport infrastructure and services. [MWTI, MCIL]
- 4.1 (iv) Implement the *Water and Sanitation Sector Plan 2016-2020*, ensure MSME representation is adequate in the consultation for the next plan, and support solutions to binding constraints faced in water and waste management. [MNRE, MCIL].

STRATEGY 4.2: PREPARE FOR, MANAGE, AND RESPOND TO INFRASTRUCTURE AND SERVICES ISSUES THAT CONSTRAIN MSME BUSINESS OPERATIONS FOLLOWING DISASTER INCIDENTS.

THE ISSUE: The increasing incidence of severe weather events and the possibility of seismic activity, risk interruptions to infrastructure and services that businesses will rely on to recover and sustain operations.

POLICY RESPONSE: The Government of Samoa will:

- 4.2 (i) Ensure MSME are represented in Disaster Management Office planning and coordination efforts. [MNRE, MCIL].
- 4.2 (ii) Ensure post-disaster needs analyses assess the private sector infrastructure recovery priorities, and specific needs for microenterprises and SME by sector. [MNRE, MCIL].

GOAL 5. AVAILABILITY OF AN APPROPRIATELY SKILLED LABOUR FORCE TO SUPPORT MSME DEVELOPMENT.

STRATEGY 5.1: PROGRESS ONGOING EFFORTS TO BUILD A SKILLED WORKFORCE FOR THE BENEFIT OF BOTH EMPLOYEES AND EMPLOYERS.

THE ISSUE: The private sector raises concerns about a lack of willing and/or skilled workers; an issue of particular importance in the Agriculture sector. This is a national priority that extends beyond MSME-specific solutions, and the GOS addresses the needs and opportunities under broader employment and skills development efforts. The *Samoa National Employment Policy 2016-2020* aims to integrate productive employment at all levels to support the creation of more and better jobs. The policy objectives, including but not limited to enhancing skills development and improving labour market information systems, directly support MSME as employers. The Samoa National Tripartite Forum (SNTF) is the official forum for addressing this significant topic. Hence, any issues or solutions proposed for labour force and skills development in the MSME sector should be directed through that channel.

POLICY RESPONSE: The Government of Samoa will:

- 5.1 (i) Progress the *Samoa National Employment Policy 2016-2020* and continue to ensure MSME needs and opportunities for skilled employees are considered at the SNTF and in the formulation of future employment policy. [SNTF, MCIL, PSC].
- 5.1 (ii) Implement the *Education Sector Plan 2019-2024*, ensure MSME representation is adequate in the consultation for the above plan, and strengthen provisions for competency-based accreditation. [MESC, SNTF, MCIL].
- 5.1 (iii) Progress opportunities under Australian and New Zealand labour mobility schemes to build a skilled workforce of returned workers. This will include investigating how interested Australian and New Zealand employers can be involved in sharing their technical and business expertise with returning workers in Samoa. [MCIL].

GOAL 6. ADVANCEMENT OF A CULTURE OF ENTREPRENEURSHIP AND INNOVATION.

STRATEGY 6.1: STRENGTHEN COMMUNITY KNOWLEDGE OF SKILLS IN AND ATTITUDES TO ENTREPRENEURSHIP.

Ensuring these programs target growing business sectors, e.g., ICT/digital products and services and social enterprises, will be critical to their success. They can also play an important role in working with returning skilled workers under Australia's and New Zealand's Labour Mobility Schemes to build enterprise development capabilities and progress business ideas.

THE ISSUE: Providing a business environment where MSME flourish requires investing in human capital in entrepreneurship and creating a culture that embraces entrepreneurship.

An increasing number of countries are incorporating entrepreneurship into school and tertiary curricula as a private sector development strategy, but this has yet to be progressed in Samoa. Supplementing academic and technical skills with programs that build relevant business skills and foster entrepreneurial behaviours will be important so that Samoa's next generation of business owners will be globally competitive. At present students are missing out on an opportunity to: (i) identify and build entrepreneurial skills and behaviours; and (ii) decide whether they are suited to starting a business or pursuing a different path.

As already addressed under Strategy 2.2, outside of the formal education environment, there is also a need and opportunity to strengthen entrepreneurship skills and behaviours through programs targeting high-potential individuals and business ideas. Samoa is already benefiting from such programs, including at Samoa Business Hub and via Youth Co-lab and Seed Stars. Women and youth participation is currently being enabled for these programs, and it will be important to ensure any barriers to participation by qualifying but disadvantaged individuals are monitored and addressed.

POLICY RESPONSE: The Government of Samoa will:

- 6.1 (i) Introduce entrepreneurship into the secondary school curriculum and tertiary level programs, incorporating related themes of social entrepreneurship, business management (including financial literacy) and innovation. [MESC, MCIL, CBS].
- 6.1 (ii) Encourage the development of ICT/digital enterprises. This could be either via the SBH Accelerator program or a dedicated tech start-up / scale up program. [MCIT, MCIL].
- 6.1 (iii) Encourage the development of social enterprises that solve local social/ environmental problems, e.g., by supporting sponsorships in the SBH Accelerator program. [MCIL].
- 6.1 (iv) Work with organisations like SBH to tailor enterprise development programmes that support workers returning from labour mobility schemes by building their entrepreneurship skills, identifying relevant business opportunities, and forming a business. [MCIL].
- 6.1 (v) Build Samoa's global entrepreneurship knowledge and networks (e.g., Global Entrepreneurship Monitor, Global Entrepreneurship Network, Global Entrepreneurship Week), through SBH, main PSO, and MCIL as the lead agency. [MCIL, MWCSO].

**STRATEGY 6.2: FACILITATE MSME ACCESS TO EMERGING TECHNOLOGIES AND SKILLS THAT
SUPPORT ENTREPRENEURSHIP AND INNOVATION.**

THE ISSUE: Central to entrepreneurship and innovation globally is access to sufficiently advanced technology and the skills to use that technology. For the agriculture and manufacturing sectors, this relies on access to the latest equipment, processes, and skills to manage a productive and competitive operation. The proposed provision of duty concessions for IT equipment is one example of GOS support for this type of investment.

