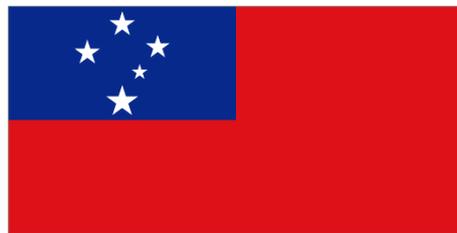




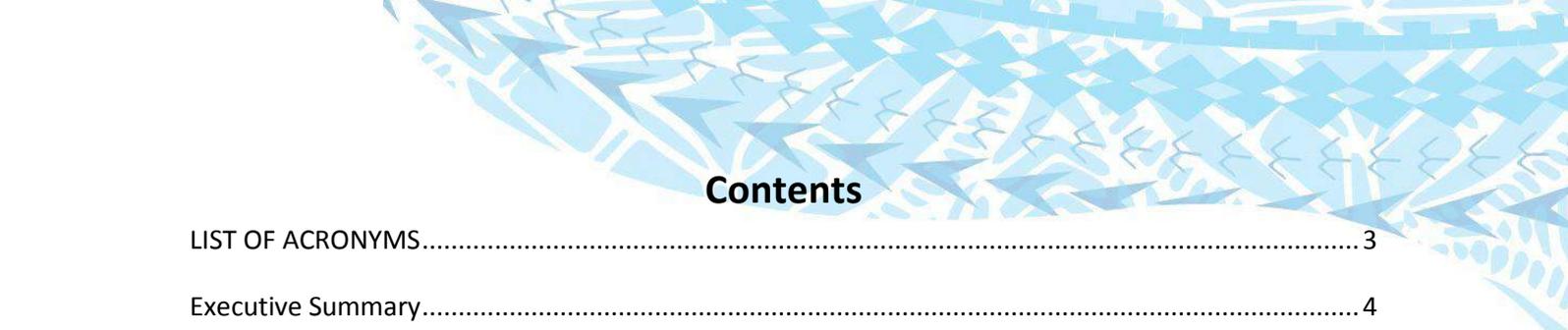
GOVERNMENT OF SAMOA

FINANCE SECTOR ANNUAL PROGRESS REPORT FY 2015 & 2016



APRIL 2017

Prepared by Ministry of Finance
Private Bag, Apia, Samoa



Contents

LIST OF ACRONYMS.....	3
Executive Summary.....	4
Introduction	5
Overall Progress and Performance Against Key Sector Outputs	6
1 Fiscal Sustainability	6
2 Monetary and Financial Stability	19
3 Sound External Position	27
Performance Indicators Table.....	32
Annex 1	35

LIST OF ACRONYMS

ACEO	Assistant Chief Executive Officer
ADB	Asian Development Bank
AML/CFT	Anti Money Laundering/Combating the Financing of Terrorism
AO	Audit Office
ASYCUDA	Automated System for Customs Data
BOP	Balance of Payments
CBS	Central Bank of Samoa
CAG	Controller and Auditor General
CEO	Chief Executive Officer
CPI	Consumer Price Index
DBS	Development Bank of Samoa
EPPD	Economic Policy and Planning Division of the Ministry of Finance
EU	European Union
FCDA	Foreign Currency Denominated Accounts
FIA	Financial Institutions Act
FSAP	Financial Sector Assessment Programme
FSP	Finance Sector Plan
FSPCC	Finance Sector Plan Coordinating Committee
FY	Fiscal / Financial Year
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GFS	Government Finance Statistics
GNFS	Goods and Non-Factor Services
GoS	Government of Samoa
IMF	International Monetary Fund
MDG	Millennium Development Goals
MfR	Ministry for Revenue
MoF	Ministry of Finance
MPE	Ministry of Public Enterprises
MTDMS	Medium Term Debt Management Strategy
MTEF	Medium Term Expenditure Framework
NEER	Nominal effective exchange rate
PEFA	Public Expenditure Financial Assessment
PFI	Public Financial Institutions
PFM	Public Finance Management
PFMRP	Public Finance Management Reform Plan
PFTAC	Pacific Financial Technical Assistance Centre
PSIF	Public Sector Improvement Facility
REER	Real Effective Exchange Rate
SBS	Samoa Bureau of Statistics
SDS	Strategy for the Development of Samoa
SHC	Samoa Housing Corporation
SIFA	Samoa International Finance Authority
SLAC	Samoa Life Assurance Corporation
SNPF	Samoa National Provident Fund
SOEs	State Owned Enterprises
SOEMD	State Owned Enterprises Monitoring Division
SRD	Statutory Reserve Deposit
TA	Technical Assistance
UTOS	Unit Trust of Samoa
WTO	World Trade Organization

Executive Summary

The Finance Sector is in charge of ensuring macroeconomic stability, the Government in its Fiscal Strategy Statement 2015/16 has committed to meeting the following fiscal targets and objectives:

Fiscal Targets	Fiscal Performance FY14/15	Fiscal Performance FY15/16
Aggregate current expenditure of between 35-38% of GDP;	27% of GDP;	24% of GDP;
Net public debt outstanding to be reduced to less than 50% of GDP;	56.7% of GDP (GDP 2009 rebase);	52.6% of GDP (GDP 2009 rebase);
Personnel costs as a percentage of total current expenditure to be constrained to between 40-45%;	29% of total current expenditure;	32% of total current expenditure;
Budget balance to be maintained at a rate –of 3.5% of GDP;	-3.9% of GDP in FY2015;	-0.4% of GDP in FY2016;
Improved performance of SOEs to avoid extra burden on Government budget through default to loans;	Implement structural reforms to make public service more cost effective and use of a sector wide approach to ensure efficient allocation of resources;	
Promote greater efficiencies in revenue collection;	\$534.4m (decrease by 3.8% compared to FY2013/14)	\$595.6m (increase by 11.5% compared to FY2014/15)

The tightening of the fiscal policy coupled with a robust real economic growth of 6.4 percent fed increased revenue collections resulting in a deficit of 0.4 percent of GDP for FY2015/16 against the 3.9 percent recorded in FY2014/15. To maintain our improved fiscal position given our strong growth and largely complete reconstruction efforts from natural disasters, continual strengthening of our expenditure rationalization and revenue collection efforts are pivotal for fiscal consolidation.

The government recognises that reforms to debt management, procurement and revenue collection will help achieve its fiscal consolidation objectives and rebuild the fiscal buffers to respond to future external shocks. It also recognises the importance of sustaining the economy to a more robust growth path and of boosting resilience to the effects of climate change and natural disasters, if it is to achieve the objective of the *Strategy for the Development of Samoa* (SDS) of an ‘improved quality of life for all’.

Overall, growth has surprised on the upside for FY2015/2016 led by improved performance of fishing and strong growth in the commerce, transportation and accommodation and restaurants sectors. Tourism arrivals and earnings increased by 8.0 percent and 6.2 percent respectively over the first 8 months of the year compared with the same period in the previous year. Lower global oil prices have pushed down domestic prices and are helping boost private sector activity. In addition, fiscal policy has supported growth through both operational and capital expenditure.

Introduction

The finance sector plan in the fiscal years under review (FY2015 and 2016), has seen continuous implementation (within 2nd and 3rd year) towards deriving key development consensus amongst its implementing agencies to achieve its three overarching objectives of fiscal sustainability, financial stability and a sound external position.

Fiscal sustainability has been assessed and strengthened through the PFM Reform Plan actions that is currently in its third phase of implementation labelled as 'The Roll Out', where the focus is to improve the PFM standards in operations and then rolled out to line ministries and SOEs to enhance overall efficiencies thus providing quality public service. The Budget Performance Framework reform has been in use since its inception four years ago. Many line agencies struggle with the shift from activity level indicators to output and outcome based indicators due to limited capacity in demarcating between the former and latter concepts. However, most have benefited from capacity building programmes linked to sector support programmes which has raised their capabilities in identifying and defining better results driven indicators. The introduction of the outcomes mapping approach via the Samoa Monitoring and Evaluation Reporting Framework (SMERF) will further emphasize and align these various indicators under the National Planning Framework.

With regards to State Owned Enterprises (SOEs), the strengthening of performance, accountability, and governance continues, including the establishment of the new Ministry of Public Enterprises (MPE). The privatization of selected SOEs also continues in the medium to long term. Efforts are also ongoing to increase SOE efficiencies and their contribution to the economy.

Financial stability is tied to the growth-friendly fiscal consolidation objective of the Government which entails tightening its fiscal stance whilst ensuring that development and growth is not necessarily hindered. This is complemented by an accommodative monetary policy that supports a competitive exchange rate that responds well to fluctuating prices. The Government believes that this has been the most appropriate policy mix to boost economic activity whilst rebuilding the buffers to handle future external shocks and natural disasters. The Central Bank of Samoa (CBS) is continuing to strengthen regulation and financial sector surveillance as seen by reforms to public financial institutions (PFIs) remaining a high priority, as subsidized lending by PFIs is hampering the development of local financial markets and as recommended by 2015 FSAP. These PFIs are slowly being brought back to their original mandates with governance and transparency of their operations improved. In addition, there are also potential risks to the Samoan economy due to disruptions of the remittances corridor due to de-risking also referred to as de-banking, where there has been concern over recent increases in remittance costs due to commercial banks' closing up money remitter accounts.

The negative effects from the external shocks (Global Financial Crisis (GFC) and natural disasters) has been managed quite well in light of the recovery efforts in recent years which has seen the real economy returning to normal whilst financial and fiscal buffers are below the levels required to support recovery from future natural disasters. Fortunately, with strong policy frameworks, good donor dialogue and coordination in place, Samoa is well placed to meet these challenges.

Overall Progress and Performance Against Key Sector Outputs

PRIORITY OBJECTIVE ONE

“Development of a relevant, effective and sustainable fiscal position”

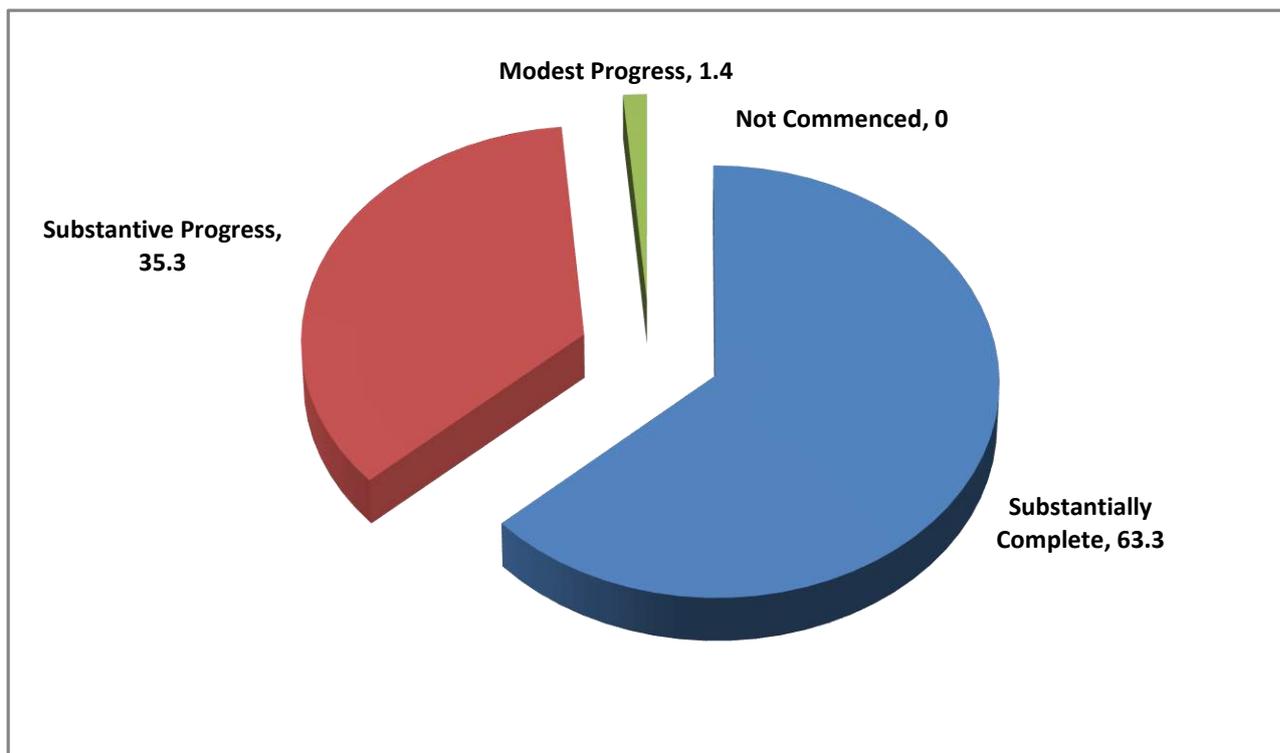
Fiscal Sustainability

1.1 Overview of Progress

The main monitoring report for this chapter is set out in Annex 1, which provides a detailed action by action review of progress for the two financial years, 2014/2015 and 2015/2016, against the 68 shorter term actions of the PFM Phase III. The mentioned matrix encompasses all the strategic actions specified under Goal 1 of the Finance Sector Plan. Hence, they will be covered briefly in the broad overview of progress for the PFM Phase III as a whole. For a more detailed perspective of progress kindly refer to Annex 1¹.

Figure 2.1 summarizes the results. 64% of the actions are rated as substantially complete; 35% as having made substantive progress and 1% to modest progress.

Figure 2.1: PFM Phase III Progress (%)



Source: MOF ratings

¹ Note that the PFMRP 2011 – 2013 is focused on 57 short term actions spread over 11 components. For each of the 11 components longer term visions are also set out..

As set out in Table 2.2, satisfactory progress with some inevitable challenges in relation to the implementation 'roll out' within the first two financial years of all the 11 core components under Phase III. All the program components are above pro-rata with careful evaluation of a few actions in Components 5, 6 and 7.

Table 2.2: PFMRP Progress Ratings by Program Components

Components	Total Actions	No. of Completed Actions	No. of Actions with Substantial Progress	No. of Actions with Moderate Progress
1. Legal and Regulatory	1	1	-	-
2. Planning and Performance Monitoring	6	6	-	-
3. Improved Budgeting	6	3	3	-
4. Procurement	7	6	1	-
5. Aid Coordination and Debt Management	7	4	3	-
6. Accounting and Reporting	9	4	5	-
7. Internal Audit and Control	8	4	3	1
8. Management of SOEs	5	3	2	-
9. Cross Cutting Support	3	2	1	-
10. Revenue Collection	10	4	6	-
11. External Audit	6	6	-	-
Total	68	43	24	1

Source: MOF, PFMRP Task Force ratings

1.2 Legal and Regulatory Framework

PFM Amendment Act 2015 (effective March 2015) incorporated amendments to reflect the revisions in the newly approved Treasury Instructions 2013, as well as making provision for other functions and activities undertaken by the Ministry of Finance; these functions include preparation of financial statements and quarterly summaries pursuant to public sector cash basis financial reporting standard developed by the International Federation of Accountants; ensuring that annual reports are prepared in accordance with relevant International Accounting Standards; debt management and debt management strategy; reporting and publication of debts in Treasury annual report; purposes for State borrowing; publication of the Statement of economic strategy update; making

provision for the Strategy for the Development of Samoa and this document replacing the Statement of Economic Strategy; providing for additional responsibilities of the Minister in relation to planning, management and utilisation of development cooperation activities and resources as well as coordination of activities of all sectors engaged in implementing individual development projects and other aspects of economic plans approved by Parliament. The Framework Arrangement Procurement Method was also incorporated in the Treasury Instructions 2013, Section Part K, in June 2016.

