



# **GOVERNMENT OF SAMOA**

## **DEVELOPMENT COOPERATION POLICY**

### **PARTNERS IN DEVELOPMENT: PROMOTING AID EFFECTIVENESS**

#### **MINISTRY OF FINANCE**

AID COORDINATION AND DEBT MANAGEMENT DIVISION

December 2010

## 1. INTRODUCTION

The business of Government always involves partnership. Different agencies within Government need to work together; they also need to work with civil society and with the beneficiaries of public services. In Samoa, as in most developing countries, we also cooperate with the donors who provide a substantial share of public resources. We share the objective of improving the quality of life for all Samoans, and we need to ensure that resources are used effectively to achieve this objective.

Our partnership must respect Government's fundamental role in setting national priorities, in which we are accountable to the people of Samoa. This is one of the key principles in the Paris Declaration on Aid Effectiveness (2005) and the more recent Accra Agenda for Action (2008), which renewed the emphasis on ownership and the recipient's responsibility to lead and manage the development process preferably using government procedures and systems. We are seeking to manage our inflows of resources from donors in a way, which helps us to pursue our overall objectives of improving the quality of life for all through coherent strategies in each sector.

Our development partners for the most part fully recognise the importance of Government leadership. To ensure effective leadership we have to develop coherent sector strategies, strengthen sectoral institutions, and ensure clarity in the relations between sectoral plans, the responsible implementing agencies, and the role of central Ministries. We also have to strengthen our financial management, accountability mechanisms, and performance measurement systems. On our partners' side, we need to receive resources in forms, which are flexible enough to allow us to use them for our priorities. We recognise that these forms will vary across donors.

This strategic framework for development cooperation management is a policy document of the Government of Samoa. It reaffirms the role and responsibilities of line ministries and agencies in terms of program implementation, central agencies for external resource mobilization and the Ministry of Finance in terms of aid coordination functions in accordance with the laws and regulations of the Government of Samoa.

The Government of Samoa is committed to working with its development partners to strengthen aid effectiveness. Government intends to initiate a dialogue with development partners on the steps required to strengthen aid effectiveness in the Samoan context. This will be a process which will take time and commitment from both sides to adjust the way that aid funds are currently managed. The ultimate objective of this process is to develop confidence in Government's capacity to plan and manage development programmes and to strengthen systems and procedures for utilisation of public funds as well as performance monitoring, which will encourage partners to provide budget support funding directly to Treasury. Not all partners

will be ready or willing to contribute funds directly into the budget and different organisations have their own requirements and interests, which must be taken into account. There may still be circumstances where stand alone projects or other forms of aid are justified including the use of autonomous project management units, but these must at least conform to the priorities and requirements of the sectors concerned. The main aim of this policy statement is thus to set down government's views on the way that development aid funding should preferably be managed and to propose institutional mechanisms for a dialogue on strengthening aid effectiveness. We would like our partners to consider how they can best align their programmes to support Government leadership and contribute to the process of strengthening aid effectiveness.

Outlined also are the key principles and objectives to guide management of development cooperation programs. The Government encourages development partners to work through the Aid Coordination/Debt Management Division of the Ministry of Finance as the focal point for ODA resource mobilization and coordination to further enhance aid effectiveness.

The Government places high priority on all parties conforming to and complying with the policies outlined which also embody the principles of the Paris Declaration and Pacific principles on aid effectiveness.

