

[SUSTAINING AND IMPROVING ECONOMIC GROWTH WILL BE A PRIORITY FOR GOVERNMENT IN THE SHORT TERM.

THIS IS PARTICULARLY IMPORTANT, NOT ONLY TO MAINTAIN THE MOMENTUM THE CONTINUING EFFORTS, BUT ALSO WITH THE INCREASED EMPHASIS NOW PLACED BY GOVERNMENT ON ISSUES OF INCOME DISTRIBUTION, EQUITY AND THE PLANS BY GOVERNMENT TO DEVELOP AND IMPLEMENT TARGETED MARKET REGULATION STRATEGIES.]

WRITTEN BY FAAMOETAU LOA DR WOOD SALELE
DEAN, FACULTY OF COMMERCE
NATIONAL UNIVERSITY OF SĀMOA

Abstract

The economic update assesses the performance of Sāmoa's economy over the last decade in terms of sustainable livelihood options for Sāmoans over the next 10-20 years. An evaluation is presented of statistics on various economic and social parameters, public sector structural reforms and management of monetary and fiscal policies, as well as policy challenges and trends for Sāmoa's economic outlook into the first decade of the millennium.

Introduction

Sāmoa has a small open economy that has been traditionally dependent on development aid, family remittances from overseas, and agriculture and fishing. Agriculture and fishery employ about two-thirds of the labour force, and furnishes about 80 per cent of exports, featuring coconut cream, coconut oil, copra, *nonu* juice and fish. The current economic growth over the period 2002 to 2005 continues to display steady growth rate. The recent decline of fish stocks in the area remains a concern though a slight rebound was recorded in 2005 for the agriculture and fishery sector. Gross Domestic Product (GDP) steadily improves to 6.5 per cent in the first six months of 2005. The manufacturing sector mainly processes agricultural products, beverages, automobile parts and garments. The tourism sector constantly expands, accounting for 25 per cent of GDP; about 100,000 tourists visited the islands in 2004 to 2005. In the near term, the growth of the construction sector is boosted by public investment in sporting facilities for the 2007 South Pacific Games.

The review of monetary and fiscal policies induces the Sāmoan Government to deregulate the financial sector, encourage investment, enforce continuous fiscal discipline, and protect the environment. As well, the flexibility of the labour market acts as a basic strength for future economic advances. The foreign reserves have been sustained in a relatively healthy status coupled with stable external debt and persistent low inflation. Further, a short term demand would be sustained by major public sector salary and wage increases partially implemented in July 2005.

Furthermore, the need to constantly take good stock of relevant economic indicators provides an avenue where appropriate policy recommendations are formulated, to curb any adverse implication, and/or enhance sustainable livelihoods in rural and urban communities.

Economic Update

The economic update provides a discussion of recent economic and social indicators of the Sāmoan economy including commentary on some of the key economic and social reform issues facing the Sāmoan government. It provides data on the most recent economic and social indicators relating to the performance of the Sāmoan economy, and a general assessment of some of the important challenges (and areas of potential risks) to economic (institutional, financial) and social reforms currently being undertaken. This update performs a warranty litmus test ensuring economic and social policy implications have been addressed hence, sustainable livelihoods at all community levels continue to be publicly monitored.

The economy of Sāmoa is small and open yet highly dependent on a narrow resource base that is limited to agriculture, tourism, small-scale manufacturing and fisheries. Sāmoa's macroeconomic performance acutely depends on external factors in the form of commodity export prices, crop diseases, external labour/tourism demands and weather-related shocks. Critical economic reforms have been implemented since 1997, which aimed at improving the efficiency of the public sector, opening up the economy and developing its small private sector. Sustained economic growth

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underpinned in the reforms has been supported positively by the Sāmoan public, Sāmoa's development partners and the larger international community.

Since 1995, the Gross Domestic Product (GDP), a yardstick for measuring economic performance, has improved constantly with a modest decline in growth in the last six months of 2003. Over the period 1995-2001, the real rate of GDP growth has been averaged at 4.7 per cent. In 2002, the GDP growth rate has fallen to around two per cent, following growth rates of 6.9 and 6.2 per cent recorded for 2000 and 2001, respectively. For the first quarter of 2003, economic indicators reveal the seasonal drop in growth when compared to the last quarter of 2002. However, steady growth recovery for 2003 to the last quarter of 2005 continues at 6.5 per cent rate.

Over the past decade, the relative growth in the structure of GDP shares of other sectors such as tertiary, significantly improved since 1997 whilst the secondary and primary sectors, either remained constant or declined. Traditionally, the major component of GDP (about 20 per cent) has been constituted by agriculture and fishing, followed by commerce, transport and public administration. Latest statistics for 2005 specify a new leading role for the commerce sector accounting for 20 per cent of GDP with agriculture / fishery and transport and communication recording 13 per cent each.

