

INTERNATIONAL MONETARY FUND



Staff Country Reports

Samoa: Selected Issues and Statistical Appendix

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SAMOA

Selected Issues and Statistical Appendix

Prepared by Andrea Richter Hume and Ayako Fujita (both APD)

Approved by the Asia and Pacific Department

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L. SAMOA'S ECONOMIC REFORM PROGRAM¹

A. Introduction

1. In 1996, Samoa launched a wide-ranging economic reform program that has transformed its economy into one of the best-managed in the Pacific islands. The Samoan Statement of Economic Strategy (SES) provides perhaps the most successful example of reform in the region, with the SES providing the overall macroeconomic framework for the development of separate strategies focusing on health, education, and rural development. Several major reforms of the civil service, financial sector, and tax and tariff systems have already been implemented. Since the strategy was launched, Samoa has achieved macroeconomic stabilization and enjoyed broad-based economic growth, resulting in improved social indicators. Large reductions in trade restrictions and financial liberalization have also enhanced the economy's competitiveness.

2. **The challenge going forward is for Samoa to build on this success by implementing the "second-generation" reforms needed to support private sector-led growth.** These reforms should focus in particular on further enhancing public sector efficiency (especially in state-owned enterprises), improving the quality of infrastructure, and increasing the availability of land for commercial development. This paper reviews Samoa's record of economic reform, its economic performance to date, and future areas of reform focus.

B. Economic Performance in the Pre-Reform Period²

3. **The Samoan economy is narrowly based and highly vulnerable to weather-related and other external shocks.** Exports amounted to only \$14.3 million in 2001/02 (roughly 6 percent of GDP) and are heavily based on fish products, which account for roughly two-thirds of total exports. The remainder is primarily made up of coconut- and taro-based products. An automobile parts plant, which is the dedicated supplier of an automobile factory in Australia, is Samoa's only major manufacturing plant.³ Thanks to a continuous flow of emigration (primarily to Australia and New Zealand) the population has remained stable at roughly 177,000. The economy is heavily dependent on private remittances to finance consumption, while investment needs are met primarily through official transfers.

¹ This paper was prepared by Andrea Richter Hume (ext. 34978).

² This section draws heavily on Chapter 8 ("Western Samoa") in Browne (1989).

³ Net exports of the parts plant, which amounted to \$4 million in 2001/02, are included under "export processing" in the services account of the balance of payments.

Samoa's political system has been marked by great stability, with the Human Rights Protection Party leading the government continuously since 1982.⁴

4. **During the early 1970s, expansionary expenditure policies were implemented in an attempt to accelerate growth, resulting in severe balance of payments difficulties.**⁵ Increased public expenditure led to large overall budget deficits and rapid credit expansion, and external pressures were compounded by the first round of oil price increases and the subsequent international recession. In the second half of the 1970s, a series of Fund-supported economic adjustment programs were adopted to correct domestic and external imbalances.⁶ However, domestic financial policies did not support external adjustment, and the programs were largely unsuccessful.

5. **Other Pacific island economies performed relatively better during this period.** During the 1970s, most of the independent island countries enjoyed sound external positions reflecting buoyant export markets, plentiful concessional assistance, and cautious demand management policies. During 1980–82, adverse movements in the terms of trade caused a pronounced weakening in the external current accounts. However, in most countries the required degree of external adjustment was attained through the progressive tightening of fiscal, monetary, and wage policies.

6. **Samoa's economic performance improved somewhat beginning in the mid-1980s.** A successful adjustment program, supported by two Stand-by Arrangements with the Fund implemented during the 1983–85 period, which resulted in an impressive degree of fiscal adjustment. A strong recovery in international commodity prices assisted in strengthening the external position. These gains were consolidated over the following years, and the economy recorded modest growth.

7. **During the first half of the 1990s, however, the Samoan economy was again thrown off course by a series of supply-side shocks.** These included two major cyclones in 1990 and 1991, and the collapse of the production of taro, a leading export crop, due to taro leaf blight in 1993. Economic recession in Samoa's major trading partners also constrained prospects through effects on tourism, exports, and remittances. Government expenditure

⁴ The Human Rights Protection Party was reelected to a five-year term in March 2001.

⁵ In the decade following Samoa's independence in 1962, conservative financial policies had ensured the preservation of budget balance. However, efforts to expand investment and growth were constrained by shortages in foreign exchange.

⁶ These included two stand-by arrangements (initiated in November 1975 and February 1978) as well as six compensatory financing and oil facility drawings.

associated with cyclone rehabilitation entailed a large increase in public investment and significant overall government budget deficits from 1992 to 1995.⁷

C. Samoa's Comprehensive Reform Program

8. **Following the period of cyclone rehabilitation, the government developed a comprehensive economic reform program.** The first "Statement of Economic Strategy" (SES), released in 1996, emphasized the need to maintain macroeconomic stability, and called for private-sector led economic growth based on a new partnership between government and the private sector involving extensive consultation. The strategy also focused on enhancing the efficiency and accountability of the public sector, improving the performance of public enterprises through privatization and corporatization, human resource development, tax and tariff reforms, and financial market reforms. Since then, an updated SES has been released every two years, most recently in 2002.⁸ The main areas that have been addressed by Samoa's reform program are discussed in greater detail below.

Tax and tariff regime⁹

9. **Reform of the taxation system has reduced Samoa's dependence on international trade taxes and enhanced the efficiency of the tax system.**¹⁰ Tax reform was initiated in January 1994 with the introduction of a 10 percent value-added tax on goods and services (VAGST). This was followed by a series of tax and tariff reforms, which have reduced corporate and personal income tax rates, broadened the income tax base, lowered maximum tariffs and simplified the tariff structure, and streamlined the excise tax base.

10. **Trade liberalization is also being advanced through various international efforts.** Samoa is currently an observer member of the WTO, having applied for full membership in April 1998.¹¹ Samoa is one of the founding members of the Pacific Islands Countries Trade Agreement (PICTA), which aims to eliminate all intraregional tariffs by 2012.

⁷ The government's financial position was burdened additionally by the assumption in 1994 of SAT 80 million in debt owed by Polynesian Airlines.

⁸ The most recent SES, "Strategy for the Development of Samoa 2002-2004: Opportunities for All", has extended the program's target period to three years.

⁹ Samoa's tax and tariff reform is discussed in Chapter II of this selected issues paper.

¹⁰ In the early 1990s, import duties represented roughly 50 percent of government revenue.

¹¹ Samoa has submitted initial offers in goods and services to the WTO. The second meeting of the Working Party on Samoa's accession is expected during 2003.

Financial sector¹²

11. **In 1998, the government launched a comprehensive reform of the financial sector aimed at establishing a market-based financial system.** The liberalization of the sector entailed the removal of all credit ceilings and interest rate controls, and the introduction of central bank securities auctions as the primary monetary policy instrument. The central bank has also adopted programs to strengthen its ability to manage liquidity.

12. **Reforms in the financial sector have included a strengthening of the supervision of financial institutions.** The 1996 Financial Institutions Act clarified that the Central Bank of Samoa is responsible for the prudential supervision of all commercial banks. The central bank has recently taken steps to strengthen its supervisory capacities, including the introduction of on-site inspection of banks and efforts to comply with the Basel Core Principles for Effective Banking Supervision. The amendment of the Financial Institutions Act in January 2001 provided the legal basis for bringing all nonbank financial institutions under the supervisory regime of the central bank. Strengthening the oversight of this sector remains an important objective. Because these institutions – especially the National Provident Fund and the Development Bank of Samoa – play a major role in Samoa’s financial markets, problems in these institutions would have major implications for confidence in, and stability of, the financial system at large.

13. **Several reforms have strengthened oversight of Samoa’s offshore financial sector.**¹³ Following the amendment of the Offshore Banking Act in 1998, which tightened the sector’s regulatory regime, the number of offshore banks has declined from 25 to 8.¹⁴ The new International Banking Bill, which will be presented to Parliament shortly, will strengthen the regulatory regime further by requiring offshore banks to establish a real physical presence in Samoa.

14. **Samoa has also made strides in developing an effective AML/CFT framework.**¹⁵ Samoa’s primary anti-money laundering legislative regime was introduced in the Money Laundering Prevention Act (2000), while the Prevention and Suppression of Terrorism Act

¹² Financial liberalization in Samoa is the topic of Chapter III of this selected issues paper.

¹³ In late 2002, the IMF’s Monetary and Financial Systems Department conducted an assessment of how Samoa’s offshore financial center observed international best practice with regards to the supervision and regulation of offshore financial services.

¹⁴ The amendment increased the powers of the banking regulator to supervise the offshore banking sector and to adopt internationally accepted prudential supervision guidelines. It also introduced stricter controls on the ownership, management, and operations of offshore banks.

¹⁵ “AML/CFT” refers to “anti-money laundering and combating the financing of terrorism”.

(2002) criminalizes the financing of terrorism and provides for the freezing and forfeiture of funds and proceeds used in the financing of terrorism. The AML/CFT framework is being further developed through strengthening the capabilities of the financial intelligence unit.

Public sector

15. **Samoa's reform program has aimed to reduce the dominance of the public sector in the economy while improving efficiency and quality in the provision of public services.** Public sector reform has focused on several key goals: (i) narrowing the focus of the government to its core functions; (ii) right-sizing government; (iii) adopting performance-based budgeting; (iv) privatizing state-owned enterprises (SOEs) and corporatizing government departments; (v) making SOEs more accountable and financially responsible; and (vi) rationalizing the public sector investment program.

16. **Good progress has been made in reforming the civil service.** The government's Institutional Strengthening Program has focused on restructuring government departments and building up their capacity. As the first major initiative under the program, the government launched a major downsizing of the Ministry of Works in 2001, with employment reduced from 450 to 50. The Ministry's focus has been narrowed to overseeing the initiation of public works projects, with the implementation and management of the projects outsourced to the private sector. Thanks to an appropriate severance policy, the downsizing has been implemented without serious friction with employees.

17. **Management of Samoa's fiscal accounts has been strengthened.** Output budgeting was adopted on a trial basis in three departments in 1995–96 and applied to all departments the following year. Budgets now provide considerable detail on output and performance measures relating to timeliness, quantity, and quality. The Public Finance Management Act (2001) further legitimized the financial management reforms initiated in the mid-1990s.

18. **Progress has also been made in reforming the SOE sector.** The government has divested stakes in six enterprises since the mid-1990s, and corporatized the Post and Telecommunications Department in 1999.¹⁶ The Public Bodies Act, passed in 2001, enhances oversight and improves the governance of SOEs. Key reforms introduced in the act include the requirement for each SOE to submit to Parliament an operational report, audited financial accounts, and related audit opinions; and the devolution of all decisions relating to the operation of the SOE to the Board level (and thus limiting the role of the government in these

¹⁶ The enterprises divested comprise Bank of Western Samoa (1996–97), BOC-Samoa Industrial Gases (August 1999), MV Forum Shipping Line (wound up in 1999), Samoa Breweries (1999), Samoa Iron and steel Fabrication (November 1998), and Special Projects Development Corporation (wound up in 1999).

decisions). The legislation is expected to place SOEs on the same legal footing as private companies.

Trade and investment climate

19. **Samoa has made less progress in addressing key constraints to business development.** The quality and reliability of basic utilities (electricity, water, and telecommunications, which are all wholly government-owned) remains poor, thus imposing a significant cost on business activity. The availability of land for commercial development purposes also remains low, primarily due to the communal ownership of land in Samoa.¹⁷ The government is currently considering a more active role for itself as an intermediary in the land market, by taking on principal leases and subsequently subleasing land to commercial parties. Greater progress has been made in improving the transparency of Samoa's investment regime, and reducing barriers to entry for businesses. The Department of Trade, Commerce and Industry now promotes its services as a "one-stop shop" for investors, and recent reforms have significantly streamlined the process of obtaining and renewing a business license.

D. Results of the Reform Program

20. **Samoa achieved macroeconomic stabilization and broad-based economic growth following the adoption of its economic reform program.** Over the 1997/98–2001/02 period, real GDP growth averaged 2.8 percent per year and with stable population, per capita income rose substantially. Inflation remained low, fiscal policy has been managed prudently, the external reserves position is stable, and public debt is on a declining trend.