## 2. CONTENT AND JUSTIFICATION FOR POLICY

- i) This policy paper reaffirms the Government's ownership and leadership of the development cooperation management processes and outlines the framework on institutional and operational issues related to it. Information presented herein includes:
  - The roles and responsibilities of the focal point for resource mobilization and aid coordination functions
  - The related roles of the Ministry of Foreign Affairs & Trade
  - The current situation and initiatives to strengthen development cooperation
  - The objectives and basic principles upon which development cooperation is premised
  - Status of implementation of the development cooperation strategy
- ii) Effective and efficient aid utilization is critical to achieving the priorities of the Strategy for the Development of Samoa 2008-2012 to attain a quality of life for all, achieve the Millennium Development Goals and improve aid effectiveness to maximize benefits for the people of Samoa.
- iii) Although significant progress has been achieved, there still remains work to be done to improve aid effectiveness by the implementing agencies as well as the development partners who have yet to fully harmonise practices and procedures to be in alignment with the Government of Samoa systems. Increased harmonisation would go a long way to reducing transaction costs on the part of the government with its limited capacity and will also ensure that there is enhanced transparency in utilization of resources tagged for disbursement to the government.
- iv) The aid infrastructure has changed over the years with real annual increases in ODA disbursed. Over the last 3 years, around SAT500 million have been disbursed for development activities by the development partners. There has been a significant shift in the composition of development assistance in terms of loans and grants. The increased loan composition of ODA has implications for future budgets because of the resulting increase in size of the national debt and related debt service charges.

### **3. INSTITUTIONAL ARRANGEMENTS: FOCAL POINT FOR RESOURCE MOBILIZATION AND AID COORDINATION**

The Aid Coordination Committee with its operational arm, the Aid Coordination/Debt Management of the Ministry of Finance, is the focal point for mobilization of ODA, coordination of ODA with all development partners including the multilateral financial institutions, as well as coordination with and between line ministries, government corporations and non government organizations.

The Aid Coordination mechanism of the country consists of 2 operational bodies: the Cabinet Development Committee (CDC) and the Aid Coordination Committee (ACC).

The Cabinet Development Committee has a membership of 72 comprising ministers of Cabinet, Associate Ministers, Chief Executive Officers of all government ministries and corporations and a representative of non government organizations. The CDC is chaired by the Prime Minister and the Economic Planning and Policy Division of the Ministry of Finance is the secretariat. The Cabinet Development Committee appraises all new proposals, approves policy frameworks and monitors progress of implementation.

The Aid Coordination Committee has a membership of 7, is chaired by the Prime Minister and the Aid Coordination/Debt Management Division of the Ministry of Finance is its secretariat. Its key role is the coordination of all development cooperation in particular the allocation of resources should external funding be required.

The Aid Coordination Debt Management Division of the Ministry of Finance acts as the focal point for the development partners as well as the line ministries, government corporations and non government organizations in the coordination of external aid allocation and utilization. Through the CEO, Ministry of Finance, the focal point signs any legal agreements with development partners and international organizations pertaining to acceptance and allocation of ODA. It also leads in cooperation with line ministries and institutions for high level consultations on resource mobilization as well as donor coordination.

CDC sets the conceptual frameworks and public investment policies as well as setting up priorities for public investment in the medium term

The Economic Planning and Policy Division of the Ministry of Finance in collaboration with the Aid Coordination/Debt Management Division prepares the public investment program based on the decisions of the CDC.

The Budget Division of the Ministry of Finance in collaboration with the Economic Planning and Policy Division prepares the medium term framework for the budget for the implementation of the public sector investment program and controls the allocation of finances.

The line ministries prepare sectoral public investment programs and are responsible for implementation of their relevant programs. Where external financing is involved, all ministries and agencies will implement their functions with regards to public investment in coordination with the Aid Coordination Debt Management Division.

Coordination at the sector level should be managed through sector-level steering committees with representation from all the key stakeholders and institutions with interests in the sector including development partners and civil society/private sector representatives as appropriate. All proposed externally funded projects and programmes must be endorsed by the relevant sector steering committee. Where appropriate mechanisms may be put in place for a Coordinating Development Partner to facilitate dialogue, coordination and harmonization between partners contributing to a particular sector. The decision to establishing a Coordinating Development Partner and the specific arrangements for this role should be agreed by consensus between the partners and the government.

The Ministry of Foreign Affairs & Trade is the diplomatic window particularly for development partners which do not have resident representation in country.