Recent data from 2004 to 2005 reveal growth of 29 per cent in the construction sector and a rebound of the agriculture and fishery sector recording the first positive contribution to GDP since 2001. All other sectors (transport and communications, commerce, finance and business services, public administration, hotels and restaurants, ownership of dwellings, electricity and water, and personal and other services recorded positive growth except for food and beverage manufacturing and other manufacturing.

The recent UNDP Human Development Indicators disclose the levels of social development in Sāmoa as well as overall health and education standards to be relatively high compared to other Pacific island countries whilst much needs to be

done to improve basic health and education services. In 2002 and 2004 Sāmoa was ranked 96 and 75 respectively in a group of 177 countries. The Sāmoa household survey identifies 82 per cent of households are headed by a male, 28 per cent of all persons aged 10 years and over are either employed fulltime, part-time or self-employed. Sāmoan values are closely knitted with her strong religious convictions as evident by regular societal financial contributions amounting to the largest of household expenditures at SAT1m¹ per week. Other substantial expenditure household items include utilities (telephone and electricity) bill totalling SAT274,000.00 and SAT314,000.00 respectively.

Based on the average Sāmoan household weekly expenditure of SAT575, the highest and lowest figures recorded were SAT638 and SAT460 for Savai'i and North West Upolu. For the same sites the average Sāmoan weekly income is SAT445 with highest and lowest statistics at SAT491 and SAT337 for Apia urban area and North West Upolu. Observing categorical attributes for highest and lowest incomes earned, 10 per cent of highest and lowest incomes earned, 31 and 1.8 per cent of their total income earned. Moreover, 51, 8.5 and 2.2 per cent of household expenditure income are spent on food, transport, and alcohol and tobacco, respectively whilst 42 per cent of total income received by household accrue to primary income.

In terms of population growth, emigration mainly to New Zealand, Australia and the United States maintains it below the one per cent level. Those with tertiary qualifications tend to be the most mobile, resulting in the shortage of experienced technical and managerial skills in the country. The total population increased from 161,298 in 1991 to 176,848 in 2001, an annual average growth rate of around 0.9 per cent, up from 0.5 per cent in the previous inter-censal period from 1985-1991. Reflecting sustained economic growth in recent years, per capita GDP has increased slightly to around US\$1,140 in 2001, up from around US\$1,000 in 1995.

As with most of the Pacific island countries, economic growth is centred on the main island and

in the urban area. In the case of Sāmoa, data shows 40 per cent of the total population live in the Apia area (capital city) and generate GDP output worth 70 per cent.

Following the devastating economic impacts of Cyclones Ofa and Val in the early 1990s, the Government of Sāmoa, whilst mindful of the absorptive capacity of its fragile institutions, attempted to maintain the momentum of important structural (economic and social) reforms already instigated. The reform objectives were to develop a more efficient and open economy focusing on reforms within the public sector and the development of the private sector. The central economic and public sector reforms introduced by government focused on:

- tax and tariff reforms;
- financial sector liberalization;
- introduction of performance budgeting and strategic budgeting, and planning framework and devolution of financial management;
- new governance framework for public sector budget/financial management;
- new governance framework for state-owned enterprises;
- privatisation of government services and state-owned enterprises;

- new corporate governance framework (Private Companies Act);
- realignment of government departments and devolution of responsibility for human resource management and development;
- institutional strengthening of government departments and state-owned enterprises;
- health sector reforms;
- education sector reforms; and
- telecommunication and postal sector reforms.

These reforms are anticipated to deliver the appropriate engine for economic and institutional drive ideal in the pursuit of good governance, financial and economic management to improve the standard of living, welfare and general livelihoods of the people of Sāmoa. The reforms generally brought positive economic and social change for the economy, though the pace has slowed somewhat since 2000/2001 and compounded by the negative impact of Cyclone Heta in 2003. Yet, positive economic and social impacts continue to be conspicuous throughout 2004 and 2005. Some of the most pressing issues mitigating a more positive economic future outlook have been the poor performance of state-owned enterprises, although they have always been part of the overall development commitment and strategy of government.

