

Samoa 2000: Building on Recent Reforms

Economic report prepared for the Asian Development Bank,
the Australian Agency for International Development, and
the Government of Samoa

© Asian Development Bank
All rights reserved.

First published in _____ 2000.

This publication was prepared by consultants for the Asian Development Bank. The findings, interpretations, and conclusions expressed in it do not necessarily represent the views of ADB or those of its member governments. The Asian Development Bank does not guarantee the accuracy of the data included in the publication and accepts no responsibility whatsoever for any consequences of their use.

ISBN _____???

Publication Stock No. _____???

Asian Development Bank
P.O. Box 789, 0980 Manila Philippines
Website: www.adb.org

Pacific Studies Series

The series is published by the Asian Development Bank to provide the governments of its Pacific developing member countries with analyses of economic and other issues. The studies are also expected to shed light on the problems facing governments and the people in the Pacific Islands, and to suggest development strategies that combine both political and economic feasibility.

Human Resource Development: Small Pacific Island Countries (March 1995)

Cook Islands: Economic Performance, Issues, and Strategies (July 1995)

Strategy for the Pacific – Policies and Programs for Sustainable Growth (March 1996)

Sociocultural Issues and Economic Development in the Pacific Islands (April 1996)

Tonga: Economic Performance and Selected Development Issues (June 1996)

Fiji: Agriculture Sector Review – A Strategy for Growth and Diversification (July 1996)

Federated States of Micronesia: The FSM Economy 1996 Economic Report (March 1997)

The Pacific's Tuna: The Challenge of Investing in Growth (April 1997)

Vanuatu: Economic Performance, Policy Issues (May 1997)

Republic of the Marshall Islands: 1996 Economic Report (June 1997)

Sociocultural Issues and Economic Development in the Pacific Islands – Vol. II (November 1997)

A Different Kind of Voyage: Development and Dependence in the Pacific Islands (February 1998)

Tuvalu: 1997 Economic Report (February 1998)

Kiribati: 1997 Economic Report (March 1998)

Improving Growth Prospects in the Pacific (March 1998)

Solomon Islands: 1997 Economic Report (August 1998)

Reforms in the Pacific An Assessment of the Asian Development Bank's Assistance for Reform Programs in the Pacific (August 1999)

Pursuing Economic Reform in the Pacific (October 1999)

Republic of the Fiji Islands: 1999 Economic Report (March 2000)

Orders can be placed from the Public Information Center, Office of External Relations, Asian Development Bank, P.O. Box 789, 0980 Manila, Philippines.

Table of Contents

Tables	vi
Figures	viii
Boxes	viii
Abbreviations	ix
Foreword	xi
Executive Summary	xiii
Key Developments and Challenges	xiii
Economic Performance	xiii
Reform Strategies	xv
Tax and Tariff Reform	xv
Financial Liberalization	xvii
Impediments to Business and Government Policy Responses	xviii
Public Sector Reform	xix
Population	xix
Education and Health Status	xx
Agriculture	xxi
Forestry	xxii
Environment and Conservation	xxii
Fisheries	xxiii
Tourism	xxv
1 Development Outcomes and Challenges	1
Overview of Development Outcomes	1
Socioeconomic Environment	3
Poverty and Income Distribution Issues	4
Development Challenges	9
2 Macroeconomic Performance and Policies	11
Economic Growth	11
Employment	12
Prices and Wages	15
Exchange Rates and the Balance of Payments	18
Structural Changes and Sectoral Developments	20
Reform Strategies	22

Macroeconomic Policy—Key Developments	22
Fiscal Expenditure Aspects	23
Tax and Tariff Reforms	26
Monetary Policy Aspects	33
Financial Reforms	36
3 Impediments to Business and Government Policy Responses	46
A Framework for Policy Analysis	46
Key Constraints to Business Development	47
The Transaction Costs of Doing Business	51
Legal Reforms to Facilitate Business Development	55
4 Public-Sector Reform	57
Introduction	57
Recent Developments in the Public Sector	57
A Framework for Analysis	62
A Review of Budget Reforms	64
A Review of Public Enterprises	76
The Quality of Governance	85
Future Directions—Options for Further Improvement	88
5 Population Growth and Human Resource Development Implications	90
Introduction	90
International Comparisons of Population Structure	90
Population	91
Samoa's Workforce	97
Assessing Occupational Demands	99
Implications of Remittances	99
The 2001 Census	100
6 Education	102
Introduction	102
Overview of the Education System	102
Financial Resources	111
Priority Issues	115
7 Health	120
Introduction	120
Overview of the Health System	120

