

Launch of the UNESCAP Publication
“Economic and Social Survey of Asia and the Pacific 2015”

Intervention by the Governor, Central Bank of Samoa – Maiava Atalina Ainuu-Enari

Ladies and Gentlemen,

First of all, I would like to thank ESCAP for the honour and privilege to be invited to make a few remarks on this important and comprehensive report, given its bearing on completing the **Millennium Development Goals**, and adopting an ambitious new **sustainable development agenda** and reaching a **universal agreement on climate change**. These development efforts are consistent with the Small Island Development States Accelerated Modality of Action (SAMOA) Pathway.

With that framework in mind, I would like to share a few observations on the development issues of **diversity, inclusive growth** and for **public expenditure to be more development-oriented**.

1. Diversity

It is good that there is a clear demarcation of the diversity of the Asia-Pacific Region:

- a. from the East and North-East Asia bloc with relatively high income;
- b. from North and Central Asia experiencing low economic growth but high inflation;
- c. from the Pacific region set to experience faster growth due to strong energy exports, post-cyclone recovery activities and increased tourism and remittances receipts; and,
- d. South and South-West Asia to increase growth through improved farm incomes, remittances receipts and monetary easing.

The wide recognition of ESCAP members' diversity and specificities are key to effective policy design, advice and decisions going forward. Therefore, the adverse effect of international financial regulation and its sensible implementation matters as it will have immense repercussions on Samoa's economic development. The significance of remittances to the Samoan economy (**19 percent of GDP**) and its important role in development need not be forgotten. Ongoing international efforts to reduce the cost of sending remittances should continue to be pursued. Samoa has further strengthened its AML-CFT monitoring and supervision to minimize and deter illegal activities. Samoa also urges commercial banks abroad to assess AML-CFT on a case by case basis, and not on a wholesale closure of money transfer operators' agents bank accounts abroad.

Let me expand a little bit on this as it is a critical issue for Samoa.

The Samoan diaspora is vast and global – where there are more Samoans living abroad in New Zealand, Australia and the United States who despite their geographical location, still maintain close familial, cultural and financial ties to Samoa and have been the main source of tourism receipts through spending of *visiting friends and relatives* and *senders* of remittances. Statistics suggest that Money Transfer Operators (MTOs) handle at least **80.0 percent** of these remittance inflows. It is also recognized that remittances sent through MTOs from Australia and New Zealand are at least **11.0 percent** cheaper than those that come through the banking system. Samoa's banking system consists of two Australian (subsidiaries) commercial banks and two locally owned commercial banks.

Samoa hosted the Third United Nations International Conference on Small Island Developing States. The outcomes document was adopted by the United Nations General Assembly in November 2014. The "SAMOA Pathway" recognizes the unique development challenges of small-island developing states, to climate change and natural disasters; and financing for sustainable development, including the crucial role of remittances for the economic growth of small-island developing States.

In recognizing the SAMOA Pathway and the uniqueness of small-island developing States such as that of Samoa, it also acknowledges *"the importance of accessible and transparent support from the international financial institutions that take fully into account the specific needs and vulnerabilities of small-island developing States"*.

Being a small island developing state, connectivity and financial inclusion with the global community is a very real development challenge. However, the unintended consequences of AML/CTF regulation have imposed very real challenges by the developed world that poses peculiar adverse effects to small island states.

With respect to Samoa, as recently as the end of March 2015, all the major Australian commercial banks have closed bank accounts of Samoan linked money transfer operators' agents to minimize "*the risks associated*" with Anti-Money Laundering – Counter-Terrorism Financing (AML-CTF) requirements.

This development issue is critical to Samoa and most Small Island Developing States (SIDS) and we urge ESCAP's assistance to put diversity and specificity into the developed world on this key development issue.

2. *Inclusive growth*

We agree that inclusive growth encompasses economic, social and environmental dimensions of development. The emphasis to move the policy focus beyond inequality of income to promoting equality of opportunities is the step in the right direction.

The analysis has provided a good platform for further policy assessments for effective implementations. It has also identified the data gaps in some Asian economies and most Pacific Island Countries. In light of this situation, we note that ESCAP can assist the Asian and Pacific Island Developing Countries with data gaps to ensure their inclusiveness in UN-ESCAP future analysis and reports.

3. *Development-Oriented Public Expenditure*

We note the push for ESCAP member countries for their public expenditures to be more development-oriented. We concur with such a view and we have to make some qualifiers while noting that there is a substantial development financing gap that exists.

A country like Samoa, with its recurrent revenue just barely meeting its recurrent expenditures. Its development budget is financed through grants and concessional loans from development partners. Its fiscal situation is very tight with little recurrent revenue allocated for development while they are mostly for public consumption. Based on this background, we understand the push to be more development oriented but we also note the limited resources available to Small Island Development States like Samoa.

I thank you again for the opportunity to share with you these remarks and we look forward to working with ESCAP and our development partners in the effective implementation of the SAMOA Pathway for sustainable development.