With the introduction of a GSM network by Samoa's Mobile Service Provider Telecom Samoa, innovations in the field and technological advancement will be accessed and enjoyed by Samoans at all levels of Society. This benefit applies equally to Telecom Samoa's partnerships with some of Samoa's business community

TELECOMMUNICATIONS



Gross Domestic Product (GDP)

Recent Performance

The 2002 GDP inferences for purchasing power parity stand at SAT one billion and progress at a real growth rate of 5 per cent. This real growth rate has declined just below 2 per cent over 2002, down from 6.2 per cent and 6.7 per cent in 2001 and 2000, respectively indicating the most significant sign of economic slowdown, and reversing the trend of excellent real growth that began in 1995. The strong economic performance of recent years reveal that GDP per capita has doubled over the past decade to about US\$2,000 (SAT5,400 at current exchange rate) in 2005 with sectoral composition standing at 14, 23 and 63 per cent for agriculture, industry and services.

The unusually low fish catches, perhaps affected by seasonal variation, which have persisted since mid 2002, underlie the rapid decline in economic growth in 2002. In addition, contribution to GDP from the agriculture sector, other manufacturing and construction sectors also fell during the year and were even more adversely affected by Cyclone Heta in 2003, particularly agriculture. The commerce sector, on the other hand, recorded the strongest contribution to GDP over 2002 and in 2005 its GDP contribution of 20 per cent surpassed traditional sector (agriculture and fishery) for the first time. Data for GDP for the first quarter of 2003 shows a continuing decline in total fish production by around 13 per cent compared to levels for the December 2002 quarter. However, the sector experienced positive growth in 2005 marking a slow recovery of the industry. The construction sector recorded negative growth in 2002 yet it grew by around 29 per cent in 2004 and 2005. The tertiary sector, particularly commerce, transport and communication industries, reported overall positive real growth over the 2004-2005 period.

Inflation

Over the period 1995-2001, inflation averaged just under 3 per cent per annum. The average annual inflation rate ending March 2003 stood at 6.3 per cent, up 0.8 per cent from the inflation rate ending March 2002. The 2.5 per cent increase in the VAGST is partly reflected in the latest result with

overall inflation outcome expected to remain at current levels in the short term. This low rate is a direct result of a combination of lower prices from the reductions in tariffs and duties, modest depreciation of the currency, as well as the favourable conditions in domestic supplies. They have enabled the economy to absorb price fluctuations, especially of imports (for example, petroleum). Since 1999, however, there has been an upward trend. For 2005, the yearly average inflation rate was around 7.5 per cent yet rising prices of local crop production and crude oil pushed inflation to 16.3 per cent in 2004. The Central Bank's target to contain the average rate below 3 per cent per annum appears to have revised upwards (below 6 per cent) in light of more recent developments but recent forecasts indicate the return of inflation to its target for 2005-06. The main factors contributing to general rise in prices include: strengthening of major trading partner currencies and price movements in major trading partners; price movements in global markets for petroleum; supply conditions of local produce; the impact of public service salary and wage increases, and the recent trend in government fiscal deficits and sustained growth of money supply and credit to the private sector.

The recovery of local produce supplies, especially the slow progress in developing suitable taro leaf blight resistant varieties of the main staple crop taro, is important in containing short-term price fluctuations. Over the period 2003 to 2004, Sāmoa has been experiencing negative impacts of Cyclone Heta as well as an extended period of both dry and wet weather which have affected local production of staple food and vegetables, hence the domestic price fluctuations.

Money and Credit

For the 12 months ending March 2003, the annual change in total money supply increased by 11 per cent over the same quarter in 2002, about the same rate of growth since 1999. Partly as a result of a build up of government net deposits in the bank during the mid to late 1990s, and also coinciding with the period of financial system reform, the monetary growth rate has declined steadily from around 22 per cent in 1995. For the 12 months

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ending March 2003, total domestic credit grew by 19 per cent; about the same rate of expansion since 1996. For the same period, credit to the private sector increased by 13 per cent; sustaining the steady growth of credit to the private sector since 1996. During the 12 months ending March 2003, most economic sectors received increases in commercial bank credit with the exception of agriculture, forestry and fisheries, which registered a decline. For the period 2004 to 2005, continued recuperating activities after Cyclone Heta and strong demand from the construction sector resulted in 12 and 11 per cent growth for private sector credit and money supply respectively. A continuation of these rates of growth in the monetary aggregates and credit to the private sector, in light of the recent trend in government budget outcomes, poses some threat to inflation stability and the fragile balance of payments.

The Central Bank of Sāmoa, however, has announced its intention to relax monetary policy, citing the need to support the availability of private sector credit and on the basis of expected decline in inflation in the short to medium term. The foreign exchange cover has been reported at around four months considered by the Central Bank to be sustainable. Commercial banks weighted average lending and deposit rates were at around 12 per cent and 5 per cent at the end of March 2003, relatively unchanged from levels in 2000