The Present Health Situation	123
Health Policy	130
Human Resources	132
Financial Resources	133
Priority Issues	135
8 Agriculture, Forestry, and Environment	137
Introduction	137
Market Failure and the Role of Government	139
The Agriculture Sector	139
The Forestry Sector	159
Environment and Conservation	161
9 Fisheries	165
Introduction	166
Subsistence Fisheries and Inshore Resource Management	167
Other Fisheries Division Activities	169
Offshore Fisheries	170
Infrastructure Needs of the Offshore Fishery	172
Property Rights and Economic Rent	173
Registration and Licensing	178
Other Issues	179
Implementing Changes as a Package	180
Concluding Remarks—Fisheries	181
10 Tourism	182
Tourism	182
The Contribution of Tourism to the Economy	183
Marketing and Promotion	185
Value for Money	187
Style and Size of Development	187
Land and Infrastructure	189
Tourism Industry Training	191
Other Issues	191
Appendix Tables	193
References	220

Tables

2.1	Employment by Industries, 1971, 1981, and 1991	14
2.2	Annual Gross Salary in the Private Sector by Occupation, 1999	17
2.3	Sectoral Shares of GDP, 1994 and 1999	21
2.4	Summary of Tariff and Tax Changes in 1998–1999 and 1999–2000	28
2.5	Tariff Rate Changes in 1998–1999 and 1999–2000	29
2.6	Indicators of Monetary Conditions, 1996–1997 and 1998–1999 inclusive	39
2.7	Nominal and Real Interest Rates, 1989–1999	40
2.8	Commercial Banks' Loans to Private Sector, 1994–1999	41
2.9	Nonbank Financial Institutions' Loans to Private Sector, 1994–1999	41
3.1	Electricity Tariffs in Various Pacific Island Countries, 1997–1998	48
4.1	Government Agencies as of January 2000	59
4.2	Recent Privatization and Corporatization Initiatives	61
4.3	Desirable Features of a Budget System	67
4.4	The Potential for Unintended Consequences Under the 1999–2000 Budget	71
4.5	A Comparison of Fully- and Partly-Owned Government Enterprises	82
4.6	The Status of the FEMM Accountability Agenda in Samoa	86
5.1	International Comparisons to Selected Aspects of Population for 1998	91
5.2	Population Growth Comparisons for Pacific Island Countries, 1970–1998	91
5.3	Change in the 0–4 Year-Old Age Group, 1971–1991	91
5.4	Categories of Employed for 1991	97
5.5	Public Sector Employment, 1998	98
6.1	Regional Comparisons for Education	103
6.2	Transition Rates for Government Schools in Samoa, 1995–1999	107
6.3	Total Enrollments at the National University of Samoa, 1996–1999	109
6.4	Department of Education, Recurrent Expenditure Per Unit for Primary and Secondary Education, 1999–2000	111
6.5	Unit Costs for Postsecondary Education in Samoa, 1999	112

6.6	Allocation of Overseas Assistance by Level of Education in 1998–1999	113
6.7	Significant Education Projects Completed, 1990–1999	114
6.8	Present Education Projects	116
7.1	Regional Comparisons for Health	121
7.2	Hospital Facilities and Hospital Beds in 1991 and 1998	122
7.3	Selected Basic Indicators of Health	123
7.4	Principal Reasons for Admission to Hospital, 1994, 1996, and 1998	125
7.5	Primary Causes of Death Among Hospital Inpatients, 1995, 1996, and 1998	126
7.6	Infant Mortality Rate	126
7.7	Safe Water and Sanitation Access in Various Pacific Island Countries, 1990–1997	128
7.8	Immunization for Children, 1995–1998	129
7.9	An Outline of Health Project Activities	131
7.10	Medical Doctors and Registered Nurses in Samoa, 1991, 1996, and 1998	132
7.11	Registered Nurses in Upolu and Savai'i Islands, 1991 and 1998	133
7.12	Per Capita Expenditure on Public Health, 1993/94 to 1997/98	134
8.1	Production of Principal Agricultural Commodities (long tons), 1990–1996	142
8.2	Average Quantity (pounds) of Commodities Supplied to Fugalei Market, 1994–1999	143
8.3	Lending to the Agricultural Sector by Commercial Banks and the Development Bank of Samoa, 1990–1999	147
9.1	Fisheries Exports, 1990–1999	166
9.2	Fisheries Exports, 1998–1999	167
9.3	Tuna Exports, 1998–1999	167
10.1	Proportion of Visitors in Each Category, 1990–1999	184
10.2	Tourism Earnings, 1991–1998 (SAT\$ million)	184