Where program implementation is to be financed through loans, Ministry of Finance through the Aid Coordination Debt Management Division in consultation with the Economic Policy and Planning Division (EPPD) shall review program proposals to check that they fall into priority categories to be financed from loans, approve the terms and conditions and examine the repayment schedule of the loans in the framework of the total debt and in alignment with the Debt management strategy. The Minister of Finance is the signatory for all loan agreements. The Ministry of Finance is the depository of all loan documents. The Aid Coordination Debt Management Division will, in collaboration with the Budget Division ensure that recurrent cost implications of all development programs are fully considered. It will also maintain up to date information on loan disbursements and take prompt action to minimize costs under penalty provisions in the loan agreements.

The Government is aware of the capacity constraints both in the line ministries and agencies as well as the within the aid coordination mechanism of the country to carry out aid management functions effectively. All development partners are urged to accord high priority to supporting the development of capacity of all government institutions to enable them to achieve ownership, and leadership in managing aid coordination functions to improve aid effectiveness.

All development partners are discouraged from the practice of entering into agreements with individual government ministries and agencies, NGOs or the private sector organisations without prior coordination through the aid coordination mechanism of the country as this hampers efficient aid management.

#### **4. OBJECTIVES AND PRINCIPLES OF THE DEVELOPMENT COOPERATION MANAGEMENT STRATEGY**

The main objective is to improve aid effectiveness to maximize benefits for the people of Samoa through strengthened systems and procedures. The management of aid coordination together with the resource mobilization mechanisms are premised on the principles of government ownership, leadership and mutual accountability to achieve the goals and priorities of the SDS as well as the integrated global objectives.

The Government and all its partners should ensure that the following principles are adhered to:

- All development cooperation programs shall be aligned to the priorities articulated in the Strategy for the Development of Samoa (SDS)
- All development partners to recognize and respect Government ownership of development cooperation programs
- All development partners to shift the programming modalities of their cooperation activities from discrete projects to sector programs with, where possible, eventual funding through either sector or general budget support. Government's preference is for general budget support to allow full national ownership of the decision process relating to the allocation of resources between sectors.
- Development partners are required to harmonise and coordinate their support to facilitate interaction with Government and reduce transactions costs. This should include common reporting, undertakings or conditionalities, monitoring and evaluation systems wherever possible and participation at Sector Review Meetings, which should be held at least once per year.
- Development partners are encouraged to utilize Government systems and procedures as far as possible. This includes utilization of Government banking and accounting systems, procurement through the Tender Board, financial and progress reporting frameworks and external audit utilizing the Chief Auditor's capacity

- Development partners to ensure predictability and regular flow of information on aid and development cooperation to allow alignment with budget and planning processes
- Development partners are requested to utilize simplified, clear, and documented practices and procedures as closely aligned to Government systems as possible.
- All development programs to include provision for capacity development of the sector institutions involved where possible and capacity building plans must be coordinated with other partners involved in the sector.
- Development partners are requested to provide adequate advance warning of planned missions to Samoa and to be prepared to make adjustments to the timeframe to ensure effective Government participation. In this context partners should be aware of the budget calendar, which can effect availability of personnel, particularly in Ministry of Finance, in the period April to June.
- To the maximum extent possible, development cooperation will utilise Government of Samoa systems, procedures and human resources. This should include government standards and rates for the payments of allowances and per diems.
- Priority will be given to ensure the completion of policy frameworks and strategies for the remaining sectors, for which sectors plans have yet to be developed.
- Government is committed to strengthening the sector and national SDS level systems and frameworks for tracking results and monitoring performance. These efforts will be undertaken in close consultation with the relevant stakeholders including development partners in each sector. This will include attention to baseline data, manageable systems to gather and analyse data and provision of this information to sector stakeholders and development partners.
- Government will continue to accord priority to its reform agenda to improve institutional systems and procedures thus facilitating efficiency and effectiveness of development cooperation activities.
- Government will promote the development of holistic capacity building plans linked to the needs of sector plans within key line Ministries and public bodies in order to support Government reform processes, strengthen procurement systems and facilitate coordination of development partner assistance to capacity building.

- Government will ensure that the mechanisms for resource mobilization and aid coordination enhance and promote transparency and mutual accountability by all partners, stakeholders and itself.
- Government will continue to develop and strengthen mechanisms for open dialogue with development partners on policy issues and resourcing frameworks both at a sector level and at a national level on overall budget policy, the SDS and investment priorities.