The prevailing global economy also requires that formal businesses can access adequate digital technologies and skills. Samoa, like all countries, needs to make an increasing and ongoing investment in ensuring appropriate digital transformation infrastructure and resources are available to support productive and competitive MSME. The rapidly changing face of digital technologies and the limited public private dialogue on ICT policy issues in Samoa in recent times has been an area of concern now being addressed by the newly launched industry-led Samoa Information Technology Association (SITA).

POLICY RESPONSE: The Government of Samoa will:

- 6.2 (i) Assist SITA and partners to host seminars and exhibitions on existing and emerging digital technologies and their application for contemporary and future businesses. This will include providing SME with the knowledge and skills to take full advantage of e-commerce platforms to market their products and services to a large audience of overseas buyers. [MCIT, MCIL].
- 6.2 (ii) Work with the private sector, tertiary institutions, and business training providers to identify and nurture the entrepreneurial potential of ICT graduates. [MCIT, MCIL].
- 6.2 (iii) Provide targeted, performance-based, and time-bound incentives to SME looking to invest in new technology. [MOF, MCR, MCIL, Investment Committee].
- 6.2 (iv) Scope and design a program to encourage the development of tech start-ups by:
 - a. Providing targeted support for entrepreneurial ICT graduates [MCIL, MCIT].
 - b. Funding specialised coaching and exposure to regional/global expertise. (Potentially under the SBH program or a tech-specific initiative). [MCIT, MCIL].
 - c. Encouraging the Samoan diaspora to return to Samoa to start such businesses [MCIL, MCIT].
- 6.2 (v) Work with SCCI, SITA and the BLP program in overcoming gaps in the local business advisory network with regards to digital transformation and related ICT skills (as per Strategy 2.3). [MCIL, MCIT].

**STRATEGY 6.3: ENABLE INNOVATION THROUGH SUPPORTING RESEARCH AND DEVELOPMENT
AND TECHNOLOGY INCUBATOR PROGRAMS.**

THE ISSUE: Government has a role to play in enabling the private sector to innovate technologies and processes. This can be done by supporting research and development on sector-specific global trends and identifying local sources of growth. It can also be done by supporting ‘incubator’ programs¹⁹ which nurture start-ups on developing a business concept to investment stage.

POLICY RESPONSE: The Government of Samoa will:

- 6.3 (i) Support research and development into new technologies / areas of innovation. [MCIL, MCIT].
- 6.3 (ii) Support technology incubator programs for SME target sectors (e.g., tech) in partnership with the likes of the Samoa Business Hub, the universities, and the private sector. [MCIL, MCIT].

¹⁹ ‘Incubator’ programs are different from ‘accelerator’ programs in that the former are typically for start-ups to help build a viable business model, while the latter are typically for established businesses ready to scale up.

PART D: MOBILISING THE MSME DEVELOPMENT POLICY

AN ACTION PLAN AND MONITORING SCHEDULE FOR MOBILISING THE HIGHEST PRIORITY ACTIVITIES

The MSME Policy and Strategy features six goals and 22 specific strategies to realise those goals and the overarching Policy objectives. Progressing these strategies firstly requires getting a strong foundation in place. A manageable number of the most critical ‘building blocks’ for this foundation have been identified for an Action Plan. These ‘Actions’ and respective steps will support multiple strategies in the immediate- through longer-term.

1. Launch the MSME Development Policy as a ‘whole of Government’ policy with assigned Ministry accountabilities.
2. Establish coordination mechanisms to progress implementation of the MSME Development Policy and Strategy.
3. Identify and secure the budget needed for MSME development strategies for the immediate term, and long-term where possible.
4. Commence MSME development support to be provided through MCIL.
5. Commence a MSME data management initiative.
6. Support the roll out of immediately implementable ‘access to finance’ solutions for MSME.

This Action plan includes a column for recording the progress of activities and can be used as a monitoring tool in which status can be checked as ‘Completed’, *In Progress*’ or ‘Yet to commence’.

STEPS	TIMELINE	RESPONSIBILITY	STATUS
ACTION 1. LAUNCH THE MSME DEVELOPMENT POLICY AND STRATEGY AS A WHOLE-OF-GOVERNMENT COMMITMENT, WITH ASSIGNED MINISTRY ACCOUNTABILITIES.			
1.1. TCI Board approval of Policy, including proposed accountabilities across Ministries.	Q3 FY2019/20	MCIL + TCI Board	Completed Approved TCIB Meeting 21/5/2020
1.2. Cabinet approval of Policy, including proposed accountabilities across Ministries	Q4 FY2019/20	MCIL + TCI Board + Cabinet	Completed. Cabinet endorsed on 4/11/2020
1.3. Formal notification to Ministries of respective accountabilities.	Q1 FY2020/21	MCIL	Completed 1 to 1 Meetings with respective Ministries held in the week of 7 - 13 December 2020
1.4. Official launch of MSME Development Policy	Q3 FY2020/21	MCIL	In progress
ACTION 2. ESTABLISH COORDINATION MECHANISMS TO PROGRESS IMPLEMENTATION OF THE MSME DEVELOPMENT POLICY AND STRATEGY			
2.1. TCI Board adoption of Policy oversight and monitoring role.	Q3 FY2019/20	MCIL + TCI Board	Completed Endorsed TCIB Meeting 21/5/2020
2.2. Establishment of preferred model for coordinating implementation of the Policy’s strategic initiatives (e.g., have issue-specific subcommittees, or a broader Working Group), with MCIL as Secretariat. To include finalisation of a Terms of Reference for the group and designation of public-private sector membership composition.	Q1 FY2021/22	MCIL + TCI Board	In progress
2.3. Tabling of the following prioritised strategic	Q1	MCIL + TCI Board	In progress