21. **Reforms of Samoa's tax and tariff systems and of the financial sector have strengthened Samoa's macroeconomic framework and enhanced competitiveness.** The reduction of import duties and income taxes, which was achieved while maintaining a stable revenue base, has made conditions for private sector development more favorable. Financial liberalization has improved the efficiency of credit allocation, while reforms of the financial supervisory and regulatory framework have enhanced the ability of the authorities to safeguard the health of the financial sector.

22. **The public sector has been transformed, with a considerable streamlining of its operations expected to produce significant efficiency gains.** The ongoing process of redefining the role of the government should result in a better focus on the key services to be

¹⁷ Customary land covers roughly 80 percent of Samoa. Although long-term leasing of customary land is permitted (its sale is prohibited), Samoan laws and institutions do not provide for clear enforcement of leasehold rights. Moreover, the lease is not considered to be sufficiently secured to be used as collateral in a financial transaction.

provided by it, leaving other services to the private sector. In addition, measures introduced to improve monitoring and accountability, especially in SOEs, are expected to enhance the efficiency and quality of public sector services.

23. **The success of Samoa's reform strategy has depended critically on political and institutional factors.** The strategy has enjoyed support at the highest political level, with one of the main architects of the reform program now holding the position of prime minister. Political stability has been another important factor, ensuring that the reform program was not held up unduly by elections or changes in government personnel. The program also has the backing of the public at large, thanks to a serious commitment by the government to a consultation process with civil society, which allows government to develop a reform strategy that is sensitive to Samoa's culture and socioeconomic conditions. Finally, the strategy also benefited from realistic expectations, which ensured that the reform program was designed within the Samoan government's capacity constraints.

E. Remaining Reform Agenda

24. **The key challenge now for Samoa is to focus on the reforms needed to improve conditions for private investment and export-led growth.** The recent slowing of the economy in 2001/02 suggests that for Samoa to extend its favorable performance record over the medium term, more will need to be done to diversify its productive base and enhance its competitiveness. It will also be essential for the Samoan government to resist the temptation to jump-start the economy through major public investment projects, which would likely endanger Samoa's hard-won macroeconomic stability. A few key areas for further reform are noted below.

25. **Government involvement in productive sectors of the economy should be reduced further.** The government fully owns nineteen companies and corporations, and holds minority interests in another five companies. This degree of government ownership should probably be reduced further in order to stimulate private sector development and productivity. Through technical assistance provided by the AsDB, the government is advancing its strategy with regards to selective privatization of SOEs and improving their reporting, control management, and oversight. Devising a strategy for Polynesian Airlines is particularly important in this regard, given its precarious financial condition and the already large resources that it has required from the public sector.¹⁸

26. **Samoa's infrastructure is in need of significant investment.** The current state of infrastructure (which remains entirely government-owned and -operated) results in high operating costs for businesses and limits opportunities to develop certain sectors, notably

¹⁸ The government will be receiving assistance from the IFC in its assessment of the future options for Polynesian Airlines.

tourism and fishing. The supply of electricity is both highly irregular and of varying quality (i.e. voltage fluctuations), requiring most businesses to have their own generators. The poor quality of water necessitates the fishing industry to maintain its own water purification plant to ensure that the catch is processed correctly, and dock facilities remain inadequate, thus limiting the development of the industry. The cost of telecommunications also remains extremely high.

27. **The private sector environment would also benefit from further improvements.** Regulatory and administrative obligations for businesses are still considerable, with changes in policy and regulations not communicated very effectively to the business community. The land tenure system remains a major obstacle to the development of commercial agriculture and tourism. Therefore, government efforts to expand its role as an intermediary in the leasing of land are particularly important if Samoa's competitiveness is to be enhanced.

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II. TAX AND TARIFF REFORM¹

A. Introduction

1. **Samoa has undertaken wide-ranging tax and tariff reforms that have improved the efficiency of the taxation system while maintaining a solid tax revenue base.** These reforms have included a substantial reduction in tariff rates, the introduction of a value-added tax on goods and services (VAGST), and the streamlining of the tax structure.

2. **Prior to the reforms attempts to protect domestic industries via extensive tax and tariff incentives had resulted in a highly distorted (and opaque) taxation system.** Most consumption goods were levied at maximum rates of 50–60 percent and the duty schedule was divided into more than six categories. Investment incentives were available for a wide range of business activities, mostly in the export and tourism sectors. These incentives were provided in the form of income tax holidays and concessions, as well as exemptions from customs and excise duties.

3. **The tax structure was also highly inefficient from the revenue collection standpoint.** Administration costs were high because of the complex tax structure and the high tax rates gave firms strong incentives to evade taxes, for example through underreporting income or smuggling in the case of import duties. (Many retail and wholesale activities were effectively shifted offshore in response to the high tax rates, especially to American Samoa.)

B. Pattern of Reform

4. **The main thrust of the tax and tariff reforms has been to improve the efficiency and equity of the tax system.** The bulk of the reforms have taken place since 1998, although there were a number of important reforms in the first half of the 1990s, including most notably the introduction of a value-added goods and services tax (VAGST) of 10 percent in 1994. The income tax system was also simplified by raising the minimum income level for submitting a tax return. The more recent reforms have focused primarily on reducing (and rationalizing) external tariffs, streamlining excise taxes, and broadening the tax base through the abolition of investment incentives and eliminating income tax exemptions (Box 1).

5. **As a result of the reforms, Samoa now has a relatively robust and efficient tax structure:**

- **The VAGST has a single rate (12.5 percent) applied to a wide range of goods and services.** Exemptions are limited to basic food items, water, electricity, transport, and medical and educational services. Revenue from the VAGST now accounts for around 20 percent of tax revenue.

¹ This paper was prepared by Ayako Fujita (ext. 37368).

- *Excise taxes* are now limited to alcohol, soft drinks, tobacco, petroleum, and automobiles. They account for approximately 20 percent of tax revenue.

Box 1. Tariff and Tax Changes, 1998–2003

1998–1999 Budget

Substantial reduction in the maximum tariff rate (from 60 to 20 percent).

Phasing out of business incentive schemes and abolition of tax concessions for new enterprises.

Increase in the tax-free threshold of the income tax from SAT 6,000 to SAT 8,000 and an increase in the threshold at which the marginal 20 percent rate becomes effective.

Removal of most excise taxes, excluding those on alcohol, soft drinks, tobacco, petroleum products, and automobiles with an engine capacity of more than 2,000 cc.

Exemption from the VAGST for small business with annual turnover of less than SAT 52,100.

Increase in a range of fees and charges such as motor vehicle registration and wharf charges.

Removal of the 1 percent foreign exchange levy.

1999–2000 Budget

Further cuts in tariff rates, particularly on business inputs such as raw materials, capital goods, and building materials, and simplification of the duty schedule from five to four general rates (0, 5, 10, and 20 percent).

Abolition of investment incentive concessions on import duty.

Further increase in the personal income tax threshold from SAT 8,000 to SAT 10,000, and an increase in the threshold at which the marginal 20 percent rate becomes effective.

Reduction in the top rate of the personal income tax and the company tax rate from 35 to 29 percent.

No extension of new tax holidays.

Increase in stamp duty charges, fees for government guaranteed loans, and taxes on petrol, diesel, and kerosene to offset part of cost of reforms.

2002–2003 Budget

Increase in the rate of VAGST from 10 to 12.5 percent.

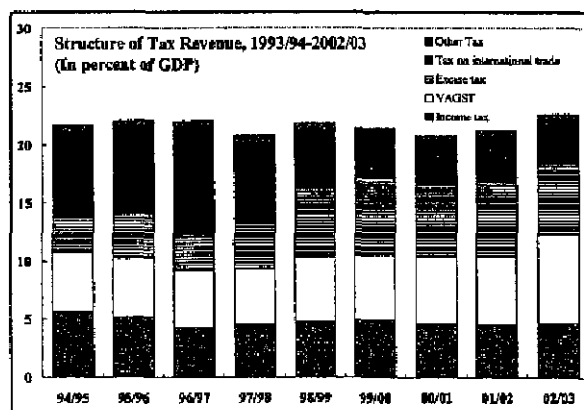
Reduction of the 10 percent tariff rate to 8 percent (to 5 percent for fishing boat and gear).

Extension of the income tax to the commercial fishing sector.

Increase of excise taxes on a range of products including soft drinks and alcoholic beverages (by 10 percent), petroleum products and tobacco products (by 15 percent), and increase in motor registration and license fees (by 10 percent).

- The top rate of *income tax* has been reduced to 29 percent rate. Corporations are taxed at the same rate. Income taxes account for approximately 15 percent of tax revenue.
- The maximum *import tariff* has been reduced to 20 percent and the tariff schedule has been simplified to four rates (0, 8, 15 and 20 percent). Most goods are taxed at the 8 percent rate. Import duties now only account for 12 percent of tax revenue.

6. **Despite the significant reduction in tariff rates, total tax revenue has remained relatively stable as a share of GDP (Figure).** Revenue from import duties has fallen from around 8 percent of GDP prior to the recent reforms to roughly 4 percent. This decline in revenue has, however, been offset by higher revenue from consumption-based taxes (VAGST and excises), which has risen from 9 percent to 13 percent. Excise revenues, in particular, have risen sharply, boosted by the removal in 1998/99 of excise tax exemptions that had been granted as incentives to specific industries and tighter administration of excises. (The key change was the institution of a minimum valuation on cars to reduce evasion.) Revenue from the income tax has remained fairly stable, with the higher revenues from the elimination of exemptions compensating for the reduction in income tax rates.



7. **Compared to other countries in the region, Samoa's dependence on import duties is now relatively low (Table 1).** Income tax revenues in Samoa are broadly in line with other countries in region, except for PNG which has a large mining industry as an income tax source. Samoa collects a relatively high share of revenue from taxes on goods and services, especially excises (reflecting mainly the collection of excise tax on vehicles).

Table 1. Structure of Tax Revenue
(In percent of GDP, unless otherwise indicated)

	Samoa 1/ (2001/02)	Fiji (2001)	Kiribati 1/ (2001)	Tonga 1/ (2000/01)	Vanuatu (2001)	PNG (2001)
Income Tax	4	7	5	4	-	15
Tax on goods and services	12	8	-	3	10	3
VAT or other sales tax	6	7	-	2	7	2
Excise duties	6	2	-	-	-	-
Other	-	-	-	1	3	1
Tax on international trade	4	4	11	13	7	3
Other tax	1	-	-	-	1	-
Total tax revenue	21	19	16	20	18	21
Total revenue & grants (million of U.S. dollars)	77	400	46	40	48	762

Sources: Pacific Island Economic Report (World Bank), IMF Staff Reports.

1/ Fiscal year beginning from July to June.

8. **Samoa is one of five countries in the region that have introduced a VAT.**² The efficiency of Samoa's VAGST compares well with that of other countries in the region. This reflects largely the limited range of exemptions, as well as the high import content of consumption. Efforts have also been made to set the threshold for the tax at an economically efficient level (businesses with an annual turnover below SAT 52,000 are exempt from the VAGST).

Table 2. VAT Efficiency Ratio

	Samoa		PICs			Average ratio	
	2000/01	2002/03	Fiji 1/ (2001)	Vanuatu (2001)	PNG (2001)	Asia and Pacific	Small islands
VAT revenue/GDP (1)	5.9	7.6	6.6	7.4	2.0	-	-
Standard VAT rate (2)	10.0	12.5	10.0	12.5	10.0	-	-
VAT efficiency ratio (1)/(2)	0.59	0.61	0.66	0.59	0.20	0.35	0.48

1/ The VAT rate applied in Fiji has been increased from 10.0 percent to 12.5 percent since the 2003 budget.

9. **The tax reforms have been well-received by Samoa's business community.** The tariff reduction has contributed to improving resource allocation through reducing the cost of investment inputs and increasing competitive pressure in import-substituting sectors. The broader community has also supported the reforms, as the increase in the tax-free income threshold and the continuation of VAGST exemptions has allowed the impact of the reform on lower-income groups to be minimized.

C. Remaining Issues and Challenges

10. **The principal challenge for Samoa will be adjusting to a potential decline in external grants that may accompany Samoa's graduation from the ranks of lower income countries.** Although Samoa has managed to increase the relative importance of its tax revenue in recent years, grants remain a large share of total government income compared to other Pacific island countries. As these grants decline (as a share of GDP), the government will need to decide whether to compensate for lower grants by raising taxes or by reducing expenditure. The relatively high share of tax revenue in GDP, suggests that the burden should fall primarily on expenditure consolidation.