1.3 Planning and Performance Monitoring

Following the launch of the SDS 2016/17 – 2019/20 (inclusive of the **review of the implementation and outcomes of the SDS 2012 – 2016**) in December 2016, the Ministry of Finance (MOF) in close collaboration with Sector agencies are now focused on ensuring the effective implementation of Government priorities, through effective monitoring and evaluation using the Samoa Monitoring & Evaluation Reporting Framework (SMERF).

Three sectors were identified for support in Phase III namely, **Transport, Tourism and Communication**. Transport and Tourism sector plans were launched in 2015. However, Communication Sector has faced some technical challenges, and has requested Technical Assistance (TA) under the Samoa TA Facility (funded by DFAT) to re-visit and update the Draft Sector Plan to accommodate the changes in the past five years, so as facilitating the new submarine Cable. It is envisaged to launch this new Communication Sector Plan in June 2017.

Continuous PFTAC support into the development of EPPD **capacities to effectively run and update the Samoa Economic and Revenue Forecasting (SERF) model** continued into 2015. The EPPD staff since then have updated and run different scenarios of the economy, expenditure and revenue forecasts each year to inform the fiscal strategy as well as the budgetary process. Debt Sustainability Analysis (DSA) has been incorporated under EPPD, in collaboration with ACDM, and has continued to seek assistance from PFTAC, World Bank (WB) and IMF in building capacities in conducting this important exercise.

The Sector Planning Manual (SPM) 2015, published in June 2015, was built from the review of previous editions (2003, 2009) and experiences from sector planning processes. One of the many important lessons is the alignment of Sector MTEFs and Line Ministry budgets to Sector Plans and SDS priorities. The Manual also incorporates the monitoring and evaluation framework (SMERF) for compliance by all Sectors; and of which EPPD will continue to work in close collaboration with lead agencies, to ensure implementation of sector annual reviews.

1.4 Improved Budgeting

Aggregated estimates for the two forward years were published as part of the Minister's Budget Address up to FY 2013/2014. Statements on Forward Estimates for FYs 2014/2015 and 2015/2016 were published separately from the Budget Address on MOF website. As part of improving **ministry**

forward year estimates in the budget cycle, the Procurement Plan template was developed and was part of the FY2014/2015 budget submission documentation with continuation in the Budget Circular of FY2015/2016. Further work and capacity development is needed in this area within line Ministries in order to realize the detailed Ministry level forward estimates. It is envisaged to publish detailed ministries forward estimates in FY2019/2020 budget, subject to improvement in forward estimates quality.

Further work is still in progress for inclusion of the **prior year's actual budget outturn within the approved Budget documentation**. Budget and Accounts Division of MOF are continuously aligning the audited figures to the budget reporting format. Budget Division is committed, as a first step to provide a full year performance analysis for FY2015/2016. This is a significant step towards achieving the mentioned action.

Predictability of Development Partner (DP) funds has improved within the two Fiscal Years reviewed, and information was provided in a timely manner. **Development Partners** will continue to **improve accuracy, timeliness and comprehensiveness of the data as required by the Ministry of Finance**.

There was ongoing refinement of Ministry KPI's within the Budget Document to strengthen linkages between ministry outcomes, SDS priority areas, sector plans and resource allocation within FYs 2015 and 2016. Continuous development of Sector Medium Term Expenditure Frameworks (MTEF) and aligning it to the budget resource allocation MTEF is still a challenge as technical capacity is needed in this area. This exercise will assist greatly in highlighting the strong **linkage of the national priorities to the resource allocation** for each FY.

The Non Tax Revenue Guide was completed in 2014 with a soft launch in 2016. The Guide will assist in any future non-tax reviews for Ministries and SOEs.

Communication Strategy continued to be implemented via Public Consultations on the Budget estimates for the two Fiscal Years. All other budget related documentations are available on MOF website. The Budget Mid-Term review continues and has been complemented by a shift in monthly reporting to a Quarterly Budget monitoring report. The Budget Mid-Term review now includes progress of performance against established indicators.

1.5 Procurement

Ongoing **short term support** was provided by WB, ADB, EU and DFAT for the **Procurement Division staff** up skilling. The staff also undertook on-line WB courses on bank procurement and this will continue as part of its capacity development. The Division continued operations with the ACEO, one Principal and one Senior Officer within FY 2015 and FY 2016. It is proposed to recruit another Senior Officer to assist with the analysis and the work load of the division in the next FY.

On the **Standard Bidding Documents (SBD)**, **AGO approved** the (1) SBD for minor goods, works & services, (2) the Revised Procurement Guidelines in FY2014/2015, (3)SBD for Major goods, works & services in FY2015/2016. Work is now focussed on workshops and awareness of these templates to Ministries and SOEs, so as to ensure the implementation is fully complied with.

In complementing the procurement awareness, there was discussion with the National University of Samoa to carry out a **Compliance and Competence Training for all interested procurement officers in Government** in FY2014/2015. This has seen an intake of key staff working towards a qualification in procurement to be recognized in the public service. This continued to FY2015/2016 with further course enhancements to reflect current trends of non-compliance. WB procurement online courses are also continuing and available to everyone.

With the **Framework Arrangement** method, it was submitted to AGO for clearance and approval in FY2014/2015. It covers pilot areas of pharmaceutical/medical supplies, stationery supplies and bulk capital goods i.e. computers / printers. This was approved in FY2015/2016 and integrated into the Treasury Instructions Part K. Government is looking into piloting the pharmaceutical supplies using this method in the next FY.

Developing a complaints mechanism is still under discussion with the challenges of establishing such a mechanism given the current setup of the Tender Board and the reporting system. DFAT is currently assisting in this area.

Modifications have been made to ensure **integrity provisions during the procurement process** especially with compliance towards accurately and independently filling out **conflict of interest declarations**. This has been a continued advice during Tender Board meetings to Ministries and SOEs, with regards to effective use of integrity tools. This has been implemented through signing the standard declaration form (Declaration of Impartiality and Confidentiality) by all members of the evaluation committee involved in the evaluation process including any observers.

1.6 Aid Coordination and Debt Management

Work is still in progress on configuring a **Finance One Project module to record, monitor and report on development cooperation funding**. Discussions continued in FY2014/2015 between ACDM, Accounts and Systems Support Division of MOF on how the Finance One system can assist in configuring the project module for the Development Partner (DP) funding and in particular the reporting of DP funds. In FY2015/2016, the commencement of the initial stage of incorporating all development payments via the e-verification process to align with payments made under domestic resources. It is envisaged to further refine this initiative in the next FY.

Open dialogue with DPs through quarterly roundtable meetings were conducted within the period reviewed, with the exception of some delays or postponement due to conflicting schedules and the tight work load of both MOF and Development Partners. However, regular bilateral meetings with all our individual development partners are on-going. This is also complemented by the Bi-lateral High Level Talks with our resident development partners specifically Australia and New Zealand. Priority policy actions within the **JPAM process** were all agreed upon and completed on time, within the two FYs, despite a few challenges that occurred in FY 2014/2015.

With the implementation of the **MTDMS 2013 – 2015** in FY2014/2015, Cabinet approved the Procedures for contracting new loans, and for issuing Government guarantees. MOF continues to monitor compliance against the approved procedures in FY2015/2016, of which are also

underscored in the approved **MTDS 2016 – 2020**. The new MTDS also incorporates the assessment of the previous MTDS 2013 – 2015 of which the overall Government objectives were not achieved as a result of the newly contracted loan from China in 2014 for the Airport Terminal Building. However, the Government continues to closely monitor the implementation of the new debt management strategy, as well as exploring possible options for issuing Treasury Bills/Bonds in the medium term.

An MOU has been signed between the MOF and the CBS to **strengthen cash management practices** in FY2014/2015. This included short term financing mechanisms so as transferring government Bank accounts to CBS. FY2015/2016 realized the positive change with budget support funds transferred directly to CBS. CBS continued to provide monthly updates of government accounts to MOF. Ongoing monthly meetings of the Cash Flow Committee contributed immensely in strengthening cash management.

Discussions are still ongoing with WB and Commonwealth with a possible friendly **interface for CSDRMS and Finance One**. The CSDRMS only included external debt recordings, and it was strategized to also incorporate **domestic debt records**, of which commenced in FY2014/2015. The ongoing practice continued into FY2015/2016 with ongoing publications of Debt Quarterly Bulletins on MOF website.

There was also ongoing **capacity building trainings on debt sustainability analysis (DSA)** provided by the WB, IMF and PFTAC to assist the staff of **DMU and EPPD**, within the period under review. Ongoing training is required as the DSA methodology changes from time to time.

1.7 Accounting and Reporting

Annual training programme for the Treasury Instructions 2013 is an ongoing process, plus additional trainings on any policy change that needs incorporation in the Instructions. As mentioned above, Part K of the Treasury Instructions 2013 was amended in FY 2015/2016 to incorporate the Framework Arrangement procurement method as approved by the Tender Board and the Office of the Attorney General. Training was also conducted for the whole of government, by the Procurement Division.

The Accounts and Procurement Division conducted **short term trainings on compliance and competence on the Instructions 2013**, since the approval by Cabinet in August 2013, and rolled over to FY2014/2015. These trainings were then offered based on requests from Ministries in FY2015/2016. Further detailed explanations of the Instructions were also part of the Accountants Forum which occurs every two months.

The submission of the **Public Accounts to the Auditor General** within 4 months from the end of the financial year had been sustained for the two Financial Years under review. Accounts Division with assistance from PFTAC continued to further improve the compilation process and compliance to International Standards.

PFTAC assistance was also acquired in FY2015/2016, to assist in the improvement of cash **management, forecasting and monitoring**. Areas covered were; electronic payments, annual cash

plans & commitment controls, cash balances consolidation, historic seasonality, consistent cash flow classification, etc. Training was also provided to the Cash Flow Unit to build **capacity** on cash flow techniques and skills. It is planned to incorporate a Cash Flow Template to the first Budget Circular to improve timing of payments and activities.

The System Support and Accounts Divisions commenced work in FY2014/2015, to utilize the **Asset Registration Module within Finance One, for registering all government assets**. The Asset Register is not yet incorporated within the Public Account reports due to accuracy issues from line Ministries, currently requesting PFTAC assistance in Asset Reporting policies. The Ministry of Works, Transport and Infrastructure (MWTI) on the other hand has looked at all the Infrastructure Assets and has reviewed the National Asset Management policy, with a draft completed in FY2015/2016. The challenge is to further refine the draft policy to include the registration of all infrastructure assets not only under the line Ministries, but those that are operated under SOEs. The review of the assets policy would target the inclusion of all asset types in the Public Accounts reporting format.

Regular reconciliations of payroll and the human resource system (People One) continued by the Payroll Unit and further scrutinized by the Samoa Audit Office within the two fiscal years under review. Further upgrades planned for Finance One on its existing HR policies and configurations for the HR Module and its link to the Payroll, were recommended to improve the harmonization of the payroll and human resource reports. Staff capacity to fully utilize the harmonization remains an issue for consideration going forward.

Collaboration progressed between the Systems Support Division, Accounts Division and ACDM in finalizing a Finance One **module for development cooperation funding** in FY2014/2015. System Support Division has worked on devolving the project data entry out to Ministries, utilising the Finance One Project Ledger in FY2015/2016. Way forward is to continue liaising with ACDM, Accounts, System Support and all Ministries with projects accounts within MoF to familiarise and be trained with the Project Ledger process.

Accounts Division continued to refine the **Public Accounts (PA) reporting in accordance to IPSAS**, in conjunction with the Audit Office from FY2013/2014 covering the two financial years reviewed. PFM Act 2001 was amended in FY2015/2016 to highlight IPSAS as the standard to be used for PA reporting. PFTAC assistance was also acquired in the same year to further highlight specific issues with PA reporting of which lacked the compliance with IPSAS. On the way forward, continual collaboration with PFTAC in reviewing the reporting framework as per IPSAS and implementing the short term recommendations from the TA report.

For **monitoring the revenue collection policy**, Ministries commenced using online debtors' collection and reporting of the Finance One system in FY2014/2015. The **strength** of this depends on the Auditing to ensure that Ministries' debtors are aligned to their invoicing and collection. A review of the live collection using internet/bank cards and EFTPOS was done in FY2015/2016, and resulted in improvement of receipting. Regular reconciliations of revenue collections by the Accounts Division continue with further improvements.

1.8 Internal Audit and Control

Implementation of the Internal Audit Strategic Plan 2012 – 2016 continued up to FY2015/2016, with 65% deliverables completed, 30% in progress, and 5% with minimal or yet to be implemented. A review will be conducted for the outstanding deliverables, which will most likely feed into the formulation of the new IA Strategic Plan 2017 – 2020.

The TOR for the **Internal Audit Committee (IAC)** was approved in FY2014/2015, with members comprised of, CEO MOF (Chair), Auditor General, and an independent member from the Samoa Institute of Accountants. The committee is yet to be formalized, due to the Internal Audit Regulations still awaiting finalization.

The Internal Audit Resource Plan 2015 – 2019 was developed in FY2014/2015 and approved by CEO MOF in FY2015/2016. It was submitted to PSC for structural endorsement in the same year. Still awaiting PSC endorsement as it is a pre-requisite towards the **Resource Plan implementation**.

The Internal Audit Forum continued to be strengthened towards FY2015/2016 with the finalization of the Resource Plan, knowledge sharing on risk assessments, system and IT audits, so as providing remedial solutions to different issues raised by respective members of the forum. It is planned to provide awareness programs to CEOs and GMs to re-emphasize their roles for internal controls in accordance with the PFM Act.

An ADB TA was in country from FY2014 - FY2015 to assist IAID and the Internal Audit Forum in formalizing requirements for **risk assessments**, to better inform the **formulation of annual internal audit plans** for all organisations. Basic trainings on Risk assessment continued to FY2016, with the Internal Audit Annual Work plan approved in July 2015. As part of the work plan implementation, **System Based Audits** across the Government were conducted for Debtors and Motor Vehicles in FY2014/15 and FY2015/16 respectively. It is envisaged that a risk assessment for MOF and across the government will be conducted in the 4th quarter of each financial year as a basis for areas to be covered in the annual internal audit work plans.

With Internal Audit capability to use IT resources, the IDEA software was procured and installed within IAID in FY2014/2015 with introductory software training provided by the TA. With the advantage of the IAID staff recruited from the Audit Office (with knowledge on IDEA), basic trainings were conducted internally on general usage and analysis using the IDEA software. For the software to be fully utilized, a more detailed training is required to be performed by an expert with IDEA. This is a critical component in strengthening the internal audit function and requires close collaboration with the Samoa Audit Office, so as seeking more specific implementation of the IDEA software.

1.9 Management of SOEs

NOTE: Ministry of Public Enterprises was formally established in FY2015/2016, with their budget appropriations and KPIs separate from MOF.