STEPS	TIMELINE	RESPONSIBILITY	STATUS
<p>initiatives on the TCI Board agenda for monitoring, and for the Working Group / respective sub committees for implementation with MCIL in coordination role:</p> <ul style="list-style-type: none"> – Implementation of a Data Management initiative. – Implementation of an Export Facilitation initiative. – Facilitation of access to finance and financial services solutions. – Facilitation of digital transformation initiatives. 	FY2021/22		
<p>2.4. Securing of TCI Board, MCIL and MSME representation in strategic discussions around the development of new sector strategies / strategic forums:</p> <ul style="list-style-type: none"> – Education Sector Plan (and National Tripartite Forum) – Energy Sector Plan – Communications Sector Plan – Transport Sector Plan – Water and Sanitation Sector Plan – Community Sector Plan 	Q2 FY2021/22	MCIL + TCI Board	In progress
ACTION 3. IDENTIFY AND SECURE THE BUDGET NEEDED FOR MSME DEVELOPMENT STRATEGIES FOR THE IMMEDIATE TERM, AND LONG-TERM WHERE POSSIBLE			
3.1. Determine levels of budget increase required to support SBH and the PSO in delivering services that achieve GOS MSME development priorities (as detailed in strategies).	Q3 FY2021/22	MCIL + Partners (PSO, SBH).	Yet to commence
3.2. Determine additional costs of resourcing MCIL (or GOS partners) to deliver on MSME development activities proposed in the Policy including: <ul style="list-style-type: none"> – Funding for the Data Management initiative. – Funding for resources to manage an Export Facilitation initiative. – Funding for resources to develop a MCIL business information microsite. Funding for MCIL staffing and capacity building to coordinate priority activities.	Q1 FY2021/22	MCIL	Yet to commence
3.3. Secure above GOS funding to support development of the MSME sector.	FY2023/24	MOF + MCIL	Yet to commence
3.4. Ensure MSME Policy priorities are tabled in the GOS/donor Joint Policy Action Matrix (JPAM) Group to direct targeted funding support.	Q1 FY2020/21	MOF + MCIL	In progress
ACTION 4. COMMENCE MSME DEVELOPMENT SUPPORT TO BE PROVIDED THROUGH MCIL			
4.1. Review MCIL structure, design a capacity building program and identify resource needs to enable delivery of identified strategies.	Q4 FY2020/21	MCIL	Yet to commence
4.2. Develop and promote a centralised MCIL-hosted Government online resource dedicated to all private enterprise development. To	Q2 FY2021/22	MCIL	Yet to commence (pending funds)

STEPS	TIMELINE	RESPONSIBILITY	STATUS
include: – All information that businesses (including, but not limited to MSME) should consider at different stages of their lifecycle, and for different sectors. Links to relevant resources as detailed in the proposed strategies.			
4.3. Prepare and distribute simplified printed versions of the above information for (predominantly micro) enterprises that do not have internet access. (In collaboration with SBH's outreach to micro and start-up enterprises).	Q2 FY2021/22	MCIL	Yet to commence (pending funds)
4.4. (When funding secured) Enter a Services Agreement with SBH to deliver a range of partially subsidised services that support MSME Policy objectives, including: – Basic & short-term business training & support for micro, small & start-up enterprises. A Business Accelerator program targeted at established SME with strong potential to scale up;	FY2023/24	MCIL	Yet to commence (pending funds)
4.5. (When funding secured) Revise and increase the PSO funding package to align the distribution of funds with the meeting of criteria around demonstrating outcomes in supporting MSME / PSD development to date, and a business case demonstrating how productivity and employment for members will be enhanced in the future.	FY2023/24	MCIL	Yet to commence (pending funds)
ACTION 5. COMMENCE A MSME DATA MANAGEMENT INITIATIVE			
5.1 Commence a cross-agency data initiative to improve the quality and availability of MSME sector data. –Mandate and resource MCIL and SBS to lead the activity. –Establish MOUs with agencies whose data is required. –Engage the financial institutions to collaborate on data collection. –Scope how business licence, PAYE, TIN, and other data (e.g., SNPF, ACC) can be accessed and utilised. Design data management project.	FY2020/21	TCI Board + MCIL + SBS + MCR + MOF + SNPF + ACC	In progress
ACTION 6. SUPPORT THE ROLL OUT OF IMMEDIATELY IMPLEMENTABLE 'ACCESS TO FINANCE' SOLUTIONS FOR MSME			
6.1 Consider the recommendations of the CBS/UNESCAP Study on access to finance (already launched in August 2020).	Q3 FY2019/20	CBS, MCIL	In Progress
6.2 Support SBH (via above Services Agreement) to support SME in the development of bankable proposals including preparing credible financial projections.	FY2023/24	MCIL	Yet to commence



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APPENDICES

APPENDIX 1. DESK STUDY MATERIALS

An extensive library of resources was made available during the formulation of this Policy and Strategy. Following is a list of the key documents referenced in its development.

Government of Samoa National Plans:

- Strategy for the Development of Samoa (2016/17-2019/20).
- Samoa 2040 Draft Concept Note (2019).

Samoa Sector Strategies for:

- Agriculture 2016-2020.
- Communications (2018-2022)
- Community (2010-2015).
- Education (2013-2018).
- Environment (2017-2021).
- Financial Sector (2013-14 – 2017/18).
- Tourism (2014-2019).
- Transport (2014-2019)
- Trade, Commerce & Manufacturing (2017/18 - 2020/21).
- Transport (2013-2018)
- Water and Sanitation (2016-2020).

Other GOS Studies/Strategies/Policies:

- CBS/PFIP National Financial Inclusion Strategy for Samoa (2017-2020).
- EIF Diagnostic Trade Integration Study (2016).
- National Employment Policy 2016-2020.
- National Intellectual Property Strategy 2012.
- National Investment Policy Statement 2019.

MCIL Documents:

- TCM Annual Sector Review 2016
- MCIL Corporate Plan 2016-2020.
- MCIL Annual Report 2017/18.

Samoa Bureau of Statistic (SBS) Reports:

- SBS Household Income & Expenditure Survey 2013-2014.
- SBS/MCIL Business Activity Survey 2013.
- SBS Agriculture Survey Report 2015.
- SBS/MCIL Labour Market Survey 2016.

Other Samoa-specific documents:

- ADB's Reform Renewed: A Private Sector Assessment for Samoa (2015).
- BLP Business Survey 2018.
- CBS Financial Demand-side Survey 2015.
- Commonwealth Secretariat MSME Policy Review (2010).
- IMF Article IV (2019).
- PFIP Financial Services Assessment (2016).
- PHAMA Plus Country Strategy Note (2019).
- SCCI Business Confidence Survey 2018/19.

Global MSME Development Resources:

- OECD SME and Entrepreneurship Outlook (2019).