11. **Some further strengthening of the domestic tax base will be needed, however, as further tariff reductions are to be expected.** In particular, Samoa's membership in PICTA (Pacific Island Countries Trade Agreement) requires a phase-out of all tariffs levied on intra-regional trade by 2012. Samoa is also in the process of joining the WTO. Although Samoa will have the option to gradually adjust to binding rates offered to developing countries, further reduction in tariff rates for WTO member countries are likely to be required eventually.

² Fiji, Papua New Guinea, Vanuatu, and the Cook Islands have also introduced a VAT.

12. **As Samoa's tax rates are generally set at reasonable levels, the emphasis will need to lie primarily on enhancing tax administration.** The main priority here is to enhance the level of compliance among domestic tax payers, which is currently relatively low (e.g., only 60 percent of VAGST registered taxpayers file on time). This low level of compliance reflects partly the fact that penalties for delaying tax payments are relatively mild. In addition, the absence of single tax identification number hampers cross checking of tax payer compliance between revenue departments. The cost of tax compliance also needs to be reduced, notably with regard to refund procedures, which are particularly costly for exporters (e.g., they are required to attach all their input invoices with each refund claim).

13. **Broader reforms such as the creation of a Large Taxpayer Unit would also help strengthen tax administration.** Such reforms would ideally be complemented by an in-depth review of the current organization, process and procedures of the Inland Revenue Department and of the Customs Department to improve and enhance their efficiency and revenue collection capacity.

III. FINANCIAL LIBERALIZATION AND MONETARY POLICY IN SAMOA, 1998–2003¹

A. Introduction

1. In January 1998, Samoa launched a series of reforms aimed at establishing a market-based financial system. In the five years since, this transformation has largely been achieved. The previous system of direct controls on credit and interest rates has been dismantled and monetary management is now effected through auctions of central bank securities and other market based monetary policy instruments. These reforms have been implemented without jeopardizing macroeconomic stability or undermining the financial position of the central bank, two key concerns at the start of the reform process. This paper assesses the Samoan experience of reform implementation, and remaining issues and challenges.

B. Background

2. Samoa's financial system is highly concentrated, consisting essentially of three commercial banks and two large public nonbank financial institutions. The three commercial banks - ANZ Bank Samoa (ANZ), Westpac, and the National Bank of Samoa (NBS) - together account for roughly 40 percent of financial system assets and 55 percent of domestic credit (Table 1). ANZ and Westpac are fully foreign-owned, while the NBS is owned by private domestic investors. In addition to these banks, the Central Bank of Samoa (CBS) recently issued a fourth banking license to the Commercial Bank of Samoa, which will start operating in June 2003. The two largest nonbank financial institutions, the National Provident Fund (NPF) and the Development Bank of Samoa (DBS), also play a significant role in the financial sector in terms of both asset size and loans outstanding.²

Table 1. Structure of Samoa's Financial System, September 2002
(In percent of total)

	Assets	Domestic credit
Commercial banks	44.0	61.7
NBFIs	41.2	49.1
National Provident Fund	25.3	30.3
Development Bank of Samoa	7.3	12.6
Others	8.6	6.2
Monetary Authorities	14.9	-10.8
Total	100.0	100.0

¹ This paper was prepared by Ayako Fujita (ext. 37368).

² The NPF is the only pension fund in Samoa. Participation in the NPF is compulsory for all public and registered private sector workers.

3. **The exchange rate of the tala, which is pegged to a trade-weighted basket of currencies, has long served as the nominal anchor for monetary policy.** The exchange rate peg is maintained against a basket of the currencies of Samoa's five major trading partners. The CBS has discretion to adjust the rate by +/-2 percent without consulting Cabinet, and has periodically made small adjustments in the exchange rate, the last one being in November 2001 when the tala was devalued by 1½ percent in response to its appreciation against the Australian and New Zealand dollars. There has not been a major devaluation of the tala since the mid-1980s.

4. **Prior to the reforms in 1998, the CBS relied on a number of direct controls to implement monetary policy.** Interest rates were controlled administratively, with the CBS setting a floor on deposit rates (4.5 percent at the time of the reforms) and a ceiling on lending rates (12.0 percent). These floors and ceilings were rarely changed. The central bank also established ceilings on bank credit, and imposed a liquid asset requirement equivalent to 25 percent of bank deposits, to be held in a special statutory reserve deposit account at the CBS.

5. **The system of direct controls had inhibited the development of the financial sector in Samoa.** The controls on interest rates had resulted in artificially low deposit interest rates, curtailing financial saving, and rigid loan rates which had precluded risk-based credit pricing. With volatile inflation, this rigidity had induced wide swings in real deposit and loan rates, which when combined with the distortionary effects of credit rationing had constrained the level and efficiency of financial sector intermediation.

C. Process of Reform

6. **The process of financial liberalization was launched in January 1998.** The first steps taken, involved the abolition of the credit ceilings and the controls on interest rates. At the same time, the CBS commenced auctions of central bank securities as the primary instrument of monetary policy. These reforms were complemented by steps to liberalize the foreign exchange market. By mid-1998, banks were permitted to enter into forward foreign exchange contracts and the 1 percent levy on foreign exchange sales by banks was removed in January 1999.

7. **Care was taken to ensure that the excess liquidity in the banking system prior to the reforms was unwound gradually.** At the time of the reform, excess liquidity in the banking system was around 18 percent of commercial bank assets. To avoid the risk of excessive credit growth following the lifting of credit controls on the banking system, the authorities phased out the liquid asset ratio gradually over an eighteen month period, providing time for the auctions of central bank securities to take hold and mop up the excess liquidity. The liquid asset ratio was reduced by one percentage point per month between January 1998 and mid-1999. The CBS also retained a separate reserve requirement of 5 percent for regulatory purposes.

8. **Steps were also taken to enable the CBS bear the cost of issuing interest bearing liabilities.** The cost of issuing the securities was financed by a loan from the AsDB for an initial period running through March 2003. In late 2001, the central bank and the Treasury reached agreement on a framework to place the financing of the central bank

securities on a more sustainable basis. The Treasury would finance this cost for an interim period through the end of fiscal year 2003/04. It would also strengthen the balance sheet of the central bank by forgoing any profit transfer from the central bank and would help build up the central bank's foreign assets by committing to meet all of its debt service obligations from the Treasury's own foreign currency deposits until 2007, at which time it would transfer its remaining foreign currency deposits, with the exception of some sinking funds, to the central bank.³

9. **Auctions of CBS securities have become the principal instrument for influencing monetary conditions.** The auctions take place on a fortnightly basis and are open to all Samoan resident over the age of 18. The CBS sets and announces the volume and maturity of the securities to be issued, and lets the market determine the price. Initially the auctions were limited to securities of 91-days and 182-days, however, it has since expanded the range of securities issued to cover an additional 4 maturities (14, 28, 56, and 365 days).

10. **The CBS has generally used the level of excess reserves in the banking system as an operational target** for determining the volume of securities to be offered in the weekly auction, although a recently developed reserve money program is starting to play an increasing role. It also uses the maturities offered in the auctions as a signaling device for the stance of monetary policy. In a tightening phase, for example, the CBS issues longer-term securities (91 to 365 days) instead of short-term securities (up to 28 days' maturity) and vice versa. (Currently most outstanding securities have a maturity of 28 days or less.) To date, the CBS securities are held almost exclusively by commercial banks, as the rates are not attractive to the main NBFIs, and a secondary market for the securities has yet to develop.

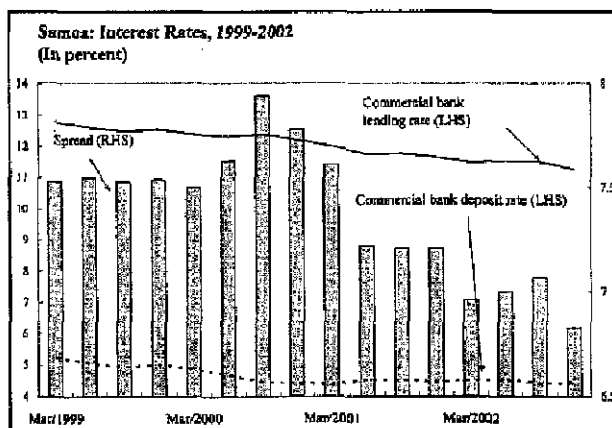
11. **The CBS has introduced additional instruments of monetary policy to supplement the primary auctions of CBS securities.** In January 1998, the CBS introduced a rediscount facility and more recently, in January 2002, repurchase agreements of the securities were introduced. While these facilities in principle provide the CBS with the full range of instruments it needs to manage liquidity, in practice they have been seldom used to date.

D. Assessments and Remaining Issues

12. **Although it may be too early to fully evaluate the success of Samoa's financial liberalization, the reforms have met their initial objectives.** In particular, the previous system of direct controls has been successfully dismantled and replaced by market based instruments of monetary management. The transformation was achieved without jeopardizing macroeconomic stability or jeopardizing the financial position of the central bank.

³ At end 2002, the Treasury had foreign currency deposits of around \$5 million (excluding sinking funds).

13. **Market interest rates have come down gradually over the past few years, but the impact of the reforms on competition in the financial sector has been relatively modest (Figure). Spreads have remained relatively high, reflecting partly the impact of high transaction costs associated with operating in a small market. There is some evidence that spreads have started to narrow recently, which may reflect in part the beginning of greater competition in the financial sector.**



14. **Looking forward, one of the key challenges will be to deepen the securities market, to provide greater flexibility of monetary policy.** Lengthening the maturity of securities may contribute to greater interest from NBFIs and from private investors. With regards to the latter, better public education may be required to increase interest in the central bank securities. Strengthening the securities market could potentially have positive spillover effects for developing debt financing options for the private sector.

15. **Steps also need to be taken to improve the lending environment to enhance financial intermediation.** In particular, the combination of a poor debt servicing culture and an expensive and cumbersome process of securing loans against property and other assets is a significant impediment to financial intermediation. The system of customary land also presents major challenges to lenders wishing to secure loans against property. Strengthening the secured transactions framework, through reforming the legal framework for security interests and developing workable asset registers, and improving the utilization of customary land as collateral for bank loans are both high priorities of the government.

16. **With regard to the operation of monetary policy, the choice of intermediate target is an issue.** Currently, the central bank targets an inflation rate of up to 3 percent, in addition to a reserves cover of 4 months (which was reduced from 6 months in 2001). Since inflation in Samoa is quite volatile due to the large share of agricultural products in the CPI, the CBS has for operational purposes been using credit growth rather than the inflation rate as a target indicator.⁴ The central bank is of the view that this can cause public confusion regarding the operation of monetary policy, and is consequently considering the introduction of core inflation as a target indicator. The CBS is also considering whether to introduce a weighted average interest rate indicator as an official (benchmark) interest rate, since the outstanding stock of 91-day securities, the original benchmark instrument, is now relatively limited given the short average maturity of outstanding securities. Another option under consideration is to offer 91-day securities in each auction as a benchmark security.

⁴ The weight for food products in the CPI is 58.5 percent.

Table 1. Samoa: Gross Domestic Product by Sector at Constant 1994 Prices, 1997–2002

	1997	1998	1999	2000	2001	2002 Est.
(In millions of tala)						
Primary sector	124.8	129.1	124.6	125.0	119.3	110.7
Agriculture	77.3	75.8	74.9	75.3	66.1	60.1
Fishing	47.5	53.3	49.7	49.6	53.1	50.6
Secondary sector	150.6	136.7	138.6	154.4	170.3	160.8
Food and beverage manufacturing	29.5	24.2	24.3	23.3	22.6	25.6
Other manufacturing	64.7	58.2	59.1	66.2	77.9	70.2
Construction	39.5	37.6	38.9	47.2	49.2	40.4
Electricity and water	16.9	16.8	16.3	17.6	20.7	24.7
Tertiary sector	245.3	263.9	277.6	299.4	326.2	351.9
Commerce	79.4	85.5	92.4	100.8	109.1	120.4
Hotels and restaurants	12.7	12.7	13.0	13.8	15.3	16.5
Transportation and communication	59.7	66.5	70.7	78.4	88.1	93.9
Finance and business	34.9	38.8	40.2	42.2	46.2	50.9
Less: Enterprise share of FISIM 1/	-2.9	-3.2	-3.4	-3.7	-4.2	-4.1
Housing	21.2	21.7	22.1	22.5	23.0	23.5
Other services	40.3	41.9	42.7	45.4	48.7	50.8
Government	54.7	59.5	63.6	67.5	70.6	75.2
GDP at constant market prices	575.4	589.2	604.4	646.3	686.4	698.6
(Percentage change)						
Primary sector	-6.5	3.4	-3.5	0.3	-4.6	-7.2
Secondary sector	-1.9	-9.2	1.4	11.4	10.3	-5.6
Tertiary sector	5.0	7.6	5.2	7.9	8.9	7.9
Government	9.3	8.7	6.8	6.3	4.5	6.6
GDP	0.8	2.4	2.6	6.9	6.2	1.8

Sources: Treasury Department of Samoa; and Fund staff estimates.