Continuous on the job training and workshops (local and abroad) for the MPE staffs to **support quality finance and business analysis and project appraisals** throughout FY2015 and FY2016. MPE commenced drafting a capacity development program for staff to improve fiscal risk assessment knowledge and skills, with scheduled implementation in the short to medium term. PFTAC is assisting MPE in this area.

Corporate governance for public trading bodies has been **strengthened**, as evident in FY2014/2015 with 100% compliance (Board composition in 18 PTB) in accordance with the Public Bodies Act 2001 and Amendments. MPE closely enforced and monitor this composition in FY2015/2016. As part of the continuous SOE governance reform, it is envisaged that annual performance reviews will be conducted for SOE Boards involving both external and internal assessments of performance.

With regards to **timely submission of financial statements for timely audits**, SOEs are obligated to comply with International Financial Reporting Standards, and are audited by the Auditor-General (systematically delegates to authorised professional audit firms) and are **legislatively required** to report within four months of the end of the financial year, as specified in the Public Bodies Act. MPE also requires SOEs to provide management accounts on a quarterly basis, and to prepare a three year corporate plan and a statement of corporate objectives. In FY2015/2016, at least 40% of SOEs submitted their annual reports and financial statements for FY2014/2015 on time, hence the provision of timely audits by the Audit Office. MPE continues to work with SOEs that are behind with their reporting requirements to formalise a corrective plan to ensure all reports are up to date within a 12month period. MPE aims to achieve the target of 'at least 90% of SOEs with timely submission of Annual Reports and completion of Audits' in the short term.

The Cabinet approved the **Procedures for contracting new Loans and the Procedures for Issuing Government Guarantees** in August 2014. MPE in close collaboration with ACDM continue to enforce compliance with the approved procedures. The challenge is the autonomy of some SOEs in their financing transactions; however, when there is a risk of exposure to liability on Government because of an implicit guarantee, any private sector **lending should be subject to approval (by Cabinet) above defined thresholds** and be subject to monitoring by the Debt Management Unit, ACDM within MOF.

Privatisation of the Agriculture Store continued from FY2014/2015 with the Cabinet approval issued in December 2015, with the full sale completion in March 2016. Other potential SOEs under the Divestment Plan for forward years included Public Trust Office, Samoa Housing Corporation and Samoa Post Limited. The **Public Private Partnership (PPP)** framework was approved by Cabinet in August 2014, with the Solid Waste Management as a potential area for the first one. However, given the significant risks highlighted from the study, government deferred the implementation in FY2015/2016 for further scrutiny, with the assistance provided by IFC.

1.10 Cross Cutting Support

HRM: MOF completed a Job Classification/Re-classification and Restructuring in 2013 and sets the platform going forward to reflect the real worth and value of MOF jobs given its role as a Core

Central Agency of Government and to have in place an appropriate structure that supports PFM reform actions and maximizes service delivery. Staff recruitment is in compliance with the Recruitment and Selection Manual 2016 for General Employees with emphasis on a merit based system in accordance with section 18 and 36 of the PS Act 2004; Performance Appraisal for all permanent staff commenced in FY2014/2015 and is now part of the integrated annual performance management system as well as continuation of Induction trainings for new recruits.

The implementation of the Working Conditions and Entitlements Manual 2015 provided the impetus to further develop and review appropriate incentives and entitlements to support and raise productivity going forward.

A new Corporate Plan 2016-2020 has been launched and implemented that provides the strategic direction in the next medium term.

A new Workforce Plan 2016-2020 has been submitted to PSC which will be implemented in the new fiscal year 2017/2018. This Workforce Plan exists in conjunction to support the implementation of the Ministry of Finance Corporate Plan 2016 – 2020. Where the Corporate Plan identifies the strategic direction of the Ministry in the next four years, the Workforce Plan aligns its people; skills, experience, and abilities, in order for the Ministry to fulfil its responsibilities to the Government of Samoa and achieve its long term goals and objectives as stipulated in the Corporate Plan 2016-2020.

HRD: Capacity development continued throughout FY2014/2015 and FY2015/2016 via local and overseas workshops/trainings. Refresher trainings were also ongoing (performance appraisal; customer service for frontline officers; Budget) etc. The training presentation program has been revived. This has set the platform to share and exchange information, best practices, lessons learnt and how these skills and knowledge can be adopted and contextualized within the Ministry of Finance for capacity building purposes.

A training plan has also been developed to address training and development gaps identified from the performance appraisal process conducted in FY 2015/2016 and to further support the implementation of the new Corporate Plan 2016-2020.

For activities relating to **strengthening data security** within the period reviewed,

- Implementation of firewall and VLAN architecture ensure unintentional access to MOF corporate network is denied.
- VPN for line ministries to MOF hosted GWAN is also in place.
- Regular backups are done daily both onsite and offsite.
- Redundancy site (SNBH) is also in place to achieve Disaster Recovery Plan (DRP).
- Security Policy is also in place to enforce protection of corporate data.
- Complete upgrade MS SQL for FMIS.

IT Division will continue to make awareness programs for MOF staff regarding Security Policy and related policies, especially with regards to effectively utilizing the newly established MOF INTRANET.

For the **Samoa National Broadband Highway (SNBH)**, 60% of Line Ministries are already accessing GWAN via SNBH. FMIS application server is already redundant on SNBH backbone and should be used as an online offsite backup for FMIS. The IT Division anticipates a complete migration to the SNBH from 60% to 100% GWAN, to support and utilize this government investment and consider Bluesky to be a redundant backbone.

In addition, the IT Division has plans to improve its Disaster-Ready Finance One System and MOF IT services be hosted at the SNBH broadband network to ensure a flow of work in government Ministries and a full recovery of information in the event of data loss or server downtime during any type of disaster. This is imminent as a natural disaster is a factor out of our control but proactive measures ensures that the MOF Information is Secure, Accessible, Accurate, Timely and Relevant. It will also empower MOF staff and MOF stakeholders with information, anywhere and anytime and it can electronically restore the operation of the Ministry of Finance in minimum time.

1.11 Revenue Collection

As part of the **review for the legislative framework for tax administration**, VAGST legislation was re-drafted in FY2014/2015 to ensure consistency with other revenue administrations, and to respond to the changing global business operations (e.g. internet and mobile telecommunications), so as to remove potential barriers to establishing businesses within Samoa. The VAGST Bill 2015 (“Bill”) was passed on its third reading in Parliament in October 2015. The Bill aims to reduce tax costs for certain small businesses by increasing the ‘turnover threshold’ to an annual turnover of SAT\$130,000 at which businesses are required to register. MfR continues to monitor the legal text and the practical application to ensure cohesiveness and continuous review of existing policies to accommodate the law.

MfR continued its **capacity enhancement program on tax policy advice, research and analysis** throughout the two financial years reviewed. Trainings were delivered to Policy, Forecasting and Business Improvement staff on interrogating and analyzing RMS data. PFTAC TA also assisted in these trainings including capacity on revenue forecasting.

The completion of the MfR Institutional Strengthening Project (ISP) Phase II in FY2014/2015, had in place the marketing strategy, posters, and communications to **improve procedures, systems and service functions for tax administration**. Samoa E-Tax (PAYE, VAGST and Registration) was introduced in FY2015/2016 as a modern approach for registration, filing and paying taxes on line. Discussions are continuing for a potential integration for the RMS7 and the Companies Office business registry with MCIL to improve data integrity and reduce the burden on customers at business start-up.

Further advantages of the online services mentioned above had led to **gradual improvement in accessibility and quality of information for tax payers**. The tax Payer Services Division of MfR continued their commitment to serving taxpayers, as well as the new Community Compliance Unit delivering ongoing **educational seminars** to the community, producing public awareness brochures and pamphlets and conducting regular customer surveys. Industry Partnership was also developed

and launched in FY2015/2016. In the short to medium term, MfR will look into expanding the coverage of the Industry Partnership project so as improving the project design to meet the needs identified by each Industry.

Samoa became the first country in the Oceania region to migrate to the latest ASYCUDA World Version in 2014, as part of the **IT Strategic Plan implementation**. This web-based version included improvements to user security, history of database management, user access and lodgments for Customs partners such as Brokers and Shipping/Airline Carrier Agents. Samoa E-tax for RMS7 also complemented the IT implementation. In FY2015/2016 Customs Data Analysis Reporting Tool was implemented, whereby key business users, authorized staff and management can retrieve reporting information for analysis and daily routine checks from the ASYCUDA system. With RMS, commencing under the Notification Manager, allowing for additional options using SMS and email with regards to communications within the RMS. Training programmes continue to strengthen the capabilities of staff and customers.

With regards to **procedures and systems for tax/customs enforcement**, the Collection and the Legal Divisions of MfR continued working closely in drawing up recovery processes and executing enforcement actions.

Continuous efforts made by the Ministry in following up and collecting **tax arrears** in FY2014/2015 resulted in the collection of \$23m compared to the set target of \$15m. MfR continued to review its **debt-collection** strategies, and worked in following up all arrears especially those that were long outstanding, while at the same time, bringing in the new ones before they too fall under the long outstanding category. There is ongoing coordination between technical and policy divisions to review compliance strategies coupled with innovative ideas to change and improve in all areas.

The **Tax Audit** Programme included strategies to enhance risk management capability, strengthen the Ministry's understanding of risk to revenue, improving the understanding of obligations for businesses, industries, agents for tax and customs, increasing on-time filing and the reduction of tax arrears. A Compliance Risk Management Committee was established in FY2015/2016 to provide strategic leadership, direction and governance over the management of risks and plan implementation.

On the job trainings are available to all **staff**, as part of the **programme for development**. Induction course is compulsory for all new staff. This course basically covers human resource issues (working conditions and entitlements). MfR continues to explore leadership trainings/programs available locally.

MfR and MOF continue their close collaboration in implementing a **functioning reconciliation system covering tax assessments, amounts collected, arrears and transfers**. A potential interface for RMS, ASYCUDA and Finance One is to be explored further over the long term.

1.12 External Audit

The **Audit Reports on Operations** for FY2014/15 and **Irregularity Reports** for FY2014/15 and FY2015/16 were submitted to Parliament in December 2016. The Audit Office is in the process of

compiling and reporting on a six monthly basis, so as continuing work on updating audits on missions.

Hundred percent (100%) coverage of Government ministries' expenditures and revenues were audited for the two periods, FY2014/2015 and FY2015/2016. All payments by Ministries are also pre-audited during the full payment process.

Apart from the OPC follow up audits on recommendations for the two financial years, the Audit Office conducted follow ups on the previous audit recommendations during the current year audit. The Audit Office continues to improve on the process of audit recommendations follow up.

The Audit Office, as part of its Budget KPI, had conducted **2 Performance Audits** and **2 IT Audits** for both financial years reviewed. There is a plan to increase the number of these types of audit, as per trend for the Audit Office to focus on IT and Performance audits in the near future. It has also been evident from workshops conducted for Parliamentarians that there is more interest into the conduct of Performance Audits on all government offices together with projects and related programs.

Ongoing **training/awareness** programme have been conducted for audit staff on a monthly basis. The Audit Office is also proposing a special training for Parliamentarians for greater awareness of the Audit Office work and how to better coordinate with MPs on any areas of interests and how they can understand and use Audit Office's work.

The approval of the Audit Strategic Plan 2014 – 2024 in FY2014/2015, formed the establishment of the Assistant Controller & Auditor General (ACAG) position to replace 3 (ACAGs) previously in the original structure. The salary for the IT Director was upgraded in FY2015/2016 to better sustain the Audit Office's current and future improvement in the IT infrastructure. Audit office continues its commitment in implementing the Audit Strategic Plan 2014 – 2024, as part of the **institutional restructuring to improve effectiveness, efficiency and performance of the audit office.**

PRIORITY OBJECTIVE TWO

“Development of a relevant, effective and sustainable financial institutions and supportive monetary policies”

Monetary and Financial Stability

Monetary policies in most economies remained highly accommodative in FY2015 and 2016. Central banks across the globe opted to either maintain their interest rates at near zero levels or reduce their official policy rates to provide ongoing monetary stimulus to support their economies. For the Central Bank of Samoa (CBS) continuation of its easing monetary policy stance has seen a notable reduction in commercial bank interest rates and likewise strengthened commercial bank lending in the fiscal years under review.

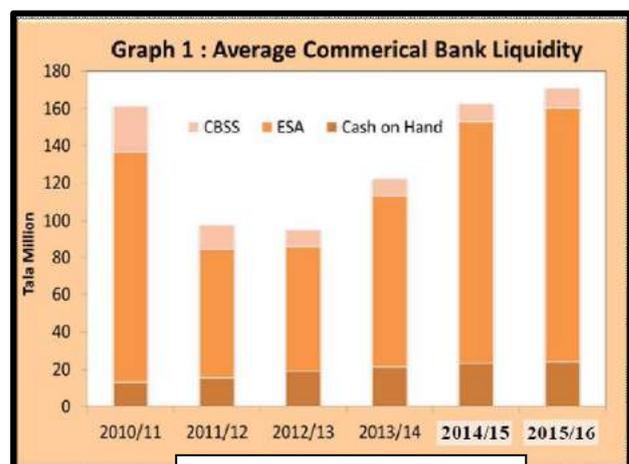
Furthermore, commercial banks have not tightened or relaxed their lending standards over the past years. The increase in lending activities is a function of the banks identifying bankable projects with adequate collateral and offering new products to businesses, with most of that growth towards large business entities. In conjunction, the CBS also undertook a thorough assessment of bank fees and charges in 2015/2016 to complement these efforts.

1. Maintain price stability and low inflation

Actions	Update	Way Forward
<p>1.1 Review exchange rate and interest rate policies and market interventions to minimize impacts of rising fuel prices and imported food products and domestic price movements so as to promote investment.</p>	<p>The monetary policy continued with its easing stance to stimulate and encourage economic activity in 2014/15 and 2015/16, with strong performance in sectors such as fishing, construction, commerce, transport and accommodation/restaurants.</p>	<p>The CBS continues to monitor domestic and foreign prices, with the Samoan economy expected to grow further by 3.3percent in real terms in 2016/17.</p>

Prices continued to fall in 2015/2016 making it the third year in row where inflation has remained below 3 percent. Global consumer prices were generally subdued in 2015/16, dropping to 2.8% from 3.0% in 2014/15. This was mainly attributable to the sharp decline in commodity prices (mainly oil and food), which contributed to the lowest inflationary pressures in advanced economies (at 0.47%) since the global financial crisis.

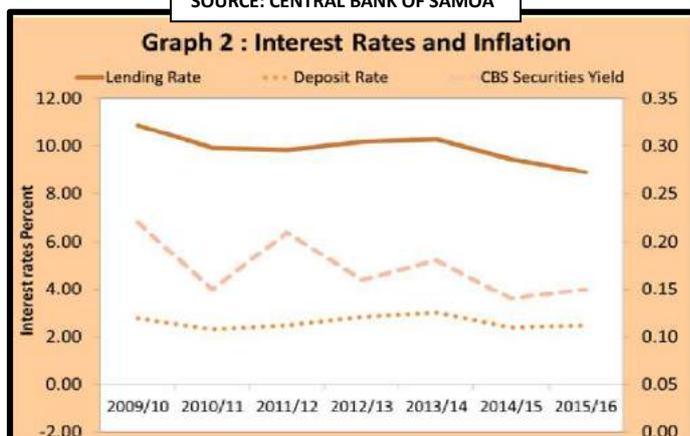
Liquidity conditions in the financial system continued to improve with average commercial banks’ excess reserves rising for the third year in a row to SAT36.5m in 2015/16 from SAT129.7m last year. Similarly, the average commercial banks’ liquidity in 2015/16 increased to SAT170.8m from SAT162.7m in 2014/15.