APPENDIX 2. ACKNOWLEDGEMENTS

The development of the Policy and Strategy was made possible with support and inputs from many representatives from several stakeholder groups.

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- Central Bank of Samoa: Manager Financial Systems Development, Lanna Lome-Ieremia & team.
- Ministry of Agriculture: ACEO, Tai Matatumua.
- Ministry of Customs and Revenue: DCEO, Seumanu Ieni Sheppard; ACEO Policy & Performance Indicators Division, Theresa Amosa Alatupe; Principal Officer Taxpayer Services, Esther Alalatoa.
- Ministry of Finance: DCEO Policy Management, Tofilau Lae Siliva; ACEO Budget Division, Abigail Lee Hang; ACEO Aid Coordination & Debt Management Division, Peresitene Kirifi; Principal Officer Economic Policy & Planning Division, Misa Siatuvai Talatana; and SABS Project Manager, Lene Fau, Donald Leumaga and team.
- Ministry of Foreign Affairs and Trade: ACEO Trade Division, Nella Tavita Levy.
- Ministry of Women, Community and Social Development: Youth Employment Project Manager, Mata'ao Maria Bernard; and Ana Leau Va'asa-Te'o.
- Samoa Bureau of Statistics (SBS): CEO Aliimuamua Malaefono Taaloga; ACEO Aliielua Leota Salani; and team.
- Samoa Tourism Authority: CEO, Faamatuainu Lenata'i Suifua Faamatuainu and Marita Ah Sam-Nemaia.
- Scientific Research Association of Samoa (SROS): Dr Seuseu Tauati and Fiame Leo.

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- Samoa Chamber of Commerce and Industry (SCCI): CEO, Lemauga Unasa Hobart Vaai.
- Samoa Association for Manufacturers and Exporters (SAME): President Tagaloa Eddie Wilson; Office Manager Colin Stringer; Sua Louis Schwalger and Executive Members.
- Small Business Association of Samoa Arts & Handicrafts Incorporated (SBASAH): President Sua Louis Schwalger and Executive members.
- Samoa Hotels Association (SHA): President Tupa'i Saleimoa Vaai; VP Moana; and Member Services Manager, Josephine Solomona.
- Samoa Farmers Federation Inc (SFFI): President Saena Penaia; Treasurer Lemalu Selesitina Puleaga Meni Reti; and Executive members.
- Samoa Farmers Association Inc (SFAI): President, Afamasaga Toleafoa.
- Samoa Information Technology Association (SITA): President, James Ah Wai.
- Tautai Samoa Association Inc (TSAI): President, Leiataua Eteuati
- Women in Business Development (WIBDI): President, Adimaimalaga Tafunai; and CEO, Alberta Vitale.

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Thank you to the following representatives of the **financial sector** who participated in consultations:

- Development Bank of Samoa (DBS): CEO, Susana Laulu
- Samoa National Provident Fund (SNPF): CEO, Pauli Prince Suhren.
- Samoa Commercial Bank: CEO, Lemalu Ray Ah Liki.
- South Pacific Business Development (SPBD): CEO, Luapene Lefau.
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- New Zealand High Commission: Pati Gagau and Measina Meredith.
- Australian High Commission: Laura Mc Ilhenny and Tiana.
- Asian Development Bank: Tuala Maria Melei (Apia); Terry Reid and Peter Derou (Sydney).
- Samoa Governance Program: Ropati Mualia.
- Business Link Pacific: John Lemoa.
- Civil Society Support Program (CSSP): Taeaone Tamaseu and Sharon.
- UNDP/Youth CoLab / Pacific Financial Inclusion Program: Cherelle Fruean and Iris Kissiti
- PHAMA: National Coordinator, Asuao Kirifi Pouono
- Pacific Trade and Invest (PTI): Caleb Jarvis and Chad Morris (Sydney).
- Pacific RISE: CEO, Amanda Jupp (Canberra).
- International Finance Corporation: Sameer Chand (Fiji).

Thank you to members of the Programme Implementation Contractor team for the **PSDP** from Palladium and Ākina Foundation: Stephen Morris, Guy Redding, and Rex Wickenden.

Finally, thank you to all other stakeholders who provided support in confidence not individually mentioned above.

Prepared by:

Jennifer Bartlett, Private Sector Development Advisor, with specialist input from Geoff Walton, Economist.

APPENDIX 3. PRIVATE SECTOR QUESTIONNAIRE

Questionnaire for the Private Sector to inform the development of a MSME Policy for Samoa.

A project to develop a MSME policy for Samoa is underway via the Ministry of Commerce Industry and Labour (MCIL), with the support of the New Zealand Ministry of Foreign Affairs and Trade (MFAT).

Following preliminary consultations with private sector organisations about this policy, the opportunity for business owners to share individual views on what Samoa's MSME policy should address is now being opened up via this questionnaire.

We understand completing such questionnaires takes time, so we appreciate any contributions you can offer to ensure as many business owners as possible are consulted.

Please submit responses to the Ministry of Commerce, Industry and Labour by **Friday, 18th October 2019** or to the following email addresses:

- Jacinta Matulino: jacinta.matulino@mcil.gov.ws
- Muliufi Nickel: muliufi.nickel@mcil.gov.ws
- Jennifer Bartlett: jennifer.bartlett.fish@gmail.com

SECTION 1: BUSINESS INFORMATION			
<i>Your responses will help us understand MSME needs according to different types and sizes of businesses.</i>			
1.1. Your Name: Business Name:			
1.2. Sector & Product/Service:			
1.3. Number of employees:			
1.4. Email address:			
1.5. Indicative annual turnover (SAT) (Please mark with X)	< 70,000		
	70,000 - 130,000		
	130,001 – 500,000		
	500,001 - 1 million		
	>1 million		

SECTION 2: YOUR VIEWS ON ACCESS TO FINANCE	
<i>Access to finance is reported as a significant constraint to MSME in Samoa. Further insights are now sought from a wide variety of business owners to inform policy recommendations on this theme.</i>	
2.1. Are you currently able to access the credit you require to strengthen your business? If NO, please describe why not.	
2.2. In your view, what could the government do to improve access to commercial finance for MSME?	