1/ Financial intermediaries service charge, indirectly measured.

Table 2. Samoa: Gross Domestic Product by Sector at Current Prices, 1997–2002

	1997	1998	1999	2000	2001	2002 Est.
	(In millions of tala)					
Primary sector	131.4	122.0	115.4	124.0	121.7	127.1
Agriculture	77.0	67.3	59.0	59.2	50.7	56.2
Fishing	54.4	54.7	56.4	64.8	71.0	71.0
Secondary sector	163.6	158.1	167.3	196.1	221.0	207.4
Food and beverage manufacturing	31.0	27.7	28.9	28.4	26.3	31.4
Other manufacturing	72.8	70.8	76.6	88.9	109.7	100.2
Construction	44.9	44.1	46.0	55.7	59.5	48.7
Electricity and water	14.8	15.4	15.9	23.1	25.5	27.1
Tertiary sector	275.8	317.4	351.7	387.6	438.5	484.1
Commerce	92.2	105.8	121.3	138.0	154.7	176.5
Hotels and restaurants	14.4	15.5	16.8	18.1	21.1	23.1
Transportation and communication	65.8	78.4	87.4	98.3	116.8	128.2
Finance and business	38.9	45.8	49.4	52.5	59.3	66.7
Less: Enterprise share of FISIM 1/	-3.2	-3.9	-4.4	-4.9	-5.8	-5.9
Housing	24.1	26.6	28.7	29.7	31.8	33.1
Other services	43.8	49.0	52.6	55.7	60.6	62.3
Government	54.6	61.2	64.4	67.1	68.8	71.8
GDP at current market prices	625.3	658.7	698.9	774.8	849.9	890.4
Memorandum item:						
Implicit GDP deflator (1994=100)	108.7	111.8	115.6	119.9	123.8	127.5
	(Percentage change)					
Primary sector	25.1	-7.1	-5.4	7.5	-1.9	4.5
Secondary sector	4.2	-3.4	5.8	17.2	12.7	-6.1
Tertiary sector	12.4	15.1	10.8	10.2	13.1	10.4
Government	13.4	12.1	5.3	4.2	2.5	4.4
GDP	12.6	5.3	6.1	10.9	9.7	4.8
GDP deflator	5.9	2.9	3.5	3.7	3.3	3.0

Sources: Treasury Department of Samoa; and Fund staff estimates.

1/ Financial intermediaries service charge, indirectly measured.

Table 3. Samoa: Indices of Industrial Production, 1997–2002 1/

(1997=100)

	Weights	1997	1998	1999	2000	2001	2002 Est.
Beer	0.22	100.0	102.2	115.8	123.0	139.7	151.7
Electricity	0.17	100.0	100.4	100.4	109.6	129.7	157.8
Soft drinks	0.13	100.0	106.6	108.6	118.0	128.2	127.4
Coconut oil	0.11	100.0	50.9	32.4	6.8	...	...
Cigarettes	0.09	100.0	100.5	99.1	112.6	114.0	136.8
Timber	0.06	100.0	114.0	132.6	141.2	121.0	136.9
Coconut cream	0.04	100.0	91.7	114.4	81.3	90.3	61.2
Miscellaneous products 2/	0.04	100.0	118.0	116.5	107.8	122.7	115.3
Ready-mixed cement	0.04	100.0	108.7	176.3	201.2	211.6	112.6
Concrete blocks	0.04	100.0	98.1	70.5	69.2	59.0	59.0
Paints	0.02	100.0	84.8	92.9	85.1	80.4	68.5
Ice-cream	0.02	100.0	84.0	95.6	99.1	88.5	94.6
Roofing iron 3/	0.01	100.0	77.1	119.1	184.2	160.0	142.3
Corned meat	0.01	100.0	54.4	85.3	91.7	77.0	146.2
Total	1.00	100.0	96.3	102.2	105.1	112.2	115.4
(Percentage change over previous year)		-8.7	-3.7	6.0	2.8	5.0	2.9
Memorandum item:							
Industrial Price Index (1997=100)		100.0	107.2	115.7	114.7	120.5	130.9
(Percentage change over previous year)		5.6	7.2	7.9	-0.9	5.0	8.6

Source: Central Bank of Samoa.

1/ The industrial index has been revised to include a more comprehensive range of products manufactured in the country. It replaces the old index which was based in 1982 and included a small range of products.

2/ Comprises copra meal, soap, toilet tissue, tobacco, and salted beef.

3/ Salafai Metal Industries (SMI) has replaced Samoa Iron and Steel in the authorities' Industrial Production Survey, as a producer of roofing iron from September 1998 onward.

Table 4. Samoa: Energy Statistics, 1997–2002

	1997	1998	1999	2000	2001	2002
	(In megawatts)					
Electricity generating capacity 1/	111.4	103.0	100.1	107.1	118.2	139.8
Hydroelectricity	48.5	47.2	44.8	44.8	45.4	47.2
Diesel	62.9	55.8	55.3	62.3	72.8	92.6
	(In millions of kilowatt hours)					
Electricity production 1/	81.9	83.1	84.6	90.5	105.4	123.8
Hydroelectricity	54.1	38.6	44.0	44.9	48.9	67.3
Diesel	27.9	44.5	40.6	45.6	56.5	56.5
Electricity consumption	81.9	83.1	84.6	90.5	105.4	123.8
Sales	65.4	57.7	67.8	70.0	78.7	86.1
Other 2/	16.5	25.4	16.8	20.5	26.7	37.7
	(In tala per unit; end of period)					
Energy prices (domestic)						
Petroleum (gallon)	3.9	4.0	4.8	6.4	6.5	6.3
Kerosene (gallon)	3.1	3.1	3.1	6.3	6.2	5.7
Electricity (kilowatt hour)	0.4	0.4	0.4	0.6	0.6	0.6

Sources: Electric Power Corporation; and Treasury Department of Samoa.

1/ Figures relate only to government-owned electric power schemes. Village lighting schemes and other private plants are not included.

2/ Transmission and distribution losses, and auxiliaries (power used in electricity production).

Table 5. Samoa: Building Permits Issued, 1997–2002

	1997	1998	1999	2000	2001	2002
	(Number of units)					
Residential	372	324	336	359	348	294
Industrial	0	-	-	-	-	-
Commercial	71	75	82	88	90	66
Education	13	11	9	12	8	8
Health	0	7	27	-	-	1
Churches	28	13	-	42	20	13
Other	2	12	40	23	32	28
Total	486	442	494	524	498	410
	(Value in millions of tala)					
Residential	11.0	11.0	11.8	14.5	...	...
Industrial	-	-	-	-	...	...
Commercial 1/	9.0	6.7	35.8	12.6	...	...
Education	1.9	1.4	1.0	1.3	...	...
Health	-	2.9	3.9	-	...	...
Churches	4.3	4.3	-	14.8	...	...
Other	0.1	0.7	0.6	0.5	...	...
Total	26.3	25.6	53.0	43.6	...	...

Source: Treasury Department of Samoa.

1/ The 1999 figure includes the renovation of the Faleolo Airport terminals (SAT 9 million) and the office complex for the Accident Compensation Board (SAT 19 million).

Table 6. Samoa: Consumer Prices, 1997–2002

	1997	1998	1999	2000	2001	2002
	(End of period; December 1998=100)					
Food	97.9	100.0	94.7	97.0	111.4	118.5
<i>Of which: Domestic food</i>	111.1	100.0	92.1	98.4	117.5	134.3
Clothing and footwear	98.7	100.0	100.3	100.4	98.9	98.7
Household operations	96.2	100.0	101.4	102.6	103.4	106.2
Transportation and communication	101.1	100.0	105.8	113.1	115.5	122.0
Alcohol and tobacco	...	100.0	99.7	99.0	101.0	116.9
Miscellaneous	97.9	100.0	100.3	101.6	102.4	106.3
Total	97.9	100.0	97.7	100.1	109.1	115.7
<i>Of which: Imported goods</i>	92.5	100.0	99.8	101.2	105.9	105.9
<i>Domestic goods</i>	103.0	100.0	95.9	99.3	112.0	124.2
	(Percent change)					
Food	0.2	2.1	-5.3	2.4	14.8	6.4
<i>Of which: Domestic food</i>	...	-10.0	-7.9	6.8	19.4	14.3
Clothing and footwear	-1.1	1.3	0.3	0.1	-1.5	-0.2
Household operations	2.1	4.0	1.4	1.2	0.8	2.7
Transportation and communication	0.9	-1.1	5.8	6.9	2.1	5.6
Alcohol and tobacco	...	...	-0.3	-0.7	2.0	15.7
Miscellaneous	16.5	2.1	0.3	1.3	0.8	3.8
Total	3.8	2.1	-2.3	2.5	9.0	6.0
<i>Of which: Imported goods</i>	-1.0	8.1	-0.2	1.4	4.6	0.0
<i>Domestic goods</i>	...	-2.9	-4.1	3.5	12.8	10.9
Memorandum item:						
CPI (excluding domestic food)	92.6	100.0	99.9	100.8	105.8	108.3
	Weights					
	Imported	Domestic	Total			
Food	30.0	28.5	58.5			
Clothing and footwear	3.1	0.0	3.1			
Household operations	5.9	6.0	11.9			
Transportation and communication	3.4	8.1	11.5			
Alcohol and tobacco	0.9	5.6	6.5			
Miscellaneous	3.4	5.1	8.5			
Total	46.7	53.3	100.0			

Source: Department of Statistics.

Table 7. Samoa: Financial Operations of the Central Government, 1997/98–2002/03 1/

	1997/98	1998/99	1999/00	2000/01	2001/02		2002/03
					Budget	Actual	Budget
(In millions of tala)							
Total revenue and grants	234.4	267.9	276.9	270.3	270.8	270.3	305.2
Total revenue	173.9	183.8	194.4	197.4	195.6	198.7	231.0
Tax	138.0	146.5	156.7	174.8	173.8	182.7	206.5
Nontax	36.0	37.3	37.7	22.5	21.8	16.0	24.5
External grants	60.5	34.1	82.4	73.0	75.2	71.6	74.2
Total expenditure and net lending	221.6	265.8	282.0	289.6	293.8	288.0	322.8
Current expenditure	142.1	164.0	169.7	164.6	180.6	183.3	207.3
Salaries and wages	62.5	62.4	66.1	64.4	74.7	74.7	75.5
Interest payments	4.0	4.3	4.3	5.4	4.5	4.1	4.8
External	3.7	4.0	4.1	5.3	4.5	4.1	4.8
Domestic	0.3	0.2	0.1	0.1	0.0	0.0	0.0
Other	75.6	97.3	99.3	94.9	101.4	104.4	127.0
Development expenditure 2/	71.3	85.2	92.9	111.0	100.8	83.7	103.8
Net lending 3/	8.2	16.6	19.4	13.9	12.3	21.1	11.7
Overall balance	12.9	2.1	-5.1	-19.3	-23.0	-17.7	-17.5
Overall balance (excluding grants)	-47.6	-82.0	-61.8	-84.3	-98.2	-109.9	-91.7
Financing	-12.9	-2.1	5.2	19.2	23.0	17.8	17.5
External financing (net)	3.1	3.6	1.5	1.7	20.3	11.8	16.1
Disbursement	10.8	11.0	10.4	13.3	35.6	23.9	29.6
Amortization	7.7	7.4	8.9	11.6	15.3	12.1	13.6
Domestic financing (net)	-16.0	-5.8	3.7	17.6	2.7	6.0	1.4
Banking system 4/	-25.7	-4.8	0.1	12.0	0.0	-3.5	0.0
Nonbanks and others	9.6	-1.0	3.6	5.6	2.7	9.5	1.4
(In percent of GDP)							
Total revenue and grants	36.1	40.0	37.9	32.9	31.6	31.4	32.4
Total revenue	26.8	27.4	26.6	24.0	22.7	23.1	24.5
Tax	21.3	21.8	21.5	21.3	20.2	21.2	21.9
Nontax	5.5	5.6	5.2	2.7	2.5	1.9	2.6
External grants	9.3	12.5	11.3	8.9	8.8	8.3	7.9
Total expenditure and net lending	34.1	39.6	38.6	35.3	34.3	33.5	34.3
Current expenditure	21.9	24.4	23.2	20.0	21.0	21.3	22.0
Salaries and wages	9.6	9.3	9.1	7.8	8.7	8.7	8.0
Interest payments	0.6	0.6	0.6	0.7	0.5	0.5	0.5
External	0.6	0.6	0.6	0.6	0.5	0.5	0.5
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Development expenditure 2/	11.0	12.7	12.7	13.5	11.8	9.7	11.0
Net lending 3/	1.3	2.5	2.7	1.7	1.4	2.5	1.2
Overall balance	2.0	0.3	-0.7	-2.3	-2.7	-2.1	-1.9
Overall balance (excluding grants)	-7.3	-12.2	-12.0	-11.2	-11.5	-10.4	-9.7
Financing	-2.0	-0.3	0.7	2.3	2.7	2.1	1.9
External financing (net)	0.5	0.5	0.2	0.2	2.4	1.4	1.7
Domestic financing (net)	-2.5	-0.9	0.5	2.1	0.3	0.7	0.2
Banking system 4/	-4.0	-0.7	0.0	1.5	0.0	-0.4	0.0
Nonbanks and others	1.5	-0.2	0.5	0.7	0.3	1.1	0.2
Memorandum items:							
Nominal GDP (in millions of tala)	649.0	670.6	730.0	821.5	860.1	860.1	941.7