## 5. LOANS VS GRANTS

All development cooperation shall align with the national strategic priorities as set out in the SDS and will be directed to ensure sustainable and equitable economic growth by focusing on the productive capacity of the economy, supporting critical infrastructure needed to promote development and to building human capacity. High priority is placed on securing **Grant financing** in preference to loan financing from all of Samoa's development partners.

**Loans** shall be used only when grant aid resources are not available and where the investments will contribute to accelerated economic growth. Loan assistance may only be considered in case of:

- Infrastructure development programs that will have a large impact on the economy
- Areas that will enhance foreign exchange earning capabilities

Feasibility or other pre-investment studies should be funded out of grants. Loans should not be used to fund studies unrelated to investment programs nor technical assistance or consultants.

## 6. CIVIL SOCIETY AND PRIVATE SECTOR PARTNERS

Civil Society and private sector organizations are recognized as partners in the development process. Wherever these partners are contributing in a positive and constructive manner in national development programmes they will be included as participants/representatives in consultations and institutional frameworks for that sector. These organizations may also assist Government in the design and implementation of programme components and in monitoring and evaluating the performance of programmes, where they offer advantages over public sector delivery. The Government encourages development partners to support capacity building to strengthen appropriate governance, accountability and transparency standards of civil society organizations so as to enhance their contribution to the development process.

Special consideration should be given to support those civil society organizations, which represent vulnerable minority groups in society such as the disabled. The Government promotes the harmonization of programmes in support of both civil society and the private sector through the establishment of joint donor support programmes wherever possible.

## **7. MANAGEMENT OF BUDGET SUPPORT**

The Government has a strong preference for the provision of aid through budget support rather than discreet projects and programmes. This preference for budget support is directly related to Government's objective to increase national ownership and leadership in the management of aid programmes and to strengthen national institutions, systems, and procedures through which all national revenues and expenditures are channelled. Government recognizes that donors require a high-level of accountability and transparency and is committed to strengthening its systems and procedures to satisfy this requirement. In this context Government will give high priority to its Public Finance Management Reform Programme, which will be continuously reviewed and updated at a minimum every three years. In order to facilitate dialogue with development partners on progress in the implementation of PFM reform Government will prepare annual reports on progress for discussion at annual review meetings in October/November each year. All capacity building support relating to PFM Reform should be in line with the Plan and should be coordinated through the PFM institutional structures, which are led by the Ministry of Finance. Government is also committed to monitoring the progress of the PFM Reform programme through three-yearly PEFA assessments undertaken with external consultants for verification.

Development partners are encouraged to harmonise arrangements for budget support programmes wherever possible. This should include common conditionalities linked to the PFM Reform Plan as appropriate, common institutional arrangements, common performance measures and shared reviews and evaluation systems. Development partners are discouraged from requiring the tracking of inputs and funding provided to the budget and instead to monitor the performance and outcomes from this support. Tracking inputs requires Government to establish additional reporting requirements which complicate and undermine existing systems for budget accountability and transparency. The Government welcomes dialogue with development partners on appropriate arrangements for the management and coordination of budget support actions and will establish institutional arrangements for a regular dialogue as required.

## **8. TECHNICAL ASSISTANCE**

**Technical assistance** use must be rationalized with preferential selection of national consultants unless there are clear skills gaps that cannot be met locally. Technical assistance must be used for building institutional capacity through transfer of expertise and know-how wherever feasible. The government also encourages its development partners to share analytical studies in common interest areas and to seek government concurrence prior to the release and dissemination of study reports. All technical assistance provision should be coordinated through the relevant sector steering committee.