SECTION 3: YOUR VIEWS ON BUSINESS DEVELOPMENT SUPPORT SERVICES (BDSS)		
<i>'Business Development Support Services' (BDSS) include programs, professional advice, training etc that help MSME improve various aspects of their business. This includes services offered by professional business advisors (e.g., accountants), SBEC, private sector organisations, training providers, and government/ donor/NGO programs.</i>		
For questions 3.1 to 3.10, only answer for the topics that are important to your business . Please give a rating out of 5 to indicate how easy it is for you to access the business support/advice you need for that that topic. Use a scale where 0 = 'I am unable to access the business support/advice I need' through to 5 = 'I am able to access all the business support/advice I need' . Please specify your BDSS needs.		
<u>Topic</u>	<u>Rating</u>	<u>Please detail specific needs and barriers to accessing advice.</u>
3.1 Strategic & business planning.		
3.2 Financial management		
3.3 Marketing and branding.		
3.4 Product design, packaging, and labelling.		
3.5 Standards & certification		
3.6 Exporting / Accessing Markets (Please detail what aspects)		
3.7 Information technology		
3.8 Leadership & management		
3.9 Training (please describe type)		
3.10 Other (please list)		
3.11 What do you think are the top 3 priorities for the MSME Policy in relation to business development support services?		

SECTION 4: YOUR VIEWS ON THE REGULATORY ENVIRONMENT		
<i>The following questions about regulatory conditions facing businesses in Samoa are similar to indicators in the World Bank 'Ease of Doing Business Report', but this list is tailored for the MSME Policy consultations.</i>		
Questions 3.1 to 3.9 ask you to give a rating out of 5 for several aspects of the regulatory environment for MSME using a scale where 0 = 'I face significant challenges in running my business due to this' through to 5 = 'I do not face any challenges in running my business due to this' . Please say why.		
<u>Aspect</u>	<u>Rating</u>	<u>Description of issue/s:</u>
4.1. Understanding the tax regulations that apply to my business.		

4.2. Completing tax forms for my business (time, cost, ease).		
4.3. Paying taxes (processes, time).		
4.4. Accessing MCR help with tax queries.		
4.5. Accessing relevant tax exemptions or incentives (information, time, ease of processes).		
4.6. Complying with business licensing regulations (information, time, cost, ease of processes).		
4.7. Complying with regulations related to importing goods (information, time, cost, ease of processes).		
4.8. Complying with regulations related to exporting goods (information, time, cost, ease of processes).		
4.9. Complying with other regulations related to running a business (Please add). _____		
4.10. In your view, what could the government do to improve the regulatory environment for MSME?		
4.11. Have you accessed any fiscal incentives offered to businesses in Samoa? IF YES: a) Which one/s? b) Please describe the outcome of the incentive/s for your business.		
4.12. Based on your experience, what specific type of incentives – tax or other - do you think are needed to strengthen businesses like yours in Samoa? Please list up to 3 priorities.		

SECTION 5: YOUR VIEWS ON OTHER ENABLING CONDITIONS FOR MSME
<i>What 'other' enabling condition/s for MSME should be considered in the MSME Policy? Please explain.</i>

SECTION 6: YOUR PRIORITIES

Finally, after considering all of the above, what are the top three priorities you want the MSME Policy to cover?

Thank you for completing this questionnaire and supporting the development of a MSME policy for Samoa founded on the valued input of Samoa's private sector.

APPENDIX 4. THE ROLE OF INCENTIVES FOR MSME IN SAMOA

Prepared by Geoff Walton, Economist (October 2019)

On balance, there appears to be only limited scope for introducing new tax incentives for MSME given the current fiscal outlook. Options for reform include: (1) ensuring that enterprises are aware of and understand accelerated depreciation provisions currently available, and (2) design of a tax credit scheme in the context of a review of the overall incentives system aimed at securing revenue savings by discontinuing tax holidays and other non-performance-based incentives.

1. The current budgetary context for MSME policy development

The terms of reference stresses that the new MSME policy should be consistent with the overall government budgetary environment in Samoa, and that any tax incentives proposed be constrained by Samoa's overall fiscal stance. The report will also rely on global trends and best practice in the use of incentives. Attention will also be given to medium-term priorities for improving the overall regulatory environment-considered a precondition for the application of more positive, performance-based incentives.

a. Overall fiscal balance

To the above end, Table 1 below provides information on the Samoan budgetary context over the period 2017/18 – 2020/21. According to the recent IMF Article IV consultation staff report (May 2019), these figures reveal a marginally positive fiscal balance for 2017/18 but the fiscal position is projected to loosen over future years. At the same time, Samoa remains at high risk of debt distress. The IMF also acknowledged that Samoa has made substantial progress in implementing measures aimed at mitigating these risks.

Clearly then, attention will need to be directed towards tightening fiscal policy, a strategy that will also involve strengthening both tax administration and public financial management while lowering the long-term debt-to-GDP ratio and implementing a 1 percent of GDP deficit rule. It follows that this may also necessitate either reducing the scope of tax exemptions or changing the way they are delivered to minimize their budget impact.

	2017/18	2018/19	2019/20 proj.	2020/21 proj.
	(Tala millions)			
Total Revenue and Grants	758.1	800.7	853.1	889.5
Taxes	525.8	571.4	617.5	652.9
Non-tax revenue	58.4	64.5	69.1	72.5
Grants	173.9	164.8	166.5	164.1
Total Expenditure¹	643.9	718.0	786.1	832.3
Current expenditure	515.5	553.2	599.4	631.2
Capital expenditure	128.4	164.8	186.7	201.1
Overall fiscal balance	1.5	-28.0	-46.4	-61.9
GDP²	2,213.5	2,353.7	2,523.1	2,646.1
	(% GDP)			
Total Revenue and Grants	34.2	34.0	33.8	33.6
Revenue	23.8	24.3	24.5	24.7
Non-tax revenue	2.6	2.7	2.7	2.7
Grants	7.9	7.0	6.6	6.2
Total Expenditure¹	29.1	30.5	31.2	31.5
Current expenditure	23.3	23.5	23.8	23.9
Capital expenditure	5.8	7.0	7.4	7.6
Overall fiscal balance	0.1	-1.2	-1.8	-2.3

Source: IMF, Article IV Consultation, Staff Report, May 2019
Notes: 1) Does not include net lending; 2) Maybe subject to revision by SBS.

b. Revenue structure and tax instruments employed

Table 2 below provides a breakdown of Samoa's revenue structure over the period 2017/18 – 2020/21. Tax revenue provides the bulk of the Government's resources over the period, with taxes on goods and services (principally the VAGST and selective excises) dominating the revenue structure. Taxes on income, profits, and capital gains represent about 20 percent of the revenue base.