Sources: Treasury Department of Samoa; and Fund staff estimates.

1/ Fiscal year begins on July 1.

2/ Primarily foreign-financed development expenditure.

3/ Includes loans and advances to public enterprises, capital subscriptions, and land purchases.

4/ Includes revaluation of Treasury's foreign assets.

Table 8. Samoa: Revenue of the Central Government, 1997/98–2002/03

	1997/98	1998/99	1999/00	2000/01	2001/02		2002/03
					Budget	Actual	
(in millions of tala)							
Tax revenue	138.0	146.5	156.7	174.8	173.8	182.7	206.6
Income tax	29.5	31.0	35.8	38.9	35.8	38.6	41.9
Excise tax	25.8	41.1	47.5	51.5	53.6	55.4	61.8
Domestic excise	21.6	23.8	26.4	28.4	27.8	31.2	34.2
Import excise	4.2	17.3	21.0	23.1	25.9	24.2	27.6
Taxes on international trade	47.9	31.2	28.9	30.8	31.0	33.3	30.4
Import duties	44.7	29.1	28.9	30.8	31.0	33.3	30.4
Foreign exchange levy 1/	3.2	2.1	0.0	0.0	0.0	0.0	0.0
VAGST	32.0	38.0	41.3	50.2	49.5	50.9	67.5
Domestic 2/	6.81	6.2	7.4	11.0	11.1	9.9	17.3
Imports	31.2	35.9	39.2	44.4	43.6	46.1	56.9
Refunds	6.0	4.1	5.2	5.2	5.2	5.0	6.7
Other taxes	2.8	5.2	3.3	3.5	4.0	4.5	5.0
Business licences	0.5	0.7	0.8	1.0	0.9	0.9	0.9
Petroleum levy	1.6	3.6	1.3	1.2	2.0	2.6	3.1
Stamp duty	0.7	0.9	1.2	1.4	1.1	1.0	1.0
Other	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Nontax revenue	36.0	37.3	37.7	22.5	21.8	16.0	24.5
Fees, services charges, etc.	9.7	14.2	13.3	15.9	19.8	12.5	21.5
Departmental enterprises	19.6	14.9	0.0	-0.3	-0.4	-0.6	-0.2
Rents, royalties, international investments	6.7	9.2	24.3	6.9	2.4	4.0	3.3
Sale of government supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	-1.0	0.0	0.0	0.0	0.0	0.0
Total revenue	173.9	183.8	194.4	197.4	195.6	198.7	231.1
(in percent of GDP)							
Tax revenue	21.3	21.8	21.5	21.3	20.2	21.2	21.9
Income tax	4.5	4.6	4.9	4.7	4.2	4.5	4.4
Excise tax	4.0	6.1	6.5	6.3	6.2	6.4	6.6
Domestic excise	3.3	3.5	3.6	3.5	3.2	3.6	3.6
Import excise	0.6	2.6	2.9	2.8	3.0	2.8	2.9
Taxes on international trade	7.4	4.7	4.0	3.7	3.6	3.9	3.2
Import duties	6.9	4.3	4.0	3.7	3.6	3.9	3.2
Foreign exchange levy 1/	0.5	0.3	0.0	0.0	0.0	0.0	0.0
VAGST	4.9	5.7	5.7	6.1	5.8	5.9	7.2
Domestic 2/	1.0	0.9	1.0	1.3	1.3	1.1	1.8
Imports	4.8	5.4	5.4	5.4	5.1	5.4	6.0
Refunds	0.9	0.6	0.7	0.6	0.6	0.6	0.7
Other taxes	0.4	0.8	0.4	0.4	0.5	0.5	0.5
Business licences	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Petroleum levy	0.3	0.5	0.2	0.1	0.2	0.3	0.3
Stamp duty	0.1	0.1	0.2	0.2	0.1	0.0	0.1
Other	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Nontax revenue	5.5	5.6	5.2	2.7	2.5	1.9	2.6
Fees, services charges, etc.	1.5	2.1	1.8	1.9	2.3	1.5	2.3
Departmental enterprises	3.0	2.2	0.0	0.0	0.0	-0.1	0.0
Rents, royalties, international investments	1.0	1.4	3.3	0.8	0.3	0.5	0.3
Sale of government supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Total revenue	26.8	27.4	26.6	24.0	22.7	23.1	24.5

Source: Treasury Department of Samoa.

1/ Foreign exchange levy was removed in 1999.

2/ Excludes VAGST payable by government departments.

Table 9. Samoa: Current Expenditure Classified by Function, 1997/98-2002/03

	1997/98	1998/99	1999/00	2000/01	2001/02		2002/03
					Budget	Actual	Budget
(In millions of tala)							
General services	50.3	59.5	62.6	56.1	62.1	61.7	72.7
General administration	39.0	47.6	50.0	42.0	48.2	47.6	57.6
Law and order	11.3	11.9	12.5	14.1	13.9	14.1	15.2
Social services	63.6	70.4	75.4	75.5	80.7	86.3	91.3
Education	32.0	35.1	37.2	37.3	41.7	43.5	47.7
Health	24.8	27.7	30.2	29.2	29.0	34.4	32.1
Social security and pensions	6.8	7.6	8.0	9.0	10.0	10.5	11.5
Economic services	37.0	40.4	37.8	39.2	43.9	42.9	49.5
Agriculture	9.0	9.5	9.9	9.5	10.8	10.9	11.4
Public works	18.6	21.1	18.9	20.8	23.1	22.2	27.2
Transportation	2.4	2.7	1.8	1.2	1.5	0.7	1.6
Labor	0.7	0.8	0.8	0.9	1.1	1.0	1.3
Lands and survey	4.8	5.1	4.8	5.2	5.9	6.6	6.6
Lands and titles	1.4	1.3	1.6	1.5	1.6	1.6	1.6
VAGST payable by government departments	-13.5	-11.9	-15.4	-12.6	-14.3	-14.2	-16.3
Other expenditure 1/	4.7	5.5	9.3	6.6	8.2	6.5	10.0
Total current expenditure	142.1	164.0	169.7	164.6	180.6	183.3	207.3
(In percent of total current expenditure)							
General services	35.4	36.3	36.9	34.0	34.4	33.7	35.1
General administration	27.4	29.0	29.5	25.5	26.7	26.0	27.8
Law and order	8.0	7.3	7.4	8.5	7.7	7.7	7.3
Social services	44.8	43.0	44.5	45.8	44.7	47.1	44.0
Education	22.5	21.4	21.9	22.7	23.1	22.6	23.0
Health	17.5	16.9	17.8	17.7	16.1	18.8	15.5
Social security and pensions	4.8	4.6	4.7	5.5	5.5	5.7	5.5
Economic services	26.0	24.7	22.3	23.8	24.3	23.4	23.9
Agriculture	6.3	5.8	5.9	5.8	6.0	5.9	5.5
Public works	13.1	12.9	11.1	12.6	12.8	12.1	13.1
Transportation	1.7	1.6	1.1	0.7	0.8	0.4	0.8
Labor	0.5	0.5	0.5	0.6	0.6	0.5	0.6
Lands and survey	3.3	3.1	2.8	3.1	3.2	3.6	3.2
Lands and titles	1.0	0.8	0.9	0.9	0.9	0.9	0.8
VAGST payable by government departments	-9.5	-7.2	-9.1	-7.7	-7.9	-7.7	-7.8
Other expenditure 1/	3.3	3.3	5.5	4.0	4.5	3.5	4.8
Total current expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Treasury Department of Samoa.

1/ Residual; includes interest payments on public debt.

Table 10. Samoa: External Grants by Donors and Loan Disbursements, 1998/99–2002/03

	1998/99	1999/00	2000/01	2001/02	2002/03 Budget
	(In millions of tala)				
External Grants	84.1	82.4	73.0	71.6	74.2
New Zealand	10.1	11.5	13.1	9.1	12.2
Australia	23.4	26.1	25.7	22.9	20.3
European Development Fund	2.0	35.8	10.0	27.5	4.1
Japan	37.8	...	8.4	5.1	30.7
United Nations Development Program	4.3	2.5	3.4	2.3	2.7
Other 1/	6.5	6.5	12.4	4.7	4.2
Loan Disbursements	11.0	10.4	13.3	23.9	29.6
Memorandum Item:					
External grant expenditures abroad 2/	82.9	80.3	70.7	69.9	77.2

Source: Treasury Department of Samoa.

1/ Includes grants from China, WHO, Canada, UNESCO, UNICEF, Germany, and France.

2/ Includes expenditure on scholarship awards, ISPs, and consultants for which direct payment are made by donors.