SOURCE: CENTRAL BANK OF SAMOA

The CBS' official interest rate remained low at 0.15% at end June 2016 from 0.14% last year in line with its policy stance.

SOURCE: CENTRAL BANK OF SAMOA



Likewise, the commercial banks' average lending rates dropped by 8.90% at end June 2016, from 9.45% at end June 2015. However, commercial banks' deposit rates rose to 2.49% as at end June 2016 from 2.40% in the same month a year earlier. Due to lower lending rates, commercial banks' credit to the private sector and public institutions rose considerably by 12% to SAT1,016.3m. This was equivalent to an annual growth

rate of 9.9% in 2015/16 compared to 13.1% in 2014/15. Similarly, total financial system credit, which combines the lending of the four commercial banks with those for the non-bank financial institutions like the Samoa National Provident Fund and Development Bank of Samoa, amounted to SAT1,533.4m, recording an annual growth rate of 9.1% at end June 2016 compared to 11.2% at end June 2015.

The exchange rate has remained stable with inflation subdued and an accommodative monetary policy stance that has supported private sector activity. Financial stability indicators point to a generally sound banking system, where commercial banks remain profitable and report high capitalization while non-performing loan ratios have declined.

2. Strengthen monetary policy implementation

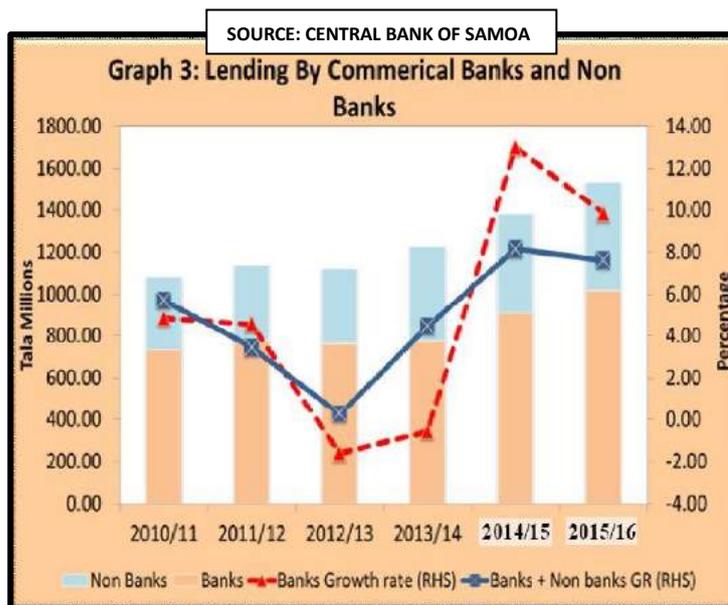
Actions	Update	Way Forward
2.1 Strengthen prudential supervision by CBS over commercial banks;	Efforts to upgrade regulatory and supervision had been focused more specifically on capacity building of supervisors, to equip them with the relevant tools to perform onsite supervision of financial institutions, in which three financial institutions were inspected – two commercial banks and the Samoa National Provident Fund (SNPF).	Continue to upgrade the regulatory and supervisory frameworks to modern standards, including amendments to the FIA and CBS Acts in order to support corrective actions and resolution. PFTAC in collaboration with the IMF is scheduling another round of inspections in Mar/Apr 2017.
2.2 Broaden banking supervision to include SNPF, ACC and UTOS, as well as non-bank financial institutions i.e. money	CBS has completed onsite inspection of the DBS, UTOS and SNPF in 2016.	Another round of PFIs onsite inspections is scheduled in the second half of 2018.

<p>transfers, etc;</p>	<p>CBS has been producing Financial Soundness Indicators for PFIs and there has been some continuous dialogue with the PFIs particularly during onsite inspections in terms of loan classifications, NPLs and provisioning. Ongoing discussion is required in order to harmonize IFRS accounting in contrast to supervisory requirements.</p>	
<p>2.3 Develop national strategy on financial literacy; and</p>	<p>“39% of Samoan adults currently have a bank account, while 12% have access to other formal services such as credit unions, microfinance, insurance, or finance companies. The remaining 49% are not included in the formal financial sector, at all.”</p> <p>The National Financial Inclusion Strategy 2017 – 2020 (NFIS) was successfully launched in Jan 2017, which details the assessment of financial inclusion, the priorities and measures to address and promote this aspect.</p>	<p>Cabinet to endorse the setup of the National Financial Inclusion Taskforce (NFIT) which comprises of Govt. Agencies and Private Sector Institutions to drive the implementation of the NFIS and to ensure coordination among stakeholders to achieve the overall goals and strategic objectives.</p>
<p>2.4 Develop a credit bureau to provide credit assessments so as to reduce the cost of capital associated with high risks and transactions costs</p>	<p>With the continuous failure of two developments to successfully establish a credit bureau in Samoa. CBS is now piggy-backing on the National Payment System and the Know Your Customer (KYC) utilities development to ascertain a CBS run and operated credit bureau that is affordable and less costly to the financial system.</p>	<p>IMF continuing to assist via KYC utilities, with an ADB assisted feasibility study most likely taking in place in the second half of 2017.</p>

Open market operations (OMO) are basically nonexistent at low interest rates (bottomed out) and low values issued, averaging at SAT7m, while the effectiveness of OMO is relatively weak (given bottomed out rates of CBS securities issued as well as low volumes sold), we understand this to be a common challenge for any country particularly given the current low interest (or yield) environment associated with the accommodative and easing monetary policy stance worldwide.

As a result, the CBS have used **moral suasion** through regular quarterly meetings with the commercial banks to communicate the monetary policy stance and actions are understood by the banks and any issues in the banking sector are taken on aboard by the CBS.

The CBS has also been able to transmit its monetary policy stance via the credit channel through the use of its **credit line facilities (CLFs)**, which was an effective approach undertaken by the CBS to influence the economy by directly extending credit to the public via PFIs at low interest rates. The last credit line facility lending approved by the CBS Board was in November 2015, with the rise in inflation rates and the pickup in growth, the unwinding of this type of mechanism is inevitable.



The current role of PFIs have evolved or branched out from their original envisaged role (SNPF as a pension fund and DBS as a development bank for large private agricultural projects). Given constraints of a small and open economy of limited competition, market concentration, weak financial markets, limited collateral (customary land issues) and the like, the role and functions of PFIs have evolved gradually over time in order for the Government to provide much needed liquidity at affordable cost to the public especially low income families with no viable collateral to secure market funds. This has allowed low income families to access funds for both consumption and investment, but mainly consumption. Government recognizes the importance of providing such a critical assistance to help supplement low income but also trying to ensure such funds are invested in more sustainable means such as education, property and financial investments.

UTOS has provided Government with much needed re-financing of their public enterprises at much cheaper and well-priced interest rates.

3. Improve financial system supervision

Domestic Banking

Actions	Update	Way Forward
3.1 Issue more detailed guidance on banks' credit policies;	Regular onsite inspections and in-depth assessments of	Review and update of the Prudential Statements and

<p>3.2 Strengthen monitoring and compliance of related / connected lending and large exposures;</p>	<p>financial statements (including asset quality reviews of potentially vulnerable banks).</p>	<p>Guidelines for banks and non-banks, likely to occur in first half of 2017 from PFTAC in collaboration with the IMF to work in this area with the CBS.</p>
<p>3.3 Introduce a requirement that banks have in place comprehensive risk management policies to control their non-credit risks (e.g. interest rate, market, operational and country risks);</p>	<p>Onsite supervision with the exception of the two foreign banks has been carried out for two local banks in order to ascertain their risk management and NPL write-offs.</p> <p>IMF Technical Assistance crucial with regards to conducting these onsite inspections.</p>	
<p>3.4 Provide guidance to banks on establishment of corporate governance policies and procedures</p>	<p>The Financial Institutions Act (FIA) 1996 is currently under review. Resolution and enforcement have been a priority area and relevant provisions have been drafted.</p>	<p>Work is in progress to update the FIA 1996 sections, with regards to the settlement of borrowings as well as fees and charges being considered to ensure that regulations are clear and transparent for the public.</p>
<p>3.5 Consider amending legislation to provide CBS with the authority in extreme circumstances to effect changes in banks' Board of Directors and senior management</p>		
<p>3.6 Implement the new AML/CFT legislative framework by issuing the supporting regulations and guidelines;</p>	<p>CBS has conducted a National Risk Assessment in 2014, identifying the high risk areas that needed focus on. Implementation has started with the banks as they are the most high risk areas together with onsite supervisions for casinos.</p>	<p>Cabinet is to approve Samoa's first National Policy as well as its National Strategy on Anti-Money Laundering and Countering Terrorism.</p> <p>CBS Financial Intelligence Unit staff to be enrolled for ACAMS Certification.</p>
<p>3.7 Explore the concept of establishing a Financial Sector Ombudsman to provide an avenue for satisfactory settlement and resolution of complaints/disputes between customers and commercial banks</p>	<p>IMF or World Bank TA to be considered to provide a cost-benefit analysis for the existence of such a mechanism.</p>	<p>Further exploration on the setup viability.</p>

<p>3.8 Restructure DBS to focus on providing credit to SMEs and to improve key sectors such as Agriculture.</p>	<p>Following the DBS independent review in 2014, it has endeavoured to reorient its operations back to its 'roots' – agriculture and small businesses with initiatives that include:</p> <ol style="list-style-type: none"> 1) Partnering with the Small Business Enterprises Centre (SBEC), an ongoing bilateral relationship where SBEC provides a crucial guarantee mechanism for clients who have insufficient collateral to apply for financing on their own. 2) Samoa Agriculture Competitiveness Enhancement Project (SACEP), a World Bank funded matching grant initiative to support farmers. 3) Micro Credit Facility, to assist women with no existing access to banking services; thus providing micro credit funds to promote participation within the economy. 	<p>Further structural changes and policy reviews to be undertaken:</p> <ol style="list-style-type: none"> 1) Creation of a new 'Loans Administration Division' to focus primarily on clients who are in the initial stages of default. 2) Restructuring Lending Classes i.e. Small Loan Thresholds (SAT5k – 50k) 3) Review the entire Lending Manual to improve business processes. 4) On-going improvements of the bank's Loans Management System to continuously provide reliable and relevant information for timely decision making.
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CBS oversight of all financial intermediaries is the ultimate goal; staff recruitment is slow but consistent with institutional capacity and capability with the main challenge being budget availability.

The main aim is to continue applying downward pressure on market interest rates to encourage both commercial bank and non-bank financial institutions to lend to fund private sector developments. Private sector credit continues to rise steadily as seen by SAT863.2m in 2014/15 to SAT974.4m in 2015/16.

Private remittances on the other hand for the remainder of 2016 and heading into the medium term are to increase but not by much, this is due to the closure of Money Transfer Operator (MTO) bank accounts in New Zealand and Australia which pose a significant risk in the forward years. **De-risking** remains a priority for the CBS to resolve because if it is left unmitigated, an average 1-3 percent

growth in remittances inflows will be unlikely in the coming years. Should there be a lifeline for the small MTOs in the near future, then growth will converge to its former long term figures of between 5 -7 percent.

International Banking

Action	Update	Way Forward
3.1 Continue and expand monitoring of banks' activities and risk exposures through on-site examinations;	Onsite supervision with the exception of the two foreign banks has been carried out for two local banks in order to ascertain their risk management and NPL write-offs.	Review and update of the Prudential Statements and Guidelines for banks and non-banks, likely to occur in first half of 2017 from PFTAC in collaboration with the IMF to work in this area with the CBS.
3.2 Introduce minimum capital requirements for each bank based on its risk profile;		PFTAC collaboration with the IMF is scheduling a visit in April 2017 to look into this area further.
3.3 Issue guidance of banks' policies, procedures and systems related risk management as well as on their corporate governance.	SIFA as a member of various international groups and organizations such as the Group of International Finance Centres Supervisors (GIFCS) allows for information exchange on a regulator to regulator basis on cross border regulatory matters in order to achieve effective regulation and supervision.	SIFA has also agreed to be a signatory to a Memorandum (MoU) prepared by the GIFCS to ensure clarity and encourage effective regulatory cooperation between all the relevant authorities.

The Samoa International Finance Authority (SIFA) is responsible for the supervision and regulation of international financial services. In line with Samoa's aspirations to establish an Offshore Finance Centre of integrity and repute, its activities are governed by prudential requirements and enhanced supervision introduced simultaneously as per the concerns shared by financial regulators and supervisors.

Gateway provisions were introduced in the late 1990s to allow the exchange of information for supervisory purposes in the banking and insurance regimes, with more extensive national and international gateways currently enshrined in the Money Laundering Prevention Act 2007, Mutual Assistance in Criminal Matters Act 2007, the Proceeds of Crimes Act 2007 and other relevant provisions of the international financial services legislation. SIFA is also a member of the Money Laundering Prevention Task Force, with implementation also focused on changes to bring Samoa into compliance with the data sharing aspects as seen by the passage of the Counter Terrorism Act 2014 which will enhance SIFA's efforts in countering the financing of terrorism activities.

CBS will continue its close collaboration with SIFA in ensuring that the FSAP recommendations on the Offshore Banking regulation and supervision is implemented and sustained over the medium term, to enhance the operational independence of SIFA to supervise international banks and remove the potential for conflict between SIFA’s promotional and supervisory roles.

Capital Markets

Action	Update	Way Forward
3.1 Develop oversight by the CBS of the unit trust investment vehicles and their related trustee supervision guidelines;	One round of onsite supervisions in 2015/16 covered UTOS, DBS and SNPF.	Another round of PFIs onsite inspections is scheduled in the second half of 2018.
3.2 Develop policies and legislative framework for a Capital Markets Authority to oversee development and regulation of the new capital markets initiative;	CBS is envisaged as the Capital Markets Authority, but development and oversight is to be materialized over the longer term.	To be explored further as it is a longer term aspiration.
3.3 Review the Unit Trust of Samoa project and identify how it could be expanded into facilitating mobilisation of equity investments into private sector projects.	The UTOS Guidelines have been finalized and implemented in early 2015.	Continue strengthening prudent oversight on UTOS investments.

Money and capital market activity remains very low. The international banks and insurance companies that have resident offices here in Samoa are captive companies, meaning they are limited to transacting only with its main foreign counterparts and have no direct financial transactions or trading within the domestic banking system except for local overhead expenses and legal fees.

The CBS is currently implementing the National Payments System (NPS). The NPS Act was approved in 2015 and two of the four corresponding regulations have been drafted and submitted to the Attorney General’s Office for finalisation. Consultations are also ongoing to ensure that the implementers of the NPS are well-versed with their expected roles and responsibilities. Also as part of the World Bank project, the Automated Transfer System (ATS) has been procured and should be installed with the commercial banks within the latter half of 2017.

In relation, the Personal Properties Securities Act 2013, nominated for commencement in Feb 2017 with the implementation and development of Personal Properties Registry assisted by ADB, for set-up and administration by the Ministry of Commerce, Industry and Labour (MCIL).