	2017/18	2018/19	2019/20 proj.	2020/21 proj.
	(Tala millions)			
Total Revenue	584.2	651.2	573.3	568.1
Tax Revenue	525.8	563.5	475.7	472.9
Taxes on income, profits, capital gains	115.5	123.2	119.5	119.5
Taxes on property	2.6	0.8	0.8	0.8
Taxes on goods and services	348.9	376.0	308.1	305.3
Taxes on international trade	58.8	63.5	47.3	47.3
Other revenue	58.4	87.7	97.6	95.2
	2017/18	2018/19	2019/20 proj.	2019/20 est.
	(% Total Revenue)			
Tax Revenue	90.0	86.5	83.0	83.2
Taxes on income, profits, capital gains	19.8	18.9	20.8	21.0
Taxes on property	0.4	0.1	0.1	0.1
Taxes on goods and services	59.7	57.7	53.7	53.7
Taxes on international trade	10.1	9.8	8.3	8.3
Other revenue	10.0	13.5	17.0	16.8

Source: Ministry of Finance, Apia, Samoa

The tax instruments currently employed include:

- **Value-added-goods-and-services tax (VAGST):** a tax on final domestic consumption at the rate of 15 percent. A small business registration threshold was introduced for businesses with an annual turnover of less than SAT130,000 with the aim of exempting most MSME from the requirement to register for the VAGST and from lodging bi-monthly VAGST returns. Certain supplies are exempt from the VAGST, namely, locally produced raw and unprocessed food, financial services, donated goods, and services sold by non-profit bodies, bus and taxi fares, inter-island passenger fares, the departure tax, and aid-funded projects. Exports, educational services, goods not in Samoa at time of supply, certain medical goods and services, sales of going concerns, electricity and water are all zero-rated.²⁰
- **Taxes on international trade:** import duties are imposed as specified in the Customs Tariff Act, 1975. The rates applied are nil, 5 percent, 8 percent, and 20 percent.
- **Excise duties:** are imposed on imported alcohol, soft drinks, tobacco products, and vehicles with an engine capacity of more than 2,000 cc.
- **Income and profits tax:** Income tax is imposed on individuals with annual taxable income at rates prescribed in the Income Tax Act 2012. Business taxpayers (trustees, sole traders, etc)

²⁰ More precise definitions of exempt and zero-rated supplies may be found in the VAGST Act 2015, and in the Samoa Investment Guide (MCIL).

pay the tax provisionally based on their previous year’s income. Resident companies are charged a profits tax at the rate of 27 percent on their global taxable income.

- **Small business tax:** the taxable income of sole traders is taxed at progressive rates according to annual income earned. The rates of nil, 20 percent, and 27 percent are levied at graduated income bands.
- **Capital gains tax:** a 27 percent tax is levied on profits arising from the disposal of capital assets sold within 3 years of the date of asset acquisition.
- **Other (relatively minor) taxes:** include an insurance premium withholding tax, taxes on fees for personal services, an imputed tax on income of a trust, and property taxes.

2. The current incentives offer

Table 3 below describes, “at-a-glance”, the current availability of tax-related incentives in Samoa.

Table 3: Incentives at a glance	
Corporate Income Tax (CIT)	
• nominal (statutory) rate	27%
CIT Concessions: eligibility	
• sector/industry	✓
• location / relocation	
• amount of invested capital	
• employment	
• number	
• characteristics	
• export performance	
• ownership of equity	
• expansion/technological upgrading	
• other	
CIT Concessions: types	
• holidays and rate reductions	✓
• carry forward of losses	✓
• investment allowances	
• tax credits	✓
• accelerated depreciation	✓
Import Duty concessions: eligibility	
• sector/industry	✓
• location	
• amount of invested capital	
• export performance	
• ownership of equity	
Import Duty concessions: types	
• capital goods	
• domestic production	✓
• export production	✓
• raw materials	
• domestic production	✓
• export production	
• duty drawback	✓
• duty suspension	
• bonded warehouse	
• other	
Concessions on Other Taxes	
• land usage	
• VAT/sales tax	

Described in more detail below, the broad categories of incentives available to registered firms in Samoa include:

1. **Import duty concessions.** This program exempts customs duties on imported building materials, machinery, furniture and fittings, raw materials, and aircrafts and spare parts by businesses classified as tourism (in particular hotels), manufacturing, and aviation.
2. **Code 121.** This scheme reduces customs duties from 8 percent to zero on imports by commercial poultry farmers, manufacturers of agricultural products, and handicraft and garment manufacturers.
3. **Duty drawback.** While not technically an incentive, this scheme permits the refund of customs duties paid on imported raw materials and capital equipment used in the production of exports and hotels.
4. **Code 113.** This incentive provides import duty concessions on imports by the fisheries industry of bait and equipment.
5. **Income tax holidays for hotels.** This incentive was reported to have been abolished in July 2019, but some hotels may still be benefiting from tax holidays granted prior to July 2019.
6. **Tax credits.** Tax credits allowed for approved tourism developments.
7. **Accelerated depreciation.** Instant asset write-off for small business under Section 36 (b) Income Tax Act 2012.
8. **Loss carry-forward.** Under Section 28 Income Tax Act 2012.
9. **Certain case-by-case tax incentives.** Administered by the Ministry of Finance, the level and duration of these tax privileges are decided on an ad hoc basis.

It is understood that the authorities have commissioned a study of so-called “tax expenditures” covering the major categories of tax concessions available. While such estimates would have shed some light on the current budgetary cost of tax incentives (informing in the process the overall fiscal position of Samoa), the results of the study were not available at the time of writing this paper.

Before considering whether there may be scope to offer tax incentives as part of the proposed MSME policy strategy going forward, some general principles on incentives design and emerging global best practice should be considered.