Table 11. Samoa: Public Enterprises and Statutory Authorities, 1997-2002

	Share of Government Ownership						Employment						Capital Injections and Advances					
	1997	1998	1999	2000	2001	2002	1997	1998	1999	2000	2001	2002	1997	1998	1999	2000	2001	2002
	(In percent)						(Number of persons)						(In millions of tala)					
Nonfinancial public enterprises																		
Agriculture Store	100	100	100	100	100	100	60	59	58	53	46	42	0.0	0.0	0.0	0.0	0.0	0.0
Computer Services Limited	40	40	40	40	40	40	26	32	35	32	33	33	0.0	0.0	0.0	0.0	0.0	0.0
Electric Power Corporation	100	100	100	100	100	100	432	432	390	385	434	439	3.0	0.0	6.6	2.4	3.9	1.5
Polynesian Ltd. (Holdings)	100	100	100	100	100	100	341	350	392	373	383	383	10.0	10.0	10.0	10.0	8.8	15.0
Post Office and Telecom	100	100	100	100	100	100	...	200	205	180	188	213	0.0	0.0	5.2	15.8	0.0	0.0
Rothmans Tobacco	40	40	40	40	0	0	38	34	34	34	...	...	0.0	0.0	0.0	0.0	0.0	0.0
Samoa Coconut Oil Product Ltd.	100	100	100	100	100	100	...	...	...	...	...	...	0.0	0.0	0.0	0.0	0.0	0.0
Samoa Forest Corporation	40	40	40	40	40	40	55	55	55	55	52	55	0.0	0.0	0.0	0.0	0.0	0.0
Samoa Land Corporation	100	100	100	100	100	100	15	15	37	58	72	72	0.0	0.0	0.0	0.0	0.0	0.0
Special Projects Development	100	100	100	0	0	0	55	...	...	...	...	...	0.0	0.0	0.0	0.0	0.0	0.0
Televise Samoa	100	100	100	100	100	100	27	28	42	35	41	34	0.7	0.5	0.6	0.5	1.2	0.4
Samoa Brewery	67	67	15.5	15.5	15.5	15.5	138	74	158	146	163	160	0.0	0.0	0.0	0.0	0.0	0.0
Samoa Visitors Bureau	100	100	100	100	100	100	...	...	29	28	30	31	3.0	2.5	2.5	2.5	2.5	2.7
Samoa Water Authority	100	100	100	100	100	100	227	177	154	150	146	132	5.0	5.0	5.5	4.6	6.1	6.1
Samoa Shipping Corporation	100	100	100	100	100	100	137	126	132	120	136	136	0.8	0.0	0.0	0.0	0.0	0.0
WS Trust Estates Corporation	100	100	100	100	100	100	159	140	142	131	128	130	0.0	0.0	0.0	0.0	0.0	0.0
Other Government Equity Participants																		
Brugger	20	20	20	20	0	0	159	140	142	...	...	...	0.0	0.0	0.0	0.0	0.0	0.0
Hellaby	9	9	9	9	9	9	26	26	27	26	45	47	0.0	0.0	0.0	0.0	0.0	0.0
Pacific Forum Line	7	7	7	7	7	7	...	...	...	...	...	...	0.0	0.0	0.0	0.0	0.0	0.0
Samoa Iron and Steel	4	4	0	0	0	0	12	13	...	...	...	...	0.0	0.0	0.0	0.0	0.0	0.0
BOC-Gases	17	17	17	0	0	0	159	140	142	...	...	...	0.0	0.0	0.0	0.0	0.0	0.0
Public financial institutions																		
Central Bank of Samoa	100	100	100	100	100	100	86	81	85	90	83	82	0.0	0.0	0.0	0.0	0.0	0.0
Development Bank of Samoa	100	100	100	100	100	100	114	118	116	118	117	120	0.0	0.0	0.0	0.0	0.0	0.0
Housing Corporation	100	100	100	100	100	100	15	17	17	17	17	17	0.5	0.5	0.5	0.5	0.4	0.4
National Pacific Insurance	30	30	30	30	30	30	30	30	33	14	13	13	0.0	0.0	0.0	0.0	0.0	0.0
National Provident Fund	100	100	100	100	100	100	122	120	119	132	190	160	0.0	0.0	0.0	0.0	0.0	0.0
Samoa Life Assurance Corporation	100	100	100	100	100	100	46	49	49	49	54	51	0.0	0.0	0.0	0.0	0.0	0.0
Total							2,479	2,456	2,593	2,226	2,371	2,350	23.0	18.5	30.9	36.3	22.9	26.1

Table 12. Samoa: Structure of the Financial System, 1997–2002

	1997	1998	1999	2000	2001	2002 Sep.
	(Share of total assets; in percent)					
Monetary authorities 1/	21.0	19.2	17.1	14.6	13.7	14.9
Commercial banks	41.1	40.4	44.5	45.0	44.4	44.0
ANZ (Samoa)	28.8	26.5	28.6	28.5	27.4	26.6
Westpac (Samoa) 2/	9.7	10.4	13.0	12.9	12.9	12.6
National Bank of Samoa	2.6	3.5	2.9	3.6	4.1	4.8
Nonmonetary financial institutions	38.0	40.4	38.4	40.4	41.8	41.2
National Provident Fund	21.5	23.2	22.1	24.5	25.5	25.3
Development Bank of Samoa	7.8	8.1	7.5	7.4	7.7	7.3
National Pacific Insurance Ltd.	2.4	2.8	2.8	2.8	3.3	3.1
Samoa Life Assurance Corporation	3.1	3.2	2.8	2.7	2.6	2.9
Public Trust Office	1.3	1.2	1.2	1.1	1.2	1.0
Housing Corporation	1.9	1.9	1.9	1.8	1.6	1.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
	(Share of total domestic credit; in percent) 3/					
Monetary authorities 1/	-18.2	-23.9	-19.4	-16.8	-13.6	-10.8
Commercial Banks	56.1	60.3	62.4	64.5	66.7	61.7
ANZ (Samoa)	38.4	39.3	42.3	42.8	43.7	38.1
Westpac (Samoa) 2/	13.8	16.1	16.1	17.2	17.8	17.7
National Bank of Samoa	3.9	4.6	4.0	4.4	5.2	5.9
Nonmonetary financial institutions	62.7	63.3	56.5	51.9	46.4	49.1
National Provident Fund	32.9	34.4	31.3	28.6	26.4	30.3
Development Bank of Samoa	18.4	17.9	15.3	14.3	14.2	12.6
National Pacific Insurance Ltd.	-	-	-	-	-	-
Samoa Life Assurance Corporation	4.0	4.0	3.3	3.0	2.7	3.0
Public Trust Office	2.7	2.5	2.6	2.2	-	-
Housing Corporation	4.6	4.5	4.0	3.7	3.1	3.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
Memorandum item:						
Total assets (millions of tala)	641.7	685.4	792.1	878.7	944.3	1,009.0
Total domestic credit (millions of tala)	256.8	277.8	345.4	390.0	436.7	479.3

Source: Central Bank of Samoa.

1/ Includes monetary assets of the Treasury.

2/ Westpac assumed full control of the Pacific Commercial Bank in May 2001.

3/ Gross credit extended to government, nonfinancial public enterprises, and the private sector, except Treasury claims on Government which are recorded net of liabilities.

Table 13. Samoa: Monetary Survey, 1997/98–2002/03

	1997/98	1998/99	1999/00	2000/01				2001/02				2002/03	
				Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
(In millions of tala, unless indicated otherwise)													
Net foreign assets	169.9	177.1	178.6	176.4	186.0	181.9	179.9	170.4	174.8	166.5	182.2	178.4	177.6
Monetary authorities 1/	159.6	156.9	164.3	156.6	159.3	161.3	157.2	149.2	155.2	152.5	175.7	172.8	171.1
Commercial banks	10.3	20.2	14.3	19.8	26.7	20.6	22.7	21.2	19.6	14.0	6.5	5.6	6.5
Net domestic assets	26.9	49.2	78.0	96.7	104.0	118.6	128.3	140.2	132.8	141.3	137.0	149.8	160.2
Domestic credit	60.1	86.8	116.9	142.7	154.1	166.0	178.2	192.1	186.7	195.3	197.0	206.4	219.0
Government (net)	-97.6	-104.7	-101.5	-89.6	-97.6	-91.6	-89.5	-83.7	-96.7	-91.4	-93.0	-89.3	-94.3
Monetary authorities 1/	-83.2	-100.1	-98.8	-80.4	-80.1	-82.8	-77.1	-74.2	-88.6	-84.4	-84.1	-85.7	-81.9
Commercial banks	-14.47	-4.7	-2.8	-9.1	-17.5	-8.8	-12.5	-9.5	-8.1	-7.0	-9.0	-3.6	-12.4
Nonfinancial public enterprises	2.9	10.8	11.9	13.8	18.7	19.3	17.7	17.6	16.7	15.7	15.1	14.6	18.3
Nonbank financial institutions	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.3
Claims on private sector	154.7	180.7	206.5	218.3	233.0	238.3	249.9	258.1	266.6	270.9	274.7	281.1	294.7
Other items (net)	-33.2	-37.6	-38.8	-46.0	-50.2	-47.4	-49.9	-51.9	-53.9	-54.1	-59.9	-56.7	-58.8
Broad money	196.8	226.3	256.6	273.0	289.9	300.5	308.3	310.7	307.6	307.8	319.2	328.3	336.0
Narrow money	54.0	68.1	80.6	85.4	93.3	99.6	88.7	88.7	86.8	81.8	92.3	88.4	95.6
Currency outside banks	18.2	19.4	22.6	22.5	28.9	23.6	23.3	24.5	30.0	25.7	26.1	23.6	32.6
Demand deposits	35.8	48.7	58.0	62.9	64.4	76.0	65.3	64.1	56.9	56.1	66.2	64.8	63.0
Quasi-money	142.8	158.2	176.0	187.6	196.7	200.9	219.6	222.0	220.8	226.0	226.9	239.9	240.4
Savings deposits	30.9	33.0	36.5	38.6	37.5	38.4	40.4	43.7	40.3	42.4	45.5	47.4	44.9
Time deposits	111.9	113.7	124.0	129.0	132.7	144.7	156.6	151.0	160.5	165.1	171.4	180.2	184.5
Foreign currency deposits	...	11.5	15.4	20.1	26.5	17.8	22.7	27.3	20.0	18.5	10.1	12.3	11.1
Memorandum items:													
Annual percent change 2/													
Broad money	8.3	15.0	13.4	19.9	22.7	20.4	20.1	13.8	6.1	2.4	3.6	5.7	9.2
Narrow money	-2.2	26.0	18.4	16.7	16.1	34.8	10.0	3.8	-6.9	-17.9	4.1	-0.3	10.1
Private sector credit	17.4	16.8	14.3	24.9	28.9	27.3	28.4	18.3	14.4	13.7	9.9	8.9	10.5
Contribution to broad money growth (in percent) 2/													
Net foreign assets	21.4	3.7	0.6	5.3	3.9	-0.1	-1.2	-2.2	-3.8	-5.1	0.7	2.6	0.9
Net domestic assets	-12.3	11.3	12.8	23.8	24.2	25.8	24.9	16.0	9.9	7.5	2.8	3.1	8.9
Nonbank financial institutions													
Deposits	36.8	33.5	42.3	44.3	45.7	52.1	51.7	53.6	50.5	53.9	60.9	61.8	58.7
Credit to the private sector	161.0	182.5	197.6	200.3	201.0	204.1	208.3	201.8	202.5	208.4	211.0	214.1	222.2

Source: Central Bank of Samoa.

1/ Includes Treasury's monetary accounts.

2/ For quarterly data, the annual change is calculated relative to the respective quarter of the previous year.

Table 14. Samoa: Summary Accounts of the Monetary Authorities, 1997/98–2002/03

(In millions of tala; end of period)

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	
						Sep.	Dec.
Foreign assets (net)	159.7	161.8	171.0	164.4	182.5	179.2	178.3
Foreign assets	162.4	159.3	167.6	160.8	179.1	176.0	174.8
Treasury	66.7	73.7	83.9	62.8	57.4	57.1	55.0
Central Bank of Samoa	95.7	85.7	83.8	98.0	121.8	118.9	119.8
Foreign liabilities	2.8	2.5	3.4	3.6	3.4	3.2	3.5
Treasury 1/	2.7	2.3	2.9	3.0	3.0	3.0	3.0
Central Bank of Samoa	0.0	0.1	0.5	0.6	0.4	0.2	0.5
Net domestic assets	-104.8	-119.0	-122.1	-107.9	-121.1	-112.8	-97.2
Claims on government (net)	-83.2	-100.1	-98.8	-77.1	-84.1	-85.7	-81.9
Claims on government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government deposits	83.2	100.1	98.8	77.1	84.1	85.7	81.9
Treasury	64.0	71.3	81.0	59.8	54.4	54.1	52.0
Central Bank of Samoa	19.2	28.8	17.8	17.3	29.7	31.6	29.9
Claims on commercial banks	0.3	0.1	0.2	0.9	0.2	0.1	0.4
Other items (net)	-21.9	-19.0	-23.5	-31.8	-37.2	-27.2	-15.7
Central bank securities	-26.3	-21.0	-28.4	-35.2	-38.7	-29.8	-16.3
Capital and reserves	-25.3	-25.7	-24.5	-24.4	-26.0	-24.7	-26.3
Other assets	31.6	31.6	30.9	29.1	27.6	28.0	27.4
Other liabilities	-1.9	-4.0	-1.4	-1.4	-0.1	-0.7	-0.5
Reserve money	58.3	37.8	42.2	49.3	54.7	60.1	73.9
Notes in circulation	21.6	19.4	22.6	23.3	26.1	23.6	32.6
Commercial banks reserves	36.7	18.4	19.7	26.0	28.6	36.5	41.3
Cash in vault	3.4	3.6	4.1	5.0	6.2	8.4	13.1
Required deposit	8.8	9.6	11.0	13.1	13.8	13.9	14.5
Other deposit	24.5	5.2	4.6	7.9	8.6	14.2	13.7

Source: Central Bank of Samoa.

1/ IMF accounts.