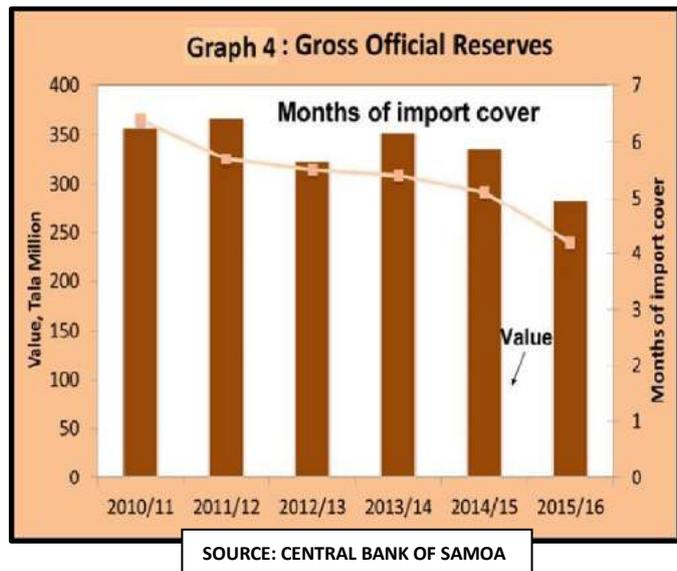
PRIORITY OBJECTIVE THREE

“Development of a relevant and effective institutional and policy framework for maintaining a competitive and stable position in international trade and reserves”

Sound External Position

As a small open economy, with a total merchandise trade representing about 60 percent of nominal gross domestic product. It is crucial therefore to maintain a sufficient level of international reserves to alleviate unpredicted economic shocks. The CBS under prevailing circumstances targets a level of gross official international reserves to no less than 4.0 months of import cover, sufficient to maintain Samoa’s long term international viability.

In 2015/16, the balance of payments (bop) recorded a large deficit of SAT52.7m of which SAT50.6m were due to net transactions and the SAT2.1m net exchange rate valuations. This deficit was mainly due to large outward investments and capital payments for Government and private sector commitments. The current account deficit expanded sharply due to a reduction in the Balance of Trade in ‘Services’ surplus coupled with a sharp increase in both balance on Primary Income deficit due to large dividend and reinvested earnings during the year.



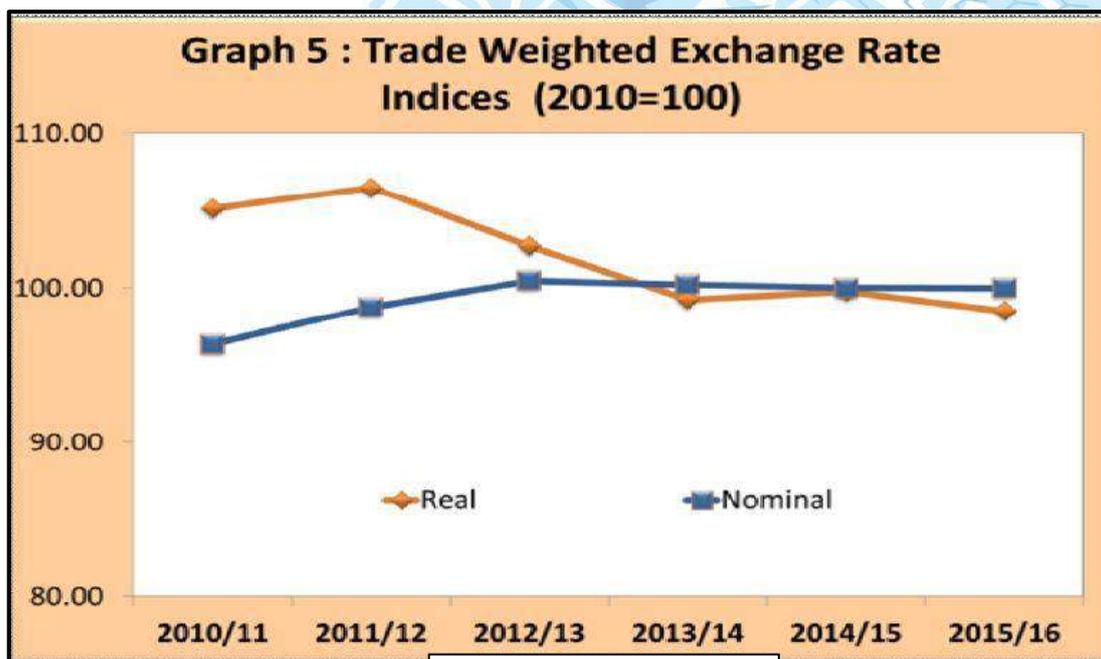
As a result, gross foreign reserves fell to SAT283m in 2015/16 or equivalent to 4.2 months of imports, down from 5.1 months in 2014/15.

1. Strengthen exchange rate policy options

The Samoan Tala currency basket consists of the currencies of Samoa’s main trading partners – Australia, New Zealand, USA and European area. The currency weights are reviewed on an annual basis, taking into account the latest trade patterns between Samoa and its main trading partners.

In 2014/15, the nominal effective exchange rate (NEER) of the Tala appreciated by 0.3% against the currencies in its exchange rate basket. Whilst in 2015/16 the Australian dollar, New Zealand dollar and Euro weakened slightly against the US dollar. Overall the NEER was relatively stable during the review period.

The real effective exchange rates (REER) also appreciated by 1% in 2014/15, these movements mainly determined by Samoa’s CPI relative to its main trading partners’ inflation rates. In 2015/16, the low inflation rates in Samoa and within most of its main trading partners coupled by a steady NEER resulted in Samoa’s REER stabilizing, on an annual average basis.



SOURCE: CENTRAL BANK OF SAMOA

Actions	Update	Way Forward
<p>1.1 Review appropriateness of more active use of the exchange rate policy;</p>	<p>NEER has acted as a stabilizer for the Samoan economy and has not caused any pressure on Samoan inflation in recent periods. Also as a currency basket regime, the NEER as a policy tool has prevented any significant degrees of exchange rate misalignment that have, in the past, been associated with terms of trade shocks and inflationary pressures.</p>	<p>CBS continue to cautiously monitor the exchange rate fluctuations, with the main concern for any exchange rate adjustment being its likely impact on Government’s debt sustainability objectives.</p>

2. Establish country risk rating

This is a costly and expensive exercise and CBS has to be sure that the benefits will outweigh the costs from such an undertaking. Lessons learnt from our Pacific neighbours will also be considered in determining the pathway going forward.

Actions	Update	Way Forward
<p>2.1 Identify and secure a reputable international risk rating agency to undertake a full country risk rating during 2014;</p>	<p>Not yet implemented.</p>	<p>CBS to consider worthiness of such exercise.</p>

2.2 Provide resources for implementing measures identified as necessary in the country risk report.	Awaits the achievement of action 2.1 above.	Awaits the achievement of action 2.1 above.
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3. Develop access to capital markets

Samoa has no securities sector or stock exchange. The financial system is largely dominated by banks, with the insurance sector being very small by comparison. As outlined in Samoa’s 2012 National Risk Assessment (NRA), the international (offshore) sector – in particular international business companies (IBCs), money transfer operators and the cross-border movement of cash are areas of high risk, as well as highlighting the importance of the domestic banking sector due to its materiality (60% of the entire financial sector). The NRA does not quantify or estimate the value of domestic or foreign proceeds of crime in Samoa, and does not in any depth consider the types or volume of threats associated with predicate offences. However, the level of domestic proceeds-generating crimes seems to be low, with the main relevant crime types being relatively low level fraud and drugs cases. Domestic authorities have assessed the risk of terrorism and terrorist financing to be low, which is supported by previous reports, open source materials and on-site interviews. The overall understanding of money laundering/terrorist financing risks has improved in recent years, with ongoing efforts to identify, assess and understand ML/TF risks through the commencement of a second NRA in 2014, with the recommendations now with cabinet for consideration.

Actions	Update	Way Forward
3.1 Develop a capacity development programme to up skill and train key personnel involved in Capital Markets operations;	Limited or no development	CBS continue to consider this cautiously and attentively
3.2 Activate a sovereign borrowing from Capital Markets for CBS orientation purposes;	Limited or no development	CBS and MOF to further analyse the benefits and costs for such commitment in the medium term.
3.3 Pursue a private bond placement	Limited or no development	Consider this in the long run, given the limited activity (of such undertaking) and capacity of the private sector.
3.4 Gradually pursue a public bond placement –	Limited or no development	CBS and MOF to further explore this area so as considering viable options on Treasury Bills for short term financing, in the long run.

4. Strengthen access to emergency financing facilities

Figure 4 – Amount of Ex-Ante Funds Available for Immediate Response
 SOURCE: PCRAFI COUNTRY NOTE SAMOA, FEBRUARY 2015

Disaster risks	Disaster risk financing instruments	Amount of funds available
High-risk layer (E.G. Major earthquake, major tropical cyclone)	Disaster risk insurance	Total catastrophe risk insurance coverage SAT26m (US\$11.3m)
Medium-risk layer (E.G. Floods, small earthquakes)	Contingent credit	
Low-risk layer (E.G. Localized flood, landslides)	Contingency budget, national reserves, annual budget allocation	Unforeseen: SAT16m (US\$7m) Emergency fund: SAT5.1m (US\$2.2m)

Samoa has several disaster risk financing and insurance (DRFI) tools in place and is able to reallocate resources swiftly following an event. This has resulted in the establishment of the **Post-Disaster Budget Execution Guidelines (2015)** which will reduce delays in procurement and improve the allocation of human resources as well as budget mobilization and execution to avoid problems in the future. The Pacific

DRFI Program is one of the many applications of PCRAFI; it is designed to increase the financial resilience of Pacific Island Countries by improving their capacity to meet post-disaster financing needs without compromising their fiscal balance.

The Pacific Catastrophe Risk Insurance Pilot aims to provide immediate budget support following a major tropical cyclone (TC) or earthquake/tsunami. The coverage selected by Samoa (in effect from 1st Nov 2014 – 31st Oct 2015) provides an aggregate coverage limit worth more than double the unforeseen expenditure (contingency budget) for the fiscal year and pay out for TC and earthquake/tsunami events of such severity that a triggering event would be expected to occur once every 20 years on average, over the long term.

Actions	Update	Way Forward
<p>4.1 Identify and design measures for accessing emergency financing from international multilateral financial organisations in the event that the need arises;</p> <p>4.2 Consider pooling national resources or appropriate financing mechanisms to establish a basis for a catastrophe insurance scheme in the future, either at international or regional levels.</p>	<p>The Pacific DRFI program provides the required technical assistance building on principles of the three-tiered disaster risk financing strategy and focuses on three core aspects:</p> <p>(i) the development of a PFM strategy for natural disasters, recognizing the need for ex-ante and ex-post financial tools;</p> <p>(ii) the post-disaster budget execution process, to ensure that funds can be accessed and disbursed easily post-disaster;</p> <p>(iii) the insurance of key public assets, to resource the much larger funding requirements of recovery and reconstruction needs.</p>	<p>A number of options to improve the existing DRFI measures have been presented for consideration:</p> <p>(a) develop an overarching disaster risk financing strategy aligned to existing processes;</p> <p>(b) develop an insurance program for key public assets.</p> <p>(c) successful implementation and adherence to the 2015 Post-disaster budget execution guidelines.</p> <p>Also under the Pacific Resilience Program (PREP), another option being explored is a Pacific Mutual Insurance Fund for Natural Disasters.</p>

5. Strengthen access to international commercial banks

The international (offshore) sector, comprised primarily of international banks, international insurance and trustee companies, is regulated by SIFA. SIFA's inspections of international banks, insurance companies and trust and company service providers, while reasonably frequent, are not considered sufficiently comprehensive in scope and depth. SIFA has however noted an increasing level of understanding of ML/TF risks and improving levels of compliance with various AML/CFT requirements in this sector, although not at the levels seen in the domestic banking sector.

There is a strong licensing (including licence renewal) framework for Financial Institutions (FIs) including international banks and insurance companies. The CBS and SIFA undertake sound fit and proper tests, which include criminal background checks on shareholders, directors and controllers of proposed FIs. These fit and proper measures do not however extend to beneficial owners. Significant changes in ownership and management control of existing FIs are first vetted and endorsed by CBS and SIFA. There have been no cases where applications for a financial institution licence were rejected for a failure to meet the proper requirements.

Table 5: Overview of financial and DNFBP sectors as at June 2014

	No. of institutions	Assets Size (SAT-Millions)
Domestic Financial Sector – Under CBS		
Commercial Banks	4	1,167.0
<i>Domestic commercial banks</i>	2	410.0
<i>Foreign-owned commercial banks</i>	2	757.1
Credit unions	3	4.0
Insurance companies	9	85.0
Money transfer operators	15	10.0
Foreign exchange dealers	1	0.2
Unit Trust of Samoa	1	78.8
Samoa Housing Corp.	1	45.7
Samoa National Provident Fund	1	514.3
Development Bank of Samoa	1	183.7
Lending services	8	30.4
DNFBPs – Under SFIU		
Casino	1	3.6
Real Estate Agents	8	Not available
Dealers in Precious Metals and Stones	3	0.6
Lawyers	18	Not available
Accountants	16	4.5
Car Dealers	8	Not available
International Financial Sector – Under SIFA		
International trusts	155	Not available
Trustee companies/TCSPs	9	3.5
International business companies	34,141	Not available
International banks	7	125.0
International insurance companies	4	Not available

SOURCE: SAMOA'S MUTUAL EVALUATION REPORT, SEPTEMBER 2015

For the seven international banks, there is a technical deficiency relating to the legal requirement for a physical and operational presence in Samoa. The law requires a physical office with at least one full time employee with banking and operational records and with two directors who are natural persons, one of whom must be a resident director. Despite this requirement, it is not clear that the presence of 'meaningful mind and management' of international banks is consistently demonstrated in all cases. None of the international banks accept deposits from the general public.

Actions	Update	Way Forward
5.1 Develop and explore mechanisms for accessing foreign currency commercial loans for meeting possible financing needs;	Limited or No Development	CBS will continue to monitor this under the exchange control policies and regulations.
5.2 Provide resources for enhancing the role of the SIFA in strengthening access to international banks.	There are 7 off-shore banks licensed in Samoa through SIFA, with an estimated asset size of SAT125m as at June 2014.	Continue to enhance the operational independence of SIFA to supervise international banks within the offshore sector.