3. General principles for incentives design

Many countries employ various forms of tax incentives to promote industry development, including the Pacific island countries. Despite their past popularity, a growing number of studies cast doubt on the effectiveness of tax incentives, concluding that the use of incentives as inducements to attract or accelerate investment has generally resulted in mixed results. At their worst - when poorly conceived and inadequately monitored - investment incentives have proven costly and redundant, with minimal impact on investor behaviour. At best, incentives have only operated at the margin, that is to say, they have influenced some investors some of the time, but not all investors all of the time. Much of the available literature now concludes that incentive policy is no substitute for fundamental investment climate reform (tax, customs, licensing, etc).

Whether or not incentives have a positive impact on investor behaviour in the MSME sector, they will inevitably place additional (although perhaps unintended) pressure on other tax rates, curtail spending possibilities, and may even lead to macro imbalances. Moreover, any benefits of incentives (increased employment, exports, technology adoption, etc) will be hard to disentangle from other features of the overall investment policy framework.

Should it be decided that incentives need to be employed in the overall location offer for MSME, they should be designed to try to minimize some of their known distortions. A well-designed incentive system for MSME should be based on an explicit economic rationale (market failure being the strongest rationale), and an evaluation of both impacts and costs subjected to public scrutiny in the budget process. Even so, tax incentives tend to induce diverse, and often unpredictable, distortions in an economy, a factor often overlooked in their design, and these distortions may not always be easily pinpointed and measured.

To minimize the distortive impact of incentives, the following general principles are suggested:

- Limit the objectives placed on an investment incentive scheme, and the choice of instruments utilized to reach those objectives. Multiple objectives are likely to operate against each other. For example, employment and export promotion objectives may not be compatible in countries holding comparative advantage in capital-intensive industries.
- Treat similar incomes and taxpayers (those with equal ability to pay) equally, and reward those making similar impacts on the nominated objectives of the incentives in the same way. In other words, stated policy objectives should be pursued on a 'rules' rather than 'discretionary' basis.
- Recognize that a faster recovery of investment costs (accelerated depreciation) may be of more value to some investors than a tailor-made reduction in their corporate tax rate (full tax holidays in the extreme). Providing tax incentives in the form of accelerated depreciation yields a 'time value of money' benefit to investors by changing the *timing* of their tax obligations while delaying tax revenue to the government rather than sacrificing it altogether. To explain further, most company income tax laws contain provisions for deducting the depreciation of capital equipment from taxable profits usually at legislated rates. For example, depreciation on buildings might be deductible at say 5 percent per year over 20 years. Machinery (with a shorter lifespan than buildings) might be deductible at 10 percent per annum over 10 years. By allowing for accelerated depreciation, companies can take advantage of such a deduction at a faster pace although the total deduction claimed will be the same (thus the time cost of money advantage). Clearly, one of the downsides of this policy is that it advantages capital-intensive businesses over labour-intensive activities. However, this policy choice may also encourage smaller enterprises to become marginally more efficient as they shift towards (even slightly) higher capital intensity.
- Acknowledge that tax holidays are the least supportable choice of policy instrument for delivering tax incentives. Tax holidays are characterized by several major shortcomings:
 - They benefit 'foot-loose' industries in which companies can and do move quickly from one tax jurisdiction to another, denying the hosts any long-term benefit.
 - They are limited in their effect to the existence of taxable income (profits) rather than being linked to investment per se.
 - They discriminate against investments that rely on long-lived depreciable capital or those with long gestation periods.
 - They can provide an incentive to shift taxable income from other enterprises into the accounts of those enjoying holidays.
- Use sunset clauses as a means of transparently limiting the duration of incentives and capping their budgetary cost. Open-ended incentives policies are to be avoided at all cost. At the very least, policies should be reviewed regularly to ensure that they are achieving their stated

objectives. This may involve periodic ex-post implementation reviews (impacts and costs) and subjecting incentives policy to public scrutiny in the budget process.

- Minimize use of indirect-tax incentives. Indirect-tax incentives (e.g., partial, or full exemption from import tariffs, excises or sales tax including value added tax on inputs) invite abuse. Therefore, their use should ideally be reserved for the removal of import duties and other taxes on inputs used in the production of exports. Such targeted measures are not an incentive in the strict sense; they simply remove the anti-competitive bias imposed on a country's exports to world markets created by trade taxes. On occasion, and with some economic justification, basic food, medical, and educational supplies attract indirect tax exemptions on welfare grounds. Zero-rating such supplies under a VAT and/or exempting imports can achieve this. However, the least distortive policy choice is to avoid indirect tax exemptions altogether and rely on broad-based, low-rate consumption taxes. The most egregious form of exemption in this policy area is where exemptions are granted on a case-by-case, discretionary basis. Discretionary policies tend to erode themselves by creating lack of trust in the policy making process and encouraging unproductive rent seeking behaviour in the taxpaying community.
- Resist competing too vigorously with regional neighbours in terms of the generosity of incentives offered. This may prove to be "a race to the bottom", with the region as a whole enjoying no more investment in total than it would have had with a more sober offering of incentives. This 'zero sum game' can leave foreign investors and taxpayers in their home countries as the principal winners at the expense of taxpayers in the host countries of the region. And there is little evidence of correlation between generosity of incentives and individual country investment performance.

Table 4 below provides an overview assessment of tax incentives currently offered in Samoa based on the guiding principles outlined above. In the following section, some options specifically for MSME are suggested.

Table 4: Bird's Eye Assessment of Current Incentives		
Current Incentives		Comments
Import duty concessions	●	Complicate customs administration and reduce government revenue but afford competitiveness advantages to recipients. Appropriately targeted.
Code 121	●	Appropriately targeted by with revenue and administration costs.
Duty drawback	●	Necessary to ensure that exporters are not disadvantaged in world markets. Established exporters could be afforded prior duty suspension if appropriate administrative procedures are implemented.
Code 113	●	Again, properly targeted but with revenue and administrative costs.
Income tax holidays for hotels	●	Too open ended, and not performance based. Commonly found to be redundant and are costly to the budget.
Tax credits	●	Preferred to open-ended tax holidays if capped, time limited, and subject to review.
Accelerated depreciation	●	Least costly to the budget. May serve to encourage technology adoption an enhance competitiveness.
Loss carry-forward	●	A common feature of most income tax systems.
Case-by-case incentives	●	Lack transparency and are too open-ended. Not rules based because depend on Ministerial discretion.