Table 15. Samoa: Balance Sheet of the Commercial Banks, 1997/98–2002/03

(In millions of tala: end of period)

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	
						Sep.	Dec.
Net foreign assets	10.3	20.2	14.3	22.7	6.5	5.6	4.7
Assets	16.3	27.0	35.7	47.7	32.1	27.9	26.2
Liabilities	6.0	6.8	21.4	25.0	25.7	22.3	21.5
Net domestic assets	186.7	175.2	219.9	263.0	286.8	299.1	298.3
Domestic credit	141.7	185.3	213.9	253.3	279.0	289.9	298.6
Government (net)	-14.5	-4.7	-2.8	-12.5	-9.0	-3.6	-12.4
Claims	0.0	11.2	12.0	0.0	4.5	2.4	0.0
Government deposits	14.5	15.9	14.8	12.5	13.5	6.0	12.4
Nonfinancial public enterprises	3.0	10.8	11.9	17.8	15.2	14.6	18.3
Nonmonetary financial institutions	0.1	0.1	0.1	0.1	0.1	0.1	0.3
Private sector	153.0	179.1	204.7	247.9	272.6	278.8	292.4
Claims on central bank (net)	62.9	39.0	47.9	60.2	66.3	65.3	56.9
Central bank securities	26.3	20.7	28.4	35.2	37.9	28.9	16.0
Balances with central bank	33.3	14.8	15.6	21.0	22.4	28.1	28.2
Required	8.8	9.6	11.0	13.1	13.8	13.9	14.5
Other	24.5	5.2	4.6	7.9	8.6	14.2	13.7
Cash on hand	3.4	3.6	4.1	5.0	6.2	8.4	13.1
Central bank deposits	-0.1	-0.1	-0.2	-0.9	-0.2	-0.1	-0.4
Other items, (net)	-17.9	-49.1	-41.8	-50.5	-58.6	-56.1	-57.2
Capital and reserves 1/	-29.9	-46.1	-52.3	-47.2	-47.3	-46.0	-50.7
Other assets	33.3	42.2	47.9	42.8	49.6	55.3	54.8
Other liabilities	-21.3	-45.3	-37.5	-46.1	-60.9	-65.4	-61.3
Deposits	184.7	206.9	234.0	284.9	293.2	304.6	303.4
Demand deposits	35.8	48.7	58.0	65.3	66.2	64.8	63.0
Private sector	27.4	35.2	39.7	47.4	48.9	51.1	47.3
Other 2/	8.4	13.5	18.4	17.9	17.3	13.7	15.7
Savings deposits	30.9	33.0	36.5	40.4	45.5	47.4	44.9
Time deposits	111.9	113.7	124.0	156.6	171.4	180.2	184.4
Private sector	51.0	56.2	63.2	87.8	96.3	101.9	107.3
Other 2/	60.9	57.5	60.8	68.8	75.1	78.3	77.1
Foreign currency deposits	6.0	11.5	15.4	22.7	10.1	12.3	11.1

Source: Central Bank of Samoa.

1/ Excludes provisions for specific purposes.

2/ Nonfinancial public enterprises and nonmonetary financial institutions.

Table 16. Samoa: Credit to the Private Sector, 1997/98–2002/03

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	
						Sep.	Dec.
(In millions of tala, end of period)							
Commercial banks	153.0	179.1	204.7	247.9	272.8	279.0	311.0
Agriculture	2.4	4.1	4.1	7.2	9.8	8.0	8.4
Manufacturing	26.3	25.3	26.1	18.2	18.1	19.1	19.6
Building, construction, and installation	63.4	69.7	82.0	116.2	125.2	126.7	134.7
Electricity, gas, and water	0.1	0.3	0.3	0.9	1.3	1.9	7.6
Trade	14.8	28.9	36.4	48.0	53.0	50.8	51.1
Transportation, storage, and communication	8.1	10.3	11.4	12.8	12.7	14.7	24.4
Professional and business services	17.2	23.3	22.6	26.1	30.2	35.1	37.3
Other	20.8	17.2	21.7	18.5	22.5	22.7	27.9
Nonmonetary financial institutions	161.0	182.5	197.6	208.3	218.7	214.1	222.3
Agriculture	23.5	24.6	29.4	34.8	35.7	28.3	30.4
Manufacturing	7.5	7.3	6.2	6.3	7.3	7.2	6.9
Building, construction, and installation	77.9	90.5	101.7	106.2	62.3	62.6	63.7
Electricity, gas, and water	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Trade	17.3	21.6	22.2	23.3	24.8	25.6	25.4
Transportation, storage, and communication	4.6	6.5	8.2	9.6	10.9	12.6	12.2
Professional and business services	7.4	7.0	6.2	5.1	11.7	11.1	11.0
Other	22.8	24.9	23.5	23.0	66.0	66.5	72.6
Total	314.0	361.5	402.3	456.1	491.4	493.1	533.3
(Annual percent change) 1/							
Agriculture	16.7	10.8	16.9	25.2	8.3	-14.6	-13.2
Manufacturing	8.1	-3.5	-0.8	-24.3	3.7	4.4	6.4
Building, construction, and installation	17.8	13.4	14.7	21.0	-15.7	-17.9	-15.6
Electricity, gas, and water	-55.0	255.6	0.0	165.6	58.8	53.8	150.0
Trade	-6.4	57.0	16.2	21.7	9.1	6.4	-0.6
Transportation, storage, and communication	14.1	32.2	17.1	13.9	5.2	22.4	61.9
Professional and business services	0.3	23.8	-5.0	8.0	34.4	54.0	47.3
Other	10.3	-3.4	7.3	-8.1	113.2	161.6	252.6
Total	11.0	15.1	11.3	13.4	7.7	6.0	14.2
Commercial banks	17.3	17.0	14.3	21.1	10.1	8.9	17.6
Nonmonetary financial institutions	5.5	13.3	8.3	5.4	5.0	2.3	9.7

Source: Central Bank of Samoa

1/ Refers to total credit extended to each sector.

Table 17. Samoa: Interest Rates, 1997/98–2001/02

(In percent per annum; end of period)

	1997/98	1998/99	1999/00	2000/01	2001/02
Commercial banks					
Deposit rates (weighed average) 1/	5.1	5.1	4.7	4.5	4.5
Savings deposits	3.0	3.0	3.0	3.0	3.0
Time deposits					
3 months	5.5	5.5	5.5	5.8	5.8
6 months	6.5	6.5	6.5	6.4	6.4
12 months	7.5	7.5	7.5	7.3	7.3
24 months	7.5	7.5	7.5	7.3	7.3
Lending rates 1/ 2/	12.9	12.6	12.3	11.7	11.5
Average spread	7.8	7.6	7.6	7.2	7.0
National Provident Fund					
Lending rates	12.0–14.0	12.0–14.0	12.0–14.0	12.0–14.0	12.0–14.0
Public Trust Office	12.0–15.0	12.0–15.0	12.0–15.0	12.0–15.0	12.0–15.0
Samoa Life Assurance Corporation	10.0–14.0	10.0–14.0	10.0–14.0	12.0–15.0	12.0–15.0
Central Bank securities 1/	5.7	5.93–7.19	5.78–6.61	4.73–7.00	3.00–7.06

Source: Data provided by the Samoan authorities.

1/ Interest rates are presented as average weighted rates from January 1, 1998 onward (given the removal of interest rates ceilings on that date). Prior to January 1998, the regulated rates are presented.

2/ Includes lending to public enterprises, private businesses, and individuals.

Table 18. Samoa: International Liquidity, 1997/98–2002/03
(In millions of U.S dollars, end of period)

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	
						Sep.	Dec.
Foreign assets	53.0	61.7	63.4	59.3	64.3	60.9	62.6
Official reserves	47.8	52.8	52.3	45.7	54.5	52.5	54.4
Treasury 1/	17.0	24.4	26.2	17.9	17.5	17.1	17.2
Deposits	13.3	15.7	17.3	8.1	6.3	5.8	5.2
Sinking fund	4.5	4.8	4.9	6.0	7.1	7.2	7.8
SDR holdings	3.7	3.9	3.9	3.7	4.1	4.0	4.2
Central Bank of Samoa	30.8	28.4	26.1	27.8	37.1	35.5	37.2
Commercial banks	5.2	8.9	11.1	13.6	9.8	8.3	8.1
Foreign liabilities	2.8	3.1	7.7	8.1	8.9	7.6	7.8
Treasury	0.0	0.0	0.1	0.2	0.1	0.0	0.2
Central Bank of Samoa	0.9	0.8	0.9	0.8	0.9	0.9	0.9
Commercial banks	1.9	2.2	6.7	7.1	7.8	6.7	6.7
Net foreign assets of the monetary system	50.2	58.7	55.7	51.1	55.4	53.3	54.8
Treasury	21.4	24.4	26.0	17.7	17.3	17.0	17.0
Central Bank of Samoa	29.9	27.6	25.2	27.0	36.1	34.6	36.3
Commercial banks	3.3	6.7	4.5	6.5	2.0	1.7	1.5
Contingent import liabilities 2/	3.6	5.9	2.6	3.2	5.1	5.6	5.1
Adjusted net foreign assets 3/	46.6	52.8	53.1	47.9	50.3	47.7	49.7
Memorandum items:							
Tala per U.S dollar (end period)	3.1	3.0	3.2	3.5	3.3	3.4	3.2

Source: Central Bank of Samoa.

1/ Excluding Sinking Fund.

2/ Results from the requirement, prescribed from time to time by the Central Bank, to open a letter of credit for imports in excess of consignment values.

3/ Adjusted for contingent import liabilities.

Table 19. Samoa: Balance of Payments, 1997/98–2002/03

	1997/98	1998/99	1999/00	2000/01	2001/02	2001/02 H1	2002/03 H1
(In millions of U.S. dollars, unless indicated otherwise)							
Current account balance	22.2	4.5	2.3	0.3	-2.3	-4.3	0.2
(in percent of GDP)	9.5	2.0	1.0	0.1	-0.9	...	...
Merchandise trade balance 1/	-73.5	-99.6	-83.9	-105.9	-119.6	-59.8	-61.1
Exports, fob	17.8	15.9	17.2	14.5	14.3	7.8	7.3
Fish	3.3	9.5	10.1	9.2	9.6	5.2	4.3
Other	14.5	6.5	7.0	5.3	4.8	2.6	3.0
Imports, cif 2/	91.3	115.5	101.0	120.4	134.0	67.6	68.4
Oil	8.8	12.5	13.1	17.9	13.7	7.1	9.8
Non-oil	82.5	103.0	88.0	102.6	120.3	60.5	58.6
Services and income balance	33.0	35.3	30.7	42.3	44.6	21.5	22.7
Travel	33.5	36.0	37.6	38.2	39.7	21.2	23.8
Export processing 3/	7.0	4.9	3.9	4.3	4.0	1.7	3.5
Other services	-7.4	-5.4	-9.4	2.4	0.7	-1.2	-1.9
Investment income	-0.2	-0.1	-1.5	-2.6	0.2	-0.2	-2.7
Current transfers	62.7	68.7	55.5	64.0	72.7	34.0	38.6
Official transfers	23.3	31.4	12.9	20.8	22.2	9.7	10.4
Private transfers	39.4	37.3	42.6	43.2	50.5	24.3	28.2
Financial and capital account	-24.3	-3.9	-3.0	-6.9	11.1	3.2	-0.4
Official loans	1.0	1.2	0.5	0.5	3.6	3.7	1.9
Disbursements	3.5	3.6	3.2	3.8	7.3	3.7	1.9
Repayments	2.5	2.4	2.8	3.3	3.7	0.0	0.0
Government-guaranteed loans	-4.5	-3.4	-3.3	-2.9	-2.5	-1.8	-0.5
Commercial banks 4/	-2.5	-3.4	2.2	-2.0	4.5	1.0	0.5
Other (including errors and omissions)	-18.3	1.7	-2.5	-2.4	5.5	0.4	-2.4
Overall balance 5/	-2.1	0.6	-0.7	-6.6	8.8	-1.1	-0.3
Memorandum items:							
Gross official reserves	52.3	52.8	52.3	45.7	54.5	44.6	54.4
(In months of next year's merchandise imports)	5.4	6.3	5.2	4.1	4.7	7.9	9.5
(In months of next year's imports of goods and nonfactor services)	4.5	5.0	4.5	3.6	4.0	...	...
External debt	146.8	146.5	148.0	143.6	153.7	...	...
(In percent of GDP)	62.6	66.1	63.0	60.0	62.0	...	...
Public external debt service ratio 6/	10.5	9.4	10.0	8.8	9.2	...	...
Nominal GDP (in millions of dollars)	234.3	221.8	234.8	239.1	247.8	...	...