Performance Indicators Table

Annex 1: Sector Performance Monitoring Framework

No.	Key Performance Indicators and Targets	Unit	Baseline	Medium Term Targets ²	Annual Targets					Baseline and Means of Verification	Responsible Monitoring Agency
					2013-14	2014-15	2015-16	2016-17	2017-18		
			2012/13		Actuals	Actuals	Actuals	Proj.	Proj.		
Macro-economic Management											
1	Achieve significant real GDP growth p.a. (June on June)	%	-1.1	3.0-4.0%	2.1	2.0	6.4	3.3	3.0	SBS	MOF
Fiscal Sustainability											
2	Budget deficit to GDP	%	3.8	Maximum of 3.5%	5.4	3.9	0.4	3.5	3.0	SBS	MOF
2a	<i>Current expenditure to GDP</i>	%	26.1	35% - 38% ³	28.4	27	24	25.2	25.0	SBS	MOF
2b	<i>Personnel costs to current expenditure</i>	%	37.6	40%-45% ⁴	37.9	29	32	36.0	36.5	SBS	MOF
3	Maintain total debt outstanding to less than 50% of GDP.	%	54	<50%	54	56.7	52.6	56	53	MOF Debt Bulletin	MOF
3a	<i>NPV of external public debt (percentage of GDP)</i>	%	51.7	<40%	52.3	54.6	50.7	56.1	54.7	MOF and IMF	MOF
3b	<i>External debt-service % of GDP</i>	%	3.5	<2.5	2.9	2.3	2.6	1.7	2.4	MOF Debt Bulletin	MOF

² The proposed FSP indicators are based on the SDS 2012-2016 national indicators unless otherwise indicated.

³ Revision of previous target provided in Fiscal Strategy Statement, 2015/2016

⁴ Revision of previous target provided in Fiscal Strategy Statement, 2015/2016

No.	Key Performance Indicators and Targets	Unit	Baseline	Medium Term Targets ²	Annual Targets					Baseline and Means of Verification	Responsible Monitoring Agency
					2013-14	2014-15	2015-16	2016-17	2017-18		
			2012/13		Actuals	Actuals	Actuals	Proj.	Proj.		
4	Improve on Public Expenditure and Financial Accountability (PEFA) assessment scores from 2010;									PEFA Report	MOF
4a	Credibility of the budget	Average Grade	C+ ⁵	B+	B+	-	-	-	B+	PEFA Report	MOF
4b	Comprehensiveness and Transparency	Average Grade	C+ ⁶	B+	B+	-	-	-	B+	PEFA Report	MOF
4c	Policy Based Budgeting	Average Grade	C+ ⁷	B	B+	-	-	-	B+	PEFA Report	MOF
4d	Predictability & Control in Budget Execution	Average Grade	D+ ⁸	C+	C+	-	-	-	B	PEFA Report	MOF
4e	Accounting, Recording & Reporting	Average Grade	D+ ⁹	C+	C+	-	-	-	B	PEFA Report	MOF
4f	External Scrutiny & Audit	Average Grade	D+ ¹⁰	C+	B	-	-	-	B+	PEFA Report	MOF
Monetary & Financial Stability											
5	Underlying Price Inflation at less than or between 3.0-4.0 % p.a.	%	-0.2 ¹¹	3.0 – 4.0	0.8	0.6	-3.7	1.5	2.5	CBS and SBS	CBS

⁵ C+ is the average 2010 score of Indicators P1-1 to P1-4 which constitute the budget credibility component of PEFA

⁶ C+ is the average 2010 score of comprehensiveness and transparency indicators P1-5 to P1-10 but excluding P1-8 (Local Government) which is not relevant to Samoa

⁷ C+ is the average 2010 score for indicators P1-11 and P1-12 which constitute the policy based budget component of PEFA

⁸ D+ is the average 2010 score for indicators P1-13 to P1-21 which constitute the predictability and control in budget execution component of PEFA

⁹ D+ is the average 2010 score for indicators P1-22 to P1-25 which constitute the accounting, recording and reporting component of the PEFA

¹⁰ D+ is the average score for indicators P1-26 to P1-28 which constitute the external scrutiny and audit component of the PEFA

¹¹ Annual average underlying inflation in the year ending 30 June 2013

No.	Key Performance Indicators and Targets	Unit	Baseline	Medium Term Targets ²	Annual Targets					Baseline and Means of Verification	Responsible Monitoring Agency
					2013-14	2014-15	2015-16	2016-17	2017-18		
			2012/13		Actuals	Actuals	Actuals	Proj.	Proj.		
6	Annual Average growth in private sector / public institutions credit	%	¹² -1.6	3% to 4%	-0.58	9.59	9.00	10.5	8.0	CBS	CBS
7	Annual average growth in Broad Money (M2)	%	¹³ -1.8	3% to 4%	8.34	8.10	7.67	5.80	5.0	CBS	CBS
8	Non-performing loans ratios of:									CBS Estimates	CBS
8a	Commercial Banks	%	10%	8% to 10% p.a.	8.29	7.1	5.2	6.0	8.0	CBS Estimates	CBS
8b	NPF	%	10%	6% to 7%	5.41	5.3	3.8	5.0	6.0	CBS Estimates	CBS
8c	DBS	%	12%	7% to 8%	1.31	9.2	21.0	9.0	8.0	CBS Estimates	CBS
External Sector Position											
9	Maintain import cover at 4.0-6.0 months	Months	¹⁴ 5.5	4.0 to 6.0	5.6	5.1	4.3	4.2	4.4	CBS	CBS
10	Maintain competitive real effective exchange rate.	Index Level	¹⁵ 104.6	100.0	99.26	99.79	98.55	99.8	100.0	CBS and IMF	CBS

¹² Annual Average Growth in year to 30 June 2013

¹³ Annual Average Growth in year to 30 June 2013

¹⁴ As at 30 June 2013

¹⁵ CBS/IMF estimate based on Mar 2016 quarter = 100

Annex 1

PFM PHASE III MONITORING MATRIX: FY 2014 / 2015 and FY 2015 / 2016

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
Legal and Regulatory Framework					
0.0	Treasury Instructions 2013	The Treasury Instructions 2013 has been approved by Cabinet in the first quarter of FY 2013/14. Amendments have been made to the PFMA 2001 to reflect the revisions in this newly approved Treasury Instructions 2013 and current functions/practices of the Ministry of Finance. PFM Amendment Act 2015 (March 2015)	Effective amendment of TI Section 6 Part K: Procurement and Contracting, incorporating the Framework Arrangement, in June 2016.	Implementation and monitoring compliance.	1
Component 3.1: Planning and Performance Monitoring					
3.1.1	Completion of the Mid-Term Review of SDS 2012 – 2016.	Mid-Term Review completed with the report approved by Cabinet in September 2015.	SDS 2016 – 2020 1. Consultations with the respective sectors in Nov 2015.	Monitoring via SMERF	1

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
			2. Public Consultations followed in Dec 2015. 3. Officially Launched on 6 th December 2016.		
3.1.2	Continuous support for the remaining sectors: Transport, Communication and Tourism.	Completed Sector Plans: <ul style="list-style-type: none"> • Transport officially launched in 2015. • Tourism officially launched in 2015. • Communication yet to be officially launched. 	Implementation and review of key sector strategies in due course. Submarine Cable Project underway to be followed by Communication Sector Plan launch.	Communication Sector Plan TA is already in the procurement process under the Samoa TA Facility (DFAT funded), and it is envisaged that the Sector Plan should be launched in June 2017.	1
3.1.3	Strengthened EPPD staff capacity in macro-economic modelling of the national economy via SERF model.	PFTAC Technical Assistance (TA) in this area is continuous into the foreseeable future, as observed the TA's in-country visits have been minimal due to enhanced capabilities of the EPPD - Macro Unit.	Continuous engagement with PFTAC TA.	Continuous engagement with PFTAC TA, so as WB and IMF in capacity development in conducting DSA	1
3.1.4	Update of the Sector Planning Manual 2009.	New Sector Planning Manual 2014/15 approved.	Implementation and adherence of all future sector plans to the new tool.	Implementation and adherence of all future sector plans to the new tool.	1

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.1.5	Quality assurance checks on all completed sector plans by means of annual sector reviews in compliance with the Sector Planning Manual, together with updating the respective sector Monitoring & Evaluation frameworks, which will be heavily linked to the budget process.	<p>Outcomes Mapping</p> <p>The exercise assisted in strengthening the existing mechanism in place in terms of Monitoring, Evaluating and Reporting on National Outcomes and also to be clear of where we are with sector implementation, how do we organize ourselves to implement sector plans, where we want to be in the next 4-5 years of implementation, and are the outcomes we set out achievable or not. One of the crucial elements of Monitoring Evaluation and Reporting Framework is being able to ask ourselves the right question and answer such question to our interested stakeholders without hesitation.</p>	<p>Outcomes Mapping exercise to be fully integrated into all 14 sector plans bringing about a more robust monitoring and evaluation framework.</p> <p>Implementation and utilization of this new tool by all 14 sectors.</p> <p>SMERF fully integrated into the new SDS.</p>	Continuous support to lead Sector agencies for full utilisation of SMERF	1

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.1.6	The Public Sector Investment Programme (PSIP) will be a summary of the capital investment and technical assistance programmes for all sectors.	PSIP 2013 - 2015 The 2012/13 – 2014/15 PSIP presents all prioritized ongoing and pipeline development projects with their estimated total costs for three fiscal years and categorized under each of the 14 sectors of the economy aligned to the Strategy for the Development of Samoa 2012 – 2016.	The PSIP 2015/16 – 2017/18 published in April 2016.	Continual updating of the PSIP database for CDC approved projects 100k+ and update investment projects for PSIP 2017/18 – 2019/20	1
Component 3.2: Improved Budgeting					

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.2.1	Full publication of forward estimates at the detailed Ministry level considering that the vast improvements are made to the quality of the forward estimates collated.	<p>Aggregate Forward estimates for three forward years was published as part of the Budget Address from 2009/2010 to 2013/2014 in GFS format. Statement on the Forward Estimates 2014/15 – 2016/17 was published separately from the 2014/15 Budget Address on MOF website.</p> <p>Procurement Plans template inclusive of the budget circular for first round estimates in November 2015.</p>	<p>Forward Estimates for FY2015/16 was also published separately on MOF website. The requirement to improve forward estimates at the detailed Ministry level, the annual cycle (inclusion of Procurement Plans template) for the new FY2016/17 budget and forward years has begun seeking an update of forward year estimates of expenditures and revenues from Ministries, Public Beneficiary Bodies (PBB) and State Owned Enterprises (SOE) for:</p> <ul style="list-style-type: none"> the next two budget years 2016/17 and 2017/18; as well as the first draft forward estimates for 2018/19 	<p>Quality of forward estimates need to be improved in First Round Update of the Budget Cycle.</p> <p>Some key expected results from the updated estimates will provide a base for considering policy related adjustments in the Annual Budget process.</p>	2
3.2.2	Inclusion of the prior year's actual budget outturn within the Approved Budget documentation, adhering to the same reporting format as the estimates.	Work in progress to finalize a template for reporting actuals within the approved budget documentation, taking into consideration the public accounts process.	Preparation of the first Full Year Performance Analysis for FY 2015/16. This will assist in publishing prior year's actual on future budgets. Further cooperation and cohesion between the Budget and Accounts Divisions.	Published the Full Year performance analysis for FY2015/16, so as further alignment with the audited PAs to assist with publishing actual of previous year budget in the current FY estimates.	2

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.2.3	Development partner funding to improve accuracy, timeliness and comprehensiveness of the data as required by the Ministry of Finance.	Inclusion of the development expenditure sheet within the budget template which will be compulsory for Ministries to complete to capture details of grants and loans that Ministries expect to receive without depending on the Aid Coordination and Debt Management Division (MOF).	The FY2016/17 Budget Template incorporated the 'Development Expenditure' sheet for the Ministry to input the value of assistance expected from development partners including two forward years.	DP's to continuously improve accuracy, timeliness and comprehensiveness of the data as required by the Ministry of Finance.	1
3.2.4	Further investment into the linkages between the budget and the national and sector strategies and plans. Also continual coordination is vital through the Budget and Planning Committee.	The inclusion of key budget presentations during sector coordinators meetings has been an excellent forum unifying investment initiatives across a range of key stakeholders/experts, thus leading to a more refined approach to problem solving in order for sectors to implement and achieve outcomes as highlighted in the national plan.	Further cooperation and cohesion between the Budget and EPPD Divisions.	Continuous dialogue between Budget, EPPD and ACDM to further strengthen the signal of the strong linkage between planning and resource allocation.	2

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.2.5	Development of the Non Tax Revenue Guide.	NTR Guidelines completed in 2014.	Soft launched in 2016, awaiting the approval of the Fees and Charges Bill.	Ensure utilization of the Guide in future Non Tax reviews	1
3.2.6	Continue implementing the Communication Strategy to provide more information to the public and key stakeholders on policy reforms, the budget process and the annual and medium term budget estimates including mid-term reviews	<p>MoF Website:</p> <ul style="list-style-type: none"> • Holds all documentation relating to the annual budget. • Full publication of annual procurement plan templates provided by Ministries and SOEs. <p>Public consultations a constant undertaking before the finalization of estimates.</p>	Budget Public consultation was conducted in June 2016. All monitoring quarterly reports published on MOF website.	Mid-term reviews replaced by quarterly budget monitoring reports	1
Component 3.3: Procurement					

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.3.1	Providing short term support to the Procurement Division in preparation for its enhanced role as a regulatory/normative body. Recruitment of additional staff, training of the staff and provision of tools (software) and technical assistance.	<p>Good procurement planning is crucial to delivering successful results and it helps to effectively achieve objective and deliver best value-for-money over the whole of life of the goods, works and services.</p> <p>Therefore as part of the government procurement reforms, Cabinet through its directive reference F.K. (12)29 Oct 5th 2012 mandated all Ministries and SOEs to prepare Annual Procurement Plans as part of the budget cycle under a dedicated template.</p>	<p>A more-hands-on training regime on procurement rolled to Ministries and SOEs so that they can fully realize the benefits of good procurement planning:</p> <ul style="list-style-type: none"> • Risk mitigation as it provides sufficient time to obtain required approvals and allows for early identification and resolutions of potential problems. • Prevents unrealistic delivery or performance schedules and it's a tool for effective performance and monitoring measurement. 	<p>A Senior Procurement Officer proposed.</p> <p>Procurement staff undertake an on-line procurement course (Certificate in Public Procurement Program - CPPP) by the World Bank to enhance their knowledge and skills on procurement related issues.</p> <p>Continued provision of Annual Procurement Plans as part of the Budget Estimate templates for Ministries and SOEs to indicate their procurement to be undertaken within the financial years and anticipated procurements in the forward years.</p>	1
3.3.2	Completing a basic suite of Standard Tender Documents (STD) and obtaining AGO approval.	<p>AGO approval on:</p> <ul style="list-style-type: none"> • All SBD for minor goods, works and services has been approved by AGO. • Revised guideline for Goods, Works and General Services as well as the guideline for 	<p>AGO has approved SBD for major goods, works and services.</p> <p>Implementation and utilization of these new templates/tools by all Ministries and SOEs.</p>	<p>Continue Implementation and utilization of these new templates/tools by all Ministries and SOEs.</p>	1

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
		Consulting Services.			
3.3.3	Develop an Annual Training Program for the Procurement Framework and Mandatory Practices.	On 20 th – 21 st May 2015 the first Procurement Guidelines Training commenced for the revised guideline for Goods, Works and General Services as well as the guideline for Consulting Services.	Refresher training was conducted in September 2015. Training on Major Work templates to follow for all Line Ministries and SOEs.	Procurement Division to advocate training plans for forward years. Refresher Training Workshop on SBT on Major Works, Goods & Services. Procurement Refresher Workshop on Treasury Instruction: Refined Section 6 Part K – Procurement & Contracting 2016 in the second quarter of the FY17/18	1
3.3.4	Short term compliance and competence training to the whole of government (Ministries and Public Bodies) with the possibilities already available. This would include awareness training based on the Part K of the Treasury Instructions 2013.	Collaboration with the National University of Samoa in carrying out the Compliance and Competence Training for all interested procurement officers in Government has seen an intake of key staff whom are working towards a qualification in procurement to be recognised in the public service.	Further enhancements to the training course capturing and reflecting the current practices/trends of non-compliance and in-competence during the procurement process.	Procurement staff within line ministries to undertake the on line course (Certificate in Public Procurement Program - CPPP) by the World Bank as part of the competence training. The opportunity is available to anyone who is interested	1
3.3.5	Providing guidance and templates for the use of framework	Framework agreements are currently with the AGO for	Framework Arrangement provisions endorsed by AGO	Procurement Division to secure a short term TA to assist with initial	1