Figures

1.1	Real Gross Domestic Product (GDP) Per Capita, 1983–2001	2
1.2	Human Development Index for Pacific Island Countries	5
1.3	Income Distribution, 1972 and 1997	7
2.1	All Industries Formal Employment, 1994–1999	12
2.2	Formal Employment by Industry, 1994–1999	13
2.3	Inflation, 1981–1999	15
2.4	Real Minimum Wages, 1981–1999	17
2.5	Exchange Rates 1983–1999	18
2.6	Balance of Payments, 1982–1999	19
2.7	Current Account: Key Components, 1982–1999	20
2.8	Subsistence Share of GDP, 1982–1999	21
2.9	Government Expenditure, 1982–2000	24
2.10	Government Budget, 1982–2000	24
2.11	Money Supply, Net Foreign Assets, Government Net Credit, and Private Credit, 1984–1998	34
2.12	Commercial Banks' Balances with Central Bank and Holdings of Central Bank of Samoa Securities, 1994–1999	36
4.1	The Distribution of Formal Employment	58
4.2	Estimated Net Profits from SOEs, 1992–1998	76
4.3	Real Rate of Return for SOEs	78
5.1	Population of Samoa, 1881–2000	92
5.2	Total Population and Gender, 1971–1991	93
5.3	Total Year One Primary School Enrollment, 1978–1998	95
5.4	New Enrollments for Year One Primary School and Possible Growth Scenarios	96
7.1	Reported Suicide Attempts and Deaths, 1990–1998	130
8.1	The Elements of Sustainable Development	138
8.2	Agriculture and Fisheries as Percent of GDP, 1994–1999	141
10.1	Visitor Arrivals by Category, 1990–1999	183

Boxes

1.1	Economic Growth and Poverty Alleviation – Worldwide Experience	8
4.1	Economic Theory and Public Sector Management	63
4.2	Efficiency and Effectiveness in Road Maintenance	73
4.3	Benchmarking Samoa's Postal Service	81
8.1	Equity and Efficiency	138
9.1	Economic Rent	174

Abbreviations

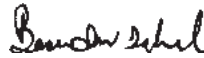
ACP	African, Caribbean and Pacific
ADB	Asian Development Bank
AusAID	Australian Agency for International Development
cif	cost, insurance, freight
DBS	Development Bank of Samoa
EEZ	Exclusive Economic Zone
EIA	Environmental Impact Assessment
EU	European Union
FDI	Foreign Direct Investment
FEMM	Forum Economic Ministers Meeting
GDP	Gross Domestic Product
GNP	Gross National Product
HACCP	Hazard Analysis of Critical Control Points
ISIC	International Standard Industrial Classification
JICA	Japan International Cooperation Agency
MAFFM	Ministry of Agriculture, Forestry, Fisheries and Meteorology
MOT	Ministry of Transport
NEMS	National Environment Management Plan
NGOs	Non-government Organizations
NUS	National University of Samoa
NZODA	New Zealand Official Development Agency
OPEC	Organization of Petroleum Exporting Countries
PSIP	Public Sector Investment Program
SAT	Samoan Tala
SES	Statement of Economic Strategy
SLC	Samoa Land Corporation
SOE	State Owned Enterprise
SOEMU	State Owned Enterprise Monitoring Unit
SPC	South Pacific Community
STABEX	Export Earnings Stabilization System
STEC	Samoa Trust Estates Corporation
SVA	Samoan Visitor's Association
SVB	Samoan Visitor's Bureau
TIPU	Trade and Investment Promotion Unit
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund

USP	University of South Pacific
VAGST	Value Added Goods and Services Tax
VFR	Visiting Friends and Relatives
VMS	Vessel Monitoring Systems
WESTEC	Western Samoa Trust Estates Corporation
WHO	World Health Organization
WTO	World Trade Organization

Foreword

This report provides a comprehensive analysis of current economic and key sector developments in Samoa. The report was prepared by a team of consultants led by John Fallon and consisting of Craig Sugden, Kolone Vaai, Derrin Davis, and Stephen Rank. The report was supervised by Michel Latendresse, Senior Project Specialist, Office of Pacific Operations, Asian Development Bank.

The report is the result of a joint Asian Development Bank-Australian Agency for International Development project and has been produced by ADB as part of its Pacific Islands Economic Report (PIER) series. The PIER series aims to assist Island governments in their policy formulation by analyzing the socioeconomic situation, key issues, and development prospects. An allied aim is to provide analytical support to donors in developing their assistance programs.



Basudev Dahal

Director

Office of Pacific Operations
Asian Development Bank