Legend:

- Least preferred. Not well aligned to guiding principles and best practice.
- Can be considered subject to budgetary and administrative constraints.
- Best practice, least costly to government revenue.

4. Incentive options to support MSME development in Samoa

Based on global best practice principles (outlined above), and Samoa's overall fiscal outlook, there appears to be only limited scope for introducing tailor-made tax incentives for MSME. However, other forms of assistance are outlined in the report in relation to specifically identified constraints faced by this sector of economic activity.

Although the scope for tax incentives is limited, there are two options in this area of economic policy that could be considered:

Option 1: Accelerated Depreciation (preferred)

This option is to be preferred for a number of reasons. First, it does not give rise to significant additional budgetary cost because the same amount of depreciation allowance would be allowed but over an extended time frame under normal profits tax regulations. In other words, the government budget (rather than the enterprise) would assume the "time-value-of-money" cost.²¹ Secondly, it will in principle encourage micro and small enterprises to adopt more high-tech approaches in their business models than otherwise, thus presumably making them more efficient and profitable over the medium term. Thirdly, this option need not necessitate first identifying offsetting budgetary savings elsewhere.

Since instant asset write-off (100% depreciation) is currently offered to enterprises with turnover below the VAGST threshold of Tala 130,000, the current policy could be sustained with little impact on the fiscal balance. Importantly though, there should be more effective and targeted outreach by the tax administration to ensure that all eligible enterprises are aware of this provision in the Income Tax Act.

Option 2: Tax Credits (subject to constraints)

In some respects, this policy option *may* have more impact at the upper end of the MSME sector because it affects both labour and capital utilization, especially for enterprises classified as *medium* scale. Enterprises forming part of this subsector can often prove to be growth inducing (technology, employment, global competitiveness, etc). Moreover, increasing the pace of growth through the provision of a well-designed incentive regime might be considered desirable for the economy as a whole.

However, it is recommended that this policy option only be adopted subject to the following preconditions:

- there should be a comprehensive review and rationalization of the overall incentive system currently employed (as outlined above). Ad hoc, discretionary tax incentives should in the process be discontinued.
- the cost of any tax credits offered should be capped and tied to offsetting revenue savings elsewhere in the budget;²²
- eligibility for tax credits should be performance based, i.e., based on actual investment in targeted areas of economic activity rather than planned investment.
- the duration of any tax credits offered should be time bound; and
- the policy should be subject to post-implementation review, say after 2-3 years of operation, to verify it is achieving its anticipated objectives.

²¹ The cost is higher in high inflation periods.

²² The terms of reference for the project did not require the identification of potential revenue savings.

APPENDIX 5. THE NATIONAL STRATEGIC PLANNING FRAMEWORK FOR THE MSME POLICY

This MSME Policy and strategy aligns with the Government's short- through long-term strategic direction, as presented in the following documents:

Samoa 2040: Transforming Samoa to a Higher Growth Path

Although *Samoa 2040* is still in development, its draft Concept Note sets out the Government's commitment to long-term planning. Its vision is: *“To transform the Samoan economy to a higher growth path, to ensure the needs of present and future generations are met and that no one is left behind”*. The first six of the following seven (proposed) thematic areas are directly relevant to a MSME Policy and Strategy:

- (i) Enhanced Digital Connectivity
- (ii) Lifting tourist numbers and spending
- (iii) Greater Labour Mobility
- (iv) Boosting Agriculture
- (v) Effective Investment in human capital
- (vi) Resilient Development
- (vii) Safe and secure Samoa

Importantly, *Samoa 2040* identifies strategic sectors for growth, which provides a focus for where the MSME development support should be targeted in the Policy and Strategy. These sectors include:

- Tourism
- Agriculture and fishing
 - For domestic markets: Fruits and vegetables, livestock for domestic markets
 - For export: (i) Coconut cream and oils; (ii). Cocoa, taro, bananas, pineapple (iii) Beer, whiskey and (iv) Natural medicinal products
- ICT
- Labour Mobility

Strategy for the Development of Samoa 2016/17 - 2019/20.

The MSME Policy and Strategy aligns where relevant with the strategic priority areas and key outcomes set out in the current national development plan.

- Priority Area 1: Economic
 - Key Outcome 1: Macroeconomic Resilience Increased and Sustained
 - Key Outcome 2: Agriculture and Fisheries Productivity Increased
 - Key Outcome 3: Export Products Increased

- Key Outcome 4: Tourism Development and Performance Improved
- Key Outcome 5: Participation of Private Sector Development Enhanced
- Priority Area 2: Social
 - Key Outcome 6: A Healthy Samoa and Well Being Promoted
 - Key Outcome 7: Quality Education and Training Improved
 - Key Outcome 8: Social Institutions Strengthened
- Priority Area 3: Infrastructure
 - Key Outcome 9: Access to Clean Water and Sanitation Sustained
 - Key Outcome 10: Transport Systems and Networks Improved
 - Key Outcome 11: Improved and Affordable Country Wide ICT Connectivity
 - Key Outcome 12: Quality Energy Supply
- Priority Area 4: Environment
 - Key Outcome 13: Environmental Resilience Improved
 - Key Outcome 14: Climate and Disaster Resilience Increased

Samoa Sector Plans

The following Sector Strategies also set the scene for this MSME Policy and Strategy, recognising that some are under review and/or to be updated.

- *Agriculture Sector Plan 2016-2020*
- *Communications Sector Plan 2018-2022*
- *Community Sector Plan 2010-2015*
- *Education Sector Plan 2019-2024*
- *Energy Sector Plan 2017-2022*
- *Financial Sector Plan 2013-14 – 2017/18*
- *National Environment Sector Plan 2017-2021*
- *Tourism Sector Plan 2014-2019*
- *Trade, Commerce & Manufacturing Sector Plan 2017/18 - 2020/21*
- *Water and Sanitation Sector Plan 2016-2020*



Please contact the Industry Development and Investment Promotion Division of the MCIL for more information regarding the implementation of this Policy.