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
	agreements and as a mechanism during emergency situations.	<p>their clearance and approval.</p> <p>Pilot areas identified are pharmaceutical/medical supplies, stationery supplies and bulk capital goods i.e. computers / printers.</p>	and are now inclusive within the revised Treasury Instructions Part K and Procurement Guidelines. Implementation and utilization of this new tool by all Ministries and SOEs especially during emergency situations.	pilot areas.	
3.3.6	Developing a complaints mechanism.	Pipeline initiative for the Procurement Division requiring technical assistance and buy-in from development partners.	Securing a development partner to assist with the provision of an expert and financial aid if required.	Samoa TA Facility (DFAT funded) which might be the best avenue for assistance.	2
3.3.7	Strengthening the integrity provisions to maintain a deterrence effect and promote greater integrity tools for e.g. conflict of interest declarations	Modifications have been made to ensure integrity provisions during the procurement process especially with compliance towards accurately and independently filling out conflict of interest declarations.	<p>Further promotion and the effective utilization of integrity tools by all Ministries and SOEs.</p> <p>Declaration of Impartiality and Confidentiality form have been developed and used (sign) by all members of the evaluation committee (to be filled by all persons persons involved in an evaluation process including members of the Evaluation Committee, whether voting or not voting and any observers).</p>	<p>Continued provision of technical advice to line ministries through the Tenders Board.</p> <p>Anticipated training on refined procurement guidelines and treasury instructions. These are considered as living documents as they are subject to changes from time to time to suit the current context.</p>	1

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
Component 3.4: Aid Coordination and Debt Management					
3.4.1	Continued development for an online and functioning Finance One project module for improved monitoring and reporting on development cooperation funding.	Work still progressing between the Systems Support Division, Accounts Division and ACDM in finalizing a module for development	Work towards a possibility of inputting transactions in the Project Ledger of the Finance One by Line Ministries	Further refinement is needed to effectively utilize the Project Ledger.	2
3.4.2	Sustaining the mechanisms (eg. joint policy action matrix) in place for open dialogue with donors on development policies, strategies and priorities at both sector and national level to facilitate the transition to budget support.	<p>Donor Meetings are held on a quarterly basis as a forum for open dialogue between DPs and Govt.</p> <p>JPAM is being reinvented to feature some key sectoral developments:</p> <ul style="list-style-type: none"> • Strengthening social sector performance i.e. Health & Education. • Strengthening the business enabling environment i.e. Private Sector Development & Tourism 	<p>JPAM process finalized in Feb/Mar 2016.</p> <p>JPAM FY15/16 policy actions have been fulfilled by GoS with DPs disbursing General Budget Support funding.</p>	Continue and sustaining the open dialogue with DPs, aligning future JPAM actions to the new SDS.	1

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.4.3	Continual collaboration with the Budget Division and the commitment to facilitate a more precise/accurate integration of development partner funding in line-Ministry/agency budget estimates further strengthening the budget process.	Donors submitting on-time and detailed funding schedules improving the data within the donor database paving way to a more accurate and timely development partner funding schedule made available to the Budget Division.	Ongoing collaboration with DPs and Budget Division during the budget cycle on partner funding, hence the timely submission of the full estimates to parliament in May 2015.	Continue close cooperation and cohesion between the ACDM and Budget Divisions.	1
3.4.4	Further investment into the MTDMS process.	The updated strategy 'MTDMS 2013-2015' aims to take account of developments over the past two years and the outstanding level of debt as well as future economic outlook. Cabinet has approved the revised: <ul style="list-style-type: none"> • Procedures for contracting new loans. • Procedures for issuing government guarantees. 	MTDS 2016-2020 approved by Cabinet for implementation. The Strategy also includes the assessment of implementation of the previous MTDS. Implementation of the approved policies and procedures.	Determining the scope to develop the market for Treasury Bills and potentially Treasury Bonds in the medium term.	1
3.4.5	Strengthening Cash Management Practices via closer collaboration between MOF and CBS with regards to daily CBS data on Government accounts.	MoUs have been signed between the MoF and CBS to strengthen cash management practices.	Development Partners transferring aid into a designated GoS account within their respective Reserve Bank. CBS payments system upgraded to cater for MoF	Ongoing collaboration with CBS regarding Government accounts update including options for account setup for Budget Support funding.	2

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
			operational requirements.		
3.4.6	Validate and introduce regular updates of domestic debt in CSDRMS and establish linkages with Finance One.	Finance One and CSDRMS still operating a standalone systems. Domestic debt records have been incorporated and validated into CSDRMS as of FY2014/15.	Continued regular updating of Domestic Debt in CSDRMS. This informed the Debt quarterly Bulletins.	Technical Assistance to examine if this platform can be established as a functioning module.	2
3.4.7	Debt management staff capacity further developed to assist EPPD to undertake and update annual debt sustainability analysis.	The most recent DSA in 2012 after Cyclone Evan reported a debt sustainability rating which had deteriorated to high risk of debt distress from moderate risk.	Continual staff capacity trainings for DMU and EPPD.	Further cooperation and cohesion between the ACDM and EPPD Divisions.	1
Component 3.5: Accounting and Reporting					
3.5.1	Develop an Annual Training Program for the updated Treasury Instructions 2013.	The Treasury Instructions is to be reviewed based on the updated Manuals from different Divisions from time to time. These incorporated changes would also include training to Ministries and SOEs.	Amendments to TI Part K to incorporate the Framework Arrangement. Training was also conducted by the Procurement Division.	Continuous monitoring of any policy change that needs incorporating into the TI.	1

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.5.2	Commence short term compliance and competence training to the whole of government (Ministries and Public Bodies). This would include awareness training based on the Treasury Instructions 2013.	Treasury Instructions 2013 circulated to Ministries with a copy on the MoF website. Training was also completed. Planned trainings were also offered upon request from Ministries.	Continued monitoring of reporting compliance against the Instructions and advise to Ministries.	Compliance and competence training to whole of government continues.	1
3.5.3	Ensure that public accounts are submitted within the legally defined deadline of 4 months from the end of each financial year.	Public Accounts for FY14/15 was submitted to Audit Office on 31 st October 2015 as per the defined protocol.	Public Accounts for FY15/16 was submitted to Audit Office on 31 st October 2016	Further improvements to the Public Accounts and the compilation process	1
3.5.4	Strengthen the capacity for cash flow forecasting and monitoring centrally within the Accounts Division and at the Ministry level. In-year updates of cash flow forecasts should be completed by line ministries on a quarterly basis.	Overall cash position still being comprised by the lack of payment information (for large one-off costs) made available to MoF by Ministries and SOEs.	PFTAC TA was acquired to assist in the improvement of cash management, in areas such as; electronic payments, annual cash plans & commitment controls, cash balances consolidation, historic seasonality, cash flow classification, etc.	Finalize cash flow template to be incorporated within the budget template to improve the timing of payments and activities.	2
3.5.5	Continued strengthening of the data quality in the Finance One accounting system and improvement made to the Asset Registration within Ministries.	Asset Management being developed into a functioning module within Finance One, so that an online register for all government assets is made available.	Asset Registration completed and registration is now part of the process.	To report these Assets in the Public Accounts in accordance to the international standards and therefore review its reporting policies as in the depreciation policies, valuation policies in accordance to the best practice international standards.	2

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.5.6	Further improvements to the mechanisms in place so that regular reconciliations of payroll and the human resource system are efficient and effective.	Regular reconciliations performed by the Payroll Division further scrutinized by the Samoa Audit Office.	Further configurations on the Finance One payroll and People One were made to improve harmonization of payroll & human resource reports.	Strengthen capacity of PSC on People one so as improved data consolidation on HR to avoid data with doubled details on payroll reports.	1
3.5.7	Continual developments to the Project data entry to be devolved to Ministries with the inclusion of budget and funding allocation.	Work is still progressing between the Systems Support Division, Accounts Division and ACDM in finalizing a module for development cooperation funding.	System Support Division has worked on devolving the project data entry out to Ministries, utilising the Finance One Project Ledger.	Collaboration between ACDM, Accounts, System Support and all Ministries with projects accounts within MoF to familiarise with the Project Ledger process.	2
3.5.8	Continual development of the reporting framework in the Public Account Report to be compliant to International Public Sector Accounting Standards and the PFM Act.	Accounts continued to refine the PA reporting in accordance with previous TA recommendations on IPSAS, in conjunction with the Audit Office.	PFM Act amended reflecting IPSAS as the standard to be used for PA reporting. PFTAC assistance was also acquired to further highlight specific issues with PA reporting of which lacked the compliance with IPSAS.	Continue working with PFTAC in reviewing the reporting framework as per IPSAS and implement the short term recommendations from the TA report.	2

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.5.9	Further improvements to the revenue collection policy in line with the newly approved Treasury Instructions 2013 and to strengthen the monitoring of revenue collection base on accuracy of reports generated from the system, and enforce follow up of debtors from these reports.	Ministries commence using online debtors' collection and reporting of the Finance One system. The strength of this depends on the Auditing to ensure that Ministries' debtors are align to their invoicing and collection	The improvement in the receipting area was the review of the live collection of using internet/bank cards and EFTPOS.	Continue regular reconciliations of revenue collections by the Accounts Division.	2
Component 3.6: Internal Audit and Internal Control Framework					
3.6.1	Implementation of the internal audit strategic plan for internal audit across Government.	The implementation is continuing from with 32.4% deliverables completed, 23.5% actions already in progress and 44.1% actions with minimal or yet to be implemented.	With the completion in December 2016, implementation as of June 2016 achieved 65%, 30% in progress, 5% with minimal or yet to be implemented.	Conduct Review of the outstanding strategies from SP 2012 – 2016, and prepare SP 2017 – 2020. The Internal Audit Resource Plan will assist in identifying the resource gaps for full implementation of the new Strategic Plan.	2
3.6.2	Implementation of the Ministries Internal Audit Committee to provide effective oversight over the internal audit function across Government Ministries.	Terms of Reference been finalised, and the Committee setup is yet to be formalised.	Continue pushing the formalization of the IAC. Members: MOF (Chair), Auditor General, and independent member from the Samoa Institute of Accountants.	Drafting of the Internal Audit Regulations to govern the work of the IAC.	2

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.6.3	Develop a comprehensive resource plan for the internal audit function across Government including the design of an internal audit career path.	The Internal Audit Resource Plan 2015 – 2019 in final draft & circulated to MOF management for feedback.	Approval of the IA Resource Plan 2015 – 2019 by CEO, and submitted to PSC for endorsement.	Awaiting PSC endorsement before implementation.	1
3.6.4	Implementation of Resource Plan including approval and funding of new positions to effectively address resource issues identified in Internal Audit.			The approval of the IA Resource Plan 2015 – 2019 is a pre-requisite towards the implementation.	3
3.6.5	Strengthening of the internal audit forum for effective progress of the Strategic Plan and of knowledge sharing on challenges and opportunities in moving internal audit function forward.	The Internal Audit Forum continued its operation (4 quarterly meetings in FY2014/15) together with knowledge sharing, development of the draft Resource Plan, risk assessment methodology and compliance, etc. Internal Auditors in key agencies are supported by MOF – IAID and the Forum.	Internal Audit Forum continued with finalization of the Resource Plan, basic training on system and IT audits, and awareness on the implementation of the IA Strategic Plan 2012 – 2016.	Awareness programs to CEOs on their responsibility for internal control as per Public Finance Management Act (PFMA), and Internal Audit's role in giving the CEO assurance on internal controls.	1

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.6.6	Development of cross Government Risk Assessments and Ministry level Risk Assessments to be used as a base for Internal Audit Annual Work Plans with increased emphasis on systems audits.	Formalise requirements for risk assessment & formal annual internal audit plans for all organisations, with the assistance from ADB. Internal Audit Annual Work plan approved in July 2014.	Basic trainings on Risk assessment continued by the ADB TA. Internal Audit Annual Work plan approved in July 2015.	Conduct risk assessments for MOF and whole of government in 4 th quarter of FYs to further strengthen Annual Work Plans with emphasis on system audits. Seek more training on risk assessments.	1
3.6.7	Monitoring and evaluating the implementation of the annual work plans with increased emphasis on compliance and systems audits using a risk-based framework.	The monitoring and evaluation of IA Work Plan continued. Conducted the System Audit for Debtors.	Conducted the System Audit for Vehicles.	Continue monitoring and evaluation of the annual work plan implementation.	1
3.6.8	Development of Internal Audit capability to use IT Resources in reviewing and performing audit tasks including accessing and analysing data from Finance 1.	IDEA software installed. The strategic plan presumed that the software suppliers would provide “free” training but it did not happen.	Basic internal training conducted for IAID staffs on IDEA software.	Continue collaboration with the Audit Office in sharing knowledge and skills on the IDEA software.	2
Component 3.7: Management of State Owned Enterprises					

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.7.1	Continual capacity development for the SOE Monitoring Division Staff, so that the in-house expertise on finance/business analysis and project appraisal is sufficient to support and monitor the performance of all SOEs.	<p>Continuous on the job training and workshops (local and abroad) for the SOEMD staffs to support quality finance and business analysis and project appraisals.</p> <p>Financial statement analysis provides the starting point for assessing the fiscal risks that might accrue from each SOE</p>	Establishment of draft capacity development program for the MPE staff to improve on fiscal risk assessment	Finalise and implement the capacity development program for the MPE staff to improve on fiscal risk assessment	2
3.7.2	Further strengthening of the corporate governance of SOEs building upon increasing private sector participation, especially for public trading bodies.	100% compliance with the Public Bodies Act 2001 and Amendments with regards to Board composition (all private sector chairmanship and participation) in all 18 Public Trading Bodies.	Board composition compliance for Trading Bodies being monitored.	Conduct annual performance reviews for SOE Boards involving both external and internal assessments of performance	1
3.7.3	Constant improvements to recent initiatives to address audit timeliness stemming from the timely submission and clearance of financial statements to reduce potential fiscal risk to SOEs and having this information readily available for public access.	SOEs comply with International Financial Reporting Standards, and are audited by the Auditor-general (systematically delegates to authorised professional audit firms) and are legislatively required to report within four months of the end of the financial year. MPE also requires SOEs to	At least 40% SOEs have submitted annual reports for FY2014/2015 and with timely completion of audits.	Where SOEs are in arrears with their reporting requirements, MPE should require the Board of the SOE to establish a formal corrective plan to ensure all reports are up to date within a 12 month period. Aim to at least 90% SOEs with timely submission of Annual Reports and completion of Audits.	2