Sources: Data provided by the Samoan authorities; and Fund staff estimates.

1/ Excludes trade data for Yazaki Samoa Limited and imports by foreign diplomatic missions located in Samoa.

2/ Imports in 2001/02 include exceptional capital imports (eight shipping vessels and machinery for the extension of the port) amounting to \$8.6 million.

3/ Comprises net exports of Yazaki.

4/ Equals change in net foreign assets of commercial banks.

5/ Equals change in net foreign assets of the monetary authorities (including valuation effects).

6/ As a percent of exports of goods and nonfactor services. Includes debt service on government-guaranteed debt.

Table 20. Samoa: Exports by Commodity, 1997/98–2002/03

(In thousands of tala, unless otherwise noted) 1/

	1997/98	1998/99	1999/00	2000/01	2001/02	2001/02 H1	2002/03 H1
Fresh fish							
Volume (metric tons)	...	4,323	4,066	4,080	4,190	2,211	1,994
Value	17,385	33,547	31,298	31,614	33,110	18,328	14,252
Unit value	...	7,760	7,697	7,749	7,902	16,673	14,336
Garments							
Volume (000 pieces)	0	0	31	70	67	41	39
Value	0	0	1,453	4,785	5,485	3,521	2,481
Unit value (US\$/piece)	...	...	47	68	82	166	78
Copra							
Volume (long tons)	7,034	6,447	3,659	4,247	0	645	0
Value	6,617	6,198	2,995	1,735	0	291	0
Unit value (US\$/long ton)	941	961	819	409	...	451	...
Coconut oil							
Volume (metric tons)	3,858	239	2,293	0	1	1	177
Value	5,780	315	3,375	0	6	6	221
Unit value (US\$/ton)	1,498	1,318	1,472	...	6,020	6,000	7,000
Copra meal							
Volume (metric tons)	8,034	251	959	0	0	0	833
Value	6,617	46	153	0	0	0	204
Unit value (US\$/ton)	824	183	160	...	...	...	480
Coconut cream							
Volume (metric tons)	1,133	1,252	1,196	1,061	1,048	599	508
Value	3,928	5,122	3,694	3,360	3,276	1,805	1,634
Unit value (US\$/ton)	3,467	4,091	3,089	3,167	3,126	6,062	6,459
Other exports (value)							
Beer	1,817	2,993	2,750	2,881	3,319	1,601	2,199
Cigarettes	0	0	1,156	329	200	195	46
Soft drinks 2/	0	288	351	632	316	151	99
Timber	10	10	38	2	0	0	0
Kava	2,757	5,271	1,380	771	148	139	13
Other 3/	9,014	2,110	3,042	3,404	3,600	1,245	2,477
Total value	48,146	55,900	51,685	49,513	49,460	27,282	23,626
Reexports	252	403	1,472	338	197	139	423
Total, including reexports	48,398	56,303	53,157	49,851	15,161	27,421	24,049

Source: Central Bank of Samoa.

1/ Using period average exchange rates.

2/ Also includes soft drink concentrates.

3/ Includes sale of a used ship (7.2 million tala) in 1997/98.

Table 21. Samoa: Destination of Exports, 1997/98–2002/03 1/

(In percent of total)

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03 H1
Pacific	74.8	68.3	78.4	65.4	62.3	66.3
New Zealand	36.4	9.7	11.9	6.5	6.8	13.0
Australia	23.5	3.4	4.5	2.5	2.7	3.0
Fiji	13.5	1.0	0.2	0.0	0.0	0.1
American Samoa	1.1	52.0	57.5	55.1	52.3	50.0
Others	0.4	2.2	4.4	1.1	0.4	0.2
North America	15.2	18.6	14.6	27.7	32.6	28.3
United States	15.1	18.6	14.5	27.5	32.2	27.7
Europe	1.1	12.8	6.7	6.1	3.9	4.4
Germany	0.8	12.5	6.6	5.0	3.4	4.4
United Kingdom	0.2	0.0	0.0	0.1	0.1	0.0
Others	0.1	0.3	0.1	1.1	0.4	0.0
Asia	9.0	0.4	0.3	0.8	1.2	1.1
Japan	6.1	0.0	0.2	0.6	1.0	1.1
Others	2.8	0.4	0.2	0.2	0.1	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Customs Department of Samoa; and Central Bank of Samoa.

1/ Includes reexports.

Table 22. Samoa: Origin of Imports, 1997/98–2002/03 1/

(In percent of total)

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03 HI
Pacific	74.8	74.9	65.0	74.1	70.2	72.3
New Zealand	37.9	33.9	31.7	35.4	34.4	34.6
Australia	20.7	28.8	20.7	28.5	26.6	18.2
Fiji	15.0	11.1	11.6	9.4	8.7	18.5
American Samoa	1.0	1.0	0.9	0.7	0.5	0.4
Others	0.2	0.1	0.1	0.3	0.1	0.7
North America	15.6	14.2	11.2	13.7	12.0	12.9
United States	15.5	14.2	11.0	13.4	11.8	12.7
Canada	0.1	0.0	0.1	0.2	0.2	0.2
Europe	2.0	1.4	3.2	1.4	4.2	3.0
Germany	0.8	1.0	2.6	0.2	0.3	0.2
United Kingdom	0.2	0.3	0.1	0.3	0.2	1.6
Others	1.0	0.1	0.5	1.0	3.8	1.2
Asia	7.4	9.5	20.2	10.5	12.8	11.4
Japan	4.5	4.8	14.4	4.5	6.6	4.5
Singapore	0.5	0.5	0.9	0.8	0.7	1.0
China	0.8	0.8	1.2	1.6	1.6	2.5
Hong Kong SAR	0.9	1.1	1.2	1.0	1.1	0.9
Taiwan Province of China	0.3	0.5	0.3	0.5	0.5	0.6
Others	0.4	1.8	2.2	2.2	2.3	2.0
Other 2/	0.2	0.0	0.4	0.4	0.9	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Samoa.

1/ The categorization covers some territorial entities that are not states as understood by international law, but for which statistical data are maintained on a separate and independent basis.

2/ Middle East, Africa, and Latin America.

Table 23. Samoa: Services and Income Account, 1997/98–2002/03

(In millions of U.S. dollars) 1/

	1997/98	1998/99	1999/00	2000/01	2001/02	2001/02 H1	2002/03 H1
Services and income receipts	63.3	63.2	62.4	66.8	64.7	33.1	38.8
Travel	38.0	39.5	40.8	41.4	41.8	22.0	25.6
Export processing	7.0	4.9	3.9	4.3	4.0	1.7	3.5
Other services	14.2	15.7	13.4	17.3	16.7	8.0	8.5
Investment income	4.1	3.1	4.2	3.8	2.2	1.3	1.2
Services and income payments	30.3	27.9	31.7	24.5	20.1	11.5	16.1
Travel	4.5	3.5	3.2	3.3	2.1	0.9	1.8
Other services 2/	21.6	21.1	22.7	14.9	16.0	9.2	10.4
Income payments	4.2	3.2	5.8	6.3	2.0	1.5	3.9
Interest	1.3	1.3	1.4	1.2	1.2	...	0.7
Government debt	1.1	1.3	1.3	1.2	0.6	...	0.7
Government-guaranteed debt	0.0	0.0	0.1	0.0	0.6	...	0.0
IMF charges	0.1	0.0	0.0	0.0	0.0	...	0.0
Other	2.9	1.9	4.3	5.1	0.8	...	3.2
Services and income balance	33.0	35.3	30.7	42.3	44.6	21.5	22.7

Source: Central Bank of Samoa.

1/ Using period average exchange rates.

2/ Excludes freight and insurance.

Table 24. Samoa: Composition of Outstanding External Debt, 1997/98–2001/02

(In percent; end of period)

	1997/98	1998/99	1999/00	2000/01	2001/02
Total external debt	100.0	100.0	100.0	100.0	100.0
Government Debt	94.2	95.6	96.0	96.7	96.2
Bilateral	5.1	5.0	7.9	8.5	7.9
New Zealand	0.1	0.1	0.0	0.0	0.0
China	4.8	4.8	7.7	8.4	7.8
France	0.2	0.2	0.2	0.1	0.1
Multilateral	87.5	89.2	86.9	87.2	87.6
Asian Development Bank	49.4	51.6	49.7	46.3	47.2
Agricultural loan	15.8	17.1	16.8	15.6	15.0
Other	33.6	34.5	32.9	30.8	32.2
International Development Association	29.6	29.8	30.2	34.0	33.5
OPEC	1.2	1.1	1.1	1.3	1.4
IMF Trust Fund	0.0	0.0	0.0	0.0	0.0
EU / European Investment Bank	5.7	5.2	4.4	4.1	4.0
IFAD	1.6	1.6	1.5	1.5	1.5
Others	1.6	1.4	1.1	1.0	0.8
Saudi Fund for Development	1.6	1.4	1.1	1.0	0.8
Government-guaranteed debt 1/	5.8	4.4	4.0	3.3	3.8
IMF credit outstanding	0.0	0.0	0.0	0.0	0.0

Sources: Treasury Department of Samoa; and Central Bank of Samoa.

1/ Data for 1997/98–1998/99 reflect the government's assumption of Polynesian Airlines' liabilities while data for 1999/00–2001/02 only relate to DBS loans guaranteed by the Government.

Table 25. Samoa: Exchange Rates, 1997–2002

	U.S. Dollar	New Zealand Dollar	Australian Dollar	Deutsche Mark	Japanese Yen	Fiji Dollar	European Euro	Nominal Effective Exchange Rate Index 2/ (1990=100) (Period average)	Real Effective Exchange Rate Index 2/ (1990=100) (Period average)
	(Tala per foreign currency) 1/ (End period)								
1997	2.77	1.61	1.81	1.54	46.98	1.79	...	107.9	101.5
1998	3.01	1.59	1.85	1.80	38.40	1.52	...	103.3	98.0
1999	3.02	1.57	1.97	...	33.86	1.54	3.03	100.5	94.4
2000	3.34	1.47	1.85	...	34.39	1.53	3.11	99.00	92.00
2001	3.54	1.44	1.77	...	35.29	1.52	3.12	99.22	93.32
2002	3.25	1.83	1.65	...	37.67	1.55	3.30	99.10	99.04
1999									
Qtr 1	2.99	1.59	1.88	...	40.29	1.50	3.21	101.5	95.8
Qtr 2	3.02	1.60	1.99	...	40.11	1.52	3.12	101.4	96.1
Qtr 3	3.04	1.57	1.98	...	35.20	1.55	3.24	99.7	93.1
Qtr 4	3.02	1.57	1.97	...	33.86	1.54	3.03	99.2	92.8
2000									
Qtr 1	3.13	1.57	1.90	...	33.81	1.53	2.99	99.4	95.5
Qtr 2	3.21	1.50	1.92	...	32.87	1.54	3.06	99.0	91.5
Qtr 3	3.44	1.40	1.87	...	31.36	1.55	3.01	99.0	93.1
Qtr 4	3.34	1.47	1.85	...	34.39	1.53	3.11	98.5	91.1
2001									
Qtr 1	3.56	1.45	1.74	...	35.00	1.53	3.14	98.9	91.1
Qtr 2	3.52	1.42	1.79	...	35.26	1.51	2.98	99.5	91.7
Qtr 3	3.53	1.42	1.74	...	33.79	1.51	3.22	99.9	95.8
Qtr 4	3.55	1.48	1.81	...	37.11	1.54	3.13	98.6	94.6
2002									
Qtr 1	3.46	1.51	1.84	...	38.48	1.53	3.02	99.6	97.7
Qtr 2	3.29	1.62	1.86	...	36.36	1.55	3.28	99.8	99.3
Qtr 3	3.35	1.57	1.82	...	36.26	1.55	3.31	98.0	99.9
Qtr 4	3.25	1.83	1.65	...	37.67	1.55	3.30	99.1	99.3

Sources: Central Bank of Samoa; IMF Information Notice System, and *International Financial Statistics*.

1/ Except Japanese yen, where data is yen per tala (source: IMF, *International Financial Statistics*).

2/ Increase in index indicates an appreciation of the tala (source: the IMF Information Notice System).