## **9. INFORMATION ON DEVELOPMENT PARTNER PROGRAMMES AND FUNDING**

The Government is committed to ensuring the inclusion of all development partner funding in the annual national budget estimates, forward estimates and accountability statements in order to allow a comprehensive overview of all public expenditure. In order to achieve this development partners are requested to provide details of their funding programmes to the Aid Coordination Division twice a year in February/March and September/October. Partners will be required to declare all assistance to Samoa including assistance that goes directly to NGOs and the Private Sector so that government is aware of all assistance provided to the country. This information should be provided in Government's standard format and should include actual disbursements for the previous financial year (1<sup>st</sup> July – 30<sup>th</sup> June) and forecasts for the coming three financial year including both committed and pipeline programmes and projects. It is important for the information to clearly differentiate between funds provided to the Government in cash and funds provided in kind through provision of goods or services paid directly by the donor. The information provided will be included in the dialogue with implementing Ministries and agencies during budget formulation. This information is essential to provide a holistic presentation of all public expenditure, which will also facilitate decisions on the appropriate priorities for the allocation of government's limited resources.

## **10. PROGRAM TO IMPLEMENT THE DEVELOPMENT COOPERATION MANAGEMENT STRATEGY**

The Government recognizes that effective and efficient management of development cooperation activities is of great importance to ensure the alignment of external assistance to national development priorities; achievement of greater harmonization of development partner procedures so as to avoid taxing the limited capacity of the government's institutions;; improve aid effectiveness; and, achieve optimized benefits for the people of Samoa.

To implement the national aid and development cooperation strategy activities will focus on:

- Capacity development of the staff of the Aid Coordination Division of the Ministry of Finance in association with the Public Finance Management Reform Plan
- Providing quality policy advisory support to management to further strengthens its leadership role nationally and in the international arena
- Capacity development of line ministries and agencies to enable them to effectively manage external assistance implemented through them by way of sector programs and effectively coordinate their aid management activities with the Aid Coordination – Debt Management Division
- Meetings will be arranged with development partners at least every six months to track progress in achieving the objectives of the policy. In particular, the meetings will review:
  - progress and constraints in the utilization of Government systems and procedures (budgeting, banking, procurement, accounting, and reporting)
  - improved harmonization and coordination of capacity building, reviews, reporting, monitoring and evaluation systems to reduce transaction costs.
  - Information flows on donor funding

Further strengthening of the Aid Coordination Debt Management Division is needed to enable it to effectively perform its designated and expanded functions arising from developments that include:

- Leading policy discussions with development partners on country strategies and program priorities as well as maintaining day to day contact with development partners and line ministries on all external aid matters.
- Maintaining continually updated information systems and databases on aid flows, preparing the biannual development cooperation report and updating information provided on the Ministry of Finance website.
- Building partnerships with development partners and all other stakeholders to enhance aid effectiveness.
- Organising and preparing key documentation for presentation at all fora on resource mobilization
- Participating in international fora on aid effectiveness and in OECD/DAC evaluations of the Paris Declaration and Cairns Compact

- Develop and implement appropriate instruments to monitor progress on commitments made to implement the principles of the Paris Declaration
- Establish close liaison with the sector steering committees to monitor progress of program implementation as well as liaison with development partners on resource flows for sector programs, particularly where there are pooled resource financing arrangements
- Ensure the effective functioning of the Secretariat of the Aid Coordination Committee
- Continue to progress the achievement of its key objectives under the phased Public Finance Management reform plan as well as implementation of the Debt Management Strategy

Further strengthening of sustainable capacity of line ministries and agencies is needed to enable them to assert leadership and ownership in order to function effectively to:

- Complete a shift away from stand alone projects towards a program based approach
- Exercise leadership and ownership in driving sector programs that address emerging priorities and development goals
- Reduce the number of independent Project Implementing Units and adopt an integrated management approach,
- Support and encourage the use of national experts unless there is clear absence of the requisite skills in country.

The Government remains committed to enhancing aid effectiveness by taking full ownership and providing leadership in the planning, management and utilization of ODA resources to maximize benefit for its people. Some of the priorities to enhance aid effectiveness include securing greater investment in economic growth and human capacity to reduce vulnerability and hardship and to progress on the achievement of the Millennium Development Goals. The Government also urges all its development partners to participate in the implementation of the Strategic Framework for Development Cooperation Management through a multi donor support program.