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
		provide management accounts on a quarterly basis, and to prepare a three year corporate plan and a statement of corporate objectives.			
3.7.4	Reinforce and maintain strict procedures for the approval of loan guarantees and taking into consideration the Debt Sustainability Analysis before cabinet approval is sought.	The Cabinet approved the Procedures for Contracting new Loans and the Procedures for Issuing Government Guarantees in August 2014.	MPE in close collaboration with ACDM continue to enforce compliance on the approved procedures.	While SOEs should have some autonomy in their financing transactions, where there is a risk of exposure to liability on Government because of an implicit guarantee, any private sector lending should be subject to approval above defined thresholds and be subject to monitoring by the Debt Management Unit, ACDM within MoF.	1
3.7.5	Continue privatisation of non-strategic SOEs as well as improvements and developments to the Private Public Partnerships programme.	Sale of ASC in final stage. Cabinet approved in its FK(15)42 of 23rd December 2015. Cabinet approved privatizations of Public Trust Office, Samoa Housing and Samoa Post Limited in its FK(15)Faapitooa03 issued on 21st January 2015.	Privatisation completed for Agriculture Store. Reviewed options for the privatization of PTO, SHC and SPL. Deferred the implementation of the Solid Waste Management PPP due to risks identified.	Review options for next PPP activities. Submission of the Divestment Plan to Cabinet for possible SOEs to be privatised.	1

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
Component 3.8: Cross Cutting Support					
3.8.1	The Corporate Service Division will further develop its role with regards to human resource management (HRM) and human resource development (HRD) with the objective of continuous induction training, job design and evaluation, performance management, performance monitoring and use of manuals to support and contribute to sustainable PFM systems.	<p>HRM: MOF completed a Job Classification/Re-classification and Restructuring in 2013 and sets the platform going forward to reflect the real worth and value of MOF jobs given its role as a Core Central Agency of Government.</p> <p>Performance Appraisal for all permanent staff commenced in FY2014/2015 and is now part of the integrated annual performance management system as well as continuation of Induction trainings for new recruits.</p>	<p>A new Corporate Plan 2016-2020 has been launched and implemented that provides the strategic direction in the next medium term.</p> <p>The implementation of the Working Conditions and Entitlements Manual 2015 provided the impetus to further develop and review appropriate incentives and entitlements to support and raise productivity going forward.</p> <p>A new Workforce Plan 2016-2020 is in its final stage prior to implementation in the new fiscal year 2017/2018. This Workforce Plan exists in conjunction to support the implementation of the Ministry of Finance Corporate</p>	<p><u>A) Improve workforce data reliability and accuracy:</u> Enhancing workforce data which provides the platform for evidence based HR decision making in the Ministry.</p> <p><u>B) Employee Engagement:</u> Design and Implement an Employee Engagement Survey. This will set the platform to:</p> <ul style="list-style-type: none"> • <i>Identify engagement and performance drivers.</i> • <i>Formulate appropriate engagement strategies</i> • <i>Drive engagement action planning process in the Ministry.</i> • <i>Blueprint to identify engagement, enablement and empowerment factors for the Ministry.</i> 	1

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
			<p>Plan 2017 – 2020. Where the Corporate Plan identifies the strategic direction of the Ministry in the next four years, the Workforce Plan aligns its people; skills, experience, and abilities, in order for the Ministry to fulfil its responsibilities to the Government of Samoa and achieve its long term goals and objectives as stipulated in the Corporate Plan 2016-2020.</p> <p>Capacity development continued throughout FY2014/2015 and FY2015/2016 via local and overseas workshops/trainings. Refresher trainings were also ongoing (performance appraisal; customer service for frontline officers; Budget) etc.</p> <p>A training plan has also been developed to address training</p>	<p><u>C) Talent & Retention Management:</u></p> <p>Develop a system to create and foster an environment that encourages current employees to remain with the Ministry of Finance for at least more than four(4) years. Therefore, having policies and practices in place that address their diverse needs and remain with the Ministry a little bit longer will provide sustainability going forward.</p> <p><u>D) Training and Development:</u></p> <p>There is a need to continue development and training for staff not only in the technical aspects of their roles but also in areas of Customer Service, Teamwork and Building positive work relationships, Leadership and Management.</p>	

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
			<p>and development gaps identified from the performance appraisal process conducted in FY 2015/2016 to support the implementation of the new Corporate Plan 2016-2020</p> <p>Staff recruitment is in compliance with the Recruitment and Selection Manual 2016 for General Employees with emphasis on a merit based system in accordance with section 18 and 36 of the PS Act 2004;</p>		

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.8.2	The IT Division will continue to strengthen the management, organisation and security of electronic data.	The implementation of firewall and VLAN architecture ensure unintentional access to MOF corporate network is denied. VPN for line ministries to MOF hosted GWAN is also in place. Regular backups are done daily both onsite and offsite. Redundancy site (SNBH) is also in place to achieve Disaster Recovery Plan (DRP). Security Policy is also in place to enforce protection of corporate data.	ICT Division to upgrade MS SQL for FMIS.	ICT Division to make awareness programs for MOF staff regarding Security Policy and related policies	1
3.8.3	The IT Division will focus on harnessing the impending benefits (i.e. cost efficiencies) which can be obtained and realized through the newly established SNBH Broadband network.	60% of Line ministries are accessing GWAN via SNBH. FMIS application server is now redundant on SNBH backbone. MOF has a dedicated fibre pair for FMIS alone.	SNBH to be used as online offsite backup for FMIS. Intranet to be propagated to line ministries on SNBH. Consider Bluesky to be a redundant backbone when all line ministries are migrated to SNBH	Further work to be implemented to fully utilize the benefits of SNBH.	2
Component 3.9: Revenue Collection					

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.9.1	The legislative framework for tax administration will be reviewed and amendments proposed and implemented including the consideration of presumptive tax for very small businesses.	Redrafted the VAGST legislation to ensure consistency with other revenue administrations, and to respond to the changing global business operations (e.g. internet and mobile telecommunications) and remove potential barriers to establishing businesses within Samoa	VAGST Bill 2015 passed on its third reading on 20 th October 2015, important in addressing Samoa's WTO membership as well as improvements in terms of technology and e-commerce. The bill also aims to reduce tax costs for certain small businesses by increasing the 'turnover threshold' to an annual turnover of SAT\$130,000 at which businesses have to register.	Ongoing monitoring of the legal text and the practical application to ensure cohesiveness and continuous review of existing policies to accommodate the law.	1
3.9.2	Continuous capacity enhancements on tax policy advice, research and analysis within the Ministry for Revenue.	Delivered training to Policy, Forecasting and Business Improvement staff on interrogating and analyzing RMS data.	Continued engagement with PFTAC TA on enhancing capacity on analysis and Revenue Forecasting	Continue to seek assistance in revenue forecasting and have a model for the Ministry to forecast revenue and expenditures.	2

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.9.3	Improved procedures, systems and service functions for tax administration in operation. This will include customer sub-segmentation and the introduction of account management for large taxpayers.	<p>ISP II has developed the marketing strategy, posters, and communications for uptake of online services focusing on the large business and tax agents, new businesses, and then moving to small and medium businesses</p> <p>Scoped and documented potential integration between RMS and the Companies Office business registry to improve data integrity and reduce the burden on customers at business start up.</p>	<p>Samoa E-Tax was introduced as a modern approach for registration, filing and paying taxes on line.</p> <p>Further segmentation of taxpayers into Large, Medium, Small and Micro was discussed.</p> <p>Continue to work with MCIL to identify ways both ministries can work together and to improve data sharing.</p>	<p>Continue to encourage taxpayers to use on line services not only for Large enterprises but also medium and small.</p> <p>To establish a memorandum of understanding between the Ministry for Revenue and the Ministry of Commerce, Industry and Labour.</p>	2
3.9.4	Improved accessibility and quality of information for tax payers and the introduction of taxpayer education campaigns for specific industries and/or services e.g. online services.	The taxpayer services division within the Inland Revenue arm of the MfR has continued their commitment to serving taxpayers, as well as the new community compliance unit that delivers educational seminars to the community, produces public awareness brochures & pamphlets, and conducts regular customer	<p>Continuous improvement to service delivery and educational package for taxpayers. Community compliance team continues to conduct tax seminars all across the country and taking it out to the rural community.</p> <p>Industry Partnership was developed and launched.</p>	Expand the Industry Partnership project coverage and improve project design to meet needs identified by each Industry.	1

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
		surveys			
3.9.5	Continue implementation of the Strategic IT Plan. This will include improvements to the database systems through upgrade of RMS and planned linkages with ASYCUDA World.	Samoa became the first country in the Oceania region to migrate to the latest ASYCUDA World Version in May 2014. This web-based version included improvements to user security, history of database management, user access and lodgments for Customs partners such as Brokers and Shipping/Airline Carrier Agents. Additional improvements to the RMS with the introduction of e-Filing for returns such as PAYE and VAGST, repayments, online account maintenance and self registration online by taxpayers.	This year the implementation of the Customs Data Analysis Reporting Tool whereby key business users, authorized staff and management can retrieve reporting information for analysis and daily routine checks from the ASYCUDA system. With RMS, the e-Filing of Income Tax returns, the use of the Notification Manager for additional options of communication in the RMS using SMS and email.	To strengthen the capabilities of Key Business Users with the divisions to ensure systems are utilized appropriately by staff. To ensure the training programmes for each system is maintained and regularly updated both for staff and to the customers.	1
3.9.6	Improved procedures and systems for tax and customs enforcement including strengthened enforcement of offences.		Collection division is working closely with the Legal division in drawing up recovery processes and executing enforcement actions taken by the Ministry leading up to any	To continue this coordination between the two divisions and seek technical assistance from PFTAC and other agencies.	2

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
			prosecution actions taken.		
3.9.7	Strengthened systems will be developed for monitoring and reporting on tax arrears and improved debt collection.	MfR continued to review its debt-collection strategies, and worked in following up all arrears especially those that were long outstanding.	A full review of the arrears and returns filing functions and the development of a strategy to improve performance	Need to improve coordination efforts between technical divisions and Policy to review compliance strategies and innovate new ideas and changes to improve in all areas.	2
3.9.8	The planning and monitoring of the tax audit programme will be strengthened including the use of more sophisticated risk analysis with greater emphasis on evasion and avoidance.		<p>The plan includes strategies to enhance risk management capability, strengthen the Ministry's understanding of risk to revenue, improving the understanding of obligations for businesses, industries, agents for tax and customs, increasing on-time filing and the reduction of tax arrears.</p> <p>A Compliance Risk Management Committee established to provide strategic leadership, direction and governance over the management of risks and plan implementation</p>	To continue monitoring and measuring the existing Plan for review.	2

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
3.9.9	Programme of staff development in place for the IRS including delivery of mentoring, training and leadership programmes and the introduction of comprehensive induction training for new recruits.	Continued implementation of the ISP 1 and II established training programmes for staff development.	On the job trainings are available to all staff. Induction course is compulsory for all new staff. This course basically covers human resource issues (working conditions and Entitlements) but not technical skills and knowledge.	To have a specialized training officer for staff development and enhance capacity. The Ministry to tab into leadership trainings/programs available locally.	1
3.9.10	A functioning reconciliation system in place covering tax assessments, amounts collected, arrears and transfers to MOF.		Working together with the Ministry of Finance to harmonize revenue systems used by both Ministries to record and report revenue.	To have a working system that generates all these information upon request and build in internal controls to ensure correctness of data recorded.	2
Component 3.10: External Audit					
3.10.1	Submission of Audit Reports to parliament within 8 months of the end of the period covered. In the case of reports on the Public Accounts these will be submitted within 6 months from the end of the period covered.	Audit Report on Operations for FY 2014-2015 was presented and submitted to Parliament on the 22 December 2016. Audit Report on Irregularity for 2014-2015 was presented and submitted to Parliament on the 22 December 2016.	Audit Report on Irregularity 2015-2016 was presented and submitted to Parliament on the 22 December 2016.	Update the Audit Reports on Operations for 2015-2016. The office is in the process of compiling and reporting on a six months basis and are in progress with the update of missions' audits.	1
3.10.2	Expand coverage of Government Ministries such that at least 100%	100% of Ministries are audited by the office as per Annual	100% of Ministries are audited by the office as per Annual		1

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
	of total expenditures are audited annually including both revenue and expenditure.	Plan MPPA and Public Accounts Audits. All payments from Ministries are also pre-audited by the Pre Audit Function.	Plan MPPA and Public Accounts Audits All payments from Ministries are also pre-audited by the Pre Audit Function.		
3.10.3	Improved evidence of systematic follow-up on audit recommendations including a standard requirement for a formal response from the entity concerned.	Apart from the OPC follow up audits on recommendations. All audits conducted also do follow up on the previous audit recommendations on the current years audit.	Apart from the OPC follow up audits on recommendations. All audits conducted also do follow up on the previous audit recommendations on the current years audit.		1
3.10.4	Enhance capacity for performance and IT audits and will undertake at least 2 performance audits and 2 IT audits each year in 2014/15 and 2015/16.	2 Performance Audits and 2 IT Audits were conducted. The total number of Performance Audits and IT audits to be conducted as per our Budget Key Performance Indicators (KPI) is 4. These number of audits have been achieved and completed within the respected Financial Year.	2 Performance Audits and 2 IT Audits were conducted. The total number of Performance Audits and IT audits to be conducted as per our Budget Key Performance Indicators (KPI) is 4. These number of audits have been achieved and completed within the respected Financial Year.	Plan to increase the number of these types of audit in future as this is the trend most Audit Offices are following nowadays with Financial Audits being outsourced but more focus is placed on IT and Performance audits. It has also been evident from workshops conducted for Parliamentarians that there is more interest into the conduct of Performance Audits on all offices together with projects and related	1

Ref:	Output Description	FY2014/15	FY2015/16	Way Forward	Rating
				programs.	
3.10.5	Implement an ongoing training/awareness programme for staff and stakeholders on legislation and all developments under the ISP and the ongoing Capacity Supplementation Project, and will maintain an up to date succession planning system with mentoring and training/awareness activities.	Ongoing training/awareness programme for staff on a monthly basis.	Ongoing training/awareness programme for staff on a monthly basis	Proposed training for Parliamentarians to host more similar trainings for greater awareness of Audit Office work and how to better coordinate with MPs any areas of interests and how they can understand and use Audit Office's work.	1
3.10.6	Implement an appropriate Institutional restructuring to further improve the effectiveness and efficiency of operation, management and performance of the Audit Office.	Establishment of the Assistant Controller & Auditor General (ACAG) position to replace 3 (ACAGs) previously in the original office structure. This ACAG will be responsible for all the 3 divisions within the office. <ul style="list-style-type: none"> 1. Strategic & Parliamentary Services Division (SPCS, LEG, COMMs, ICTI Units) 2. Operational Audits 	Incorporated the upgrade of IT Director Salary for further sustainability of the office Infrastructure. Re allocation of support staff for improvement of the management and support to the audit office. IT Director recruited.	Continual implementation of the Audit Strategic Plan 2014 - 2024	1

Rating Code for Short Term Actions:

	Rating Color / Number Code	Number of Actions	% of Actions
Substantially Completed	1	43	63.3%
Substantial Progress – Ongoing	2	24	35.3%
Commenced but Modest Progress	3	1	1.4%
Not Commenced	4	-	0.0%
	Total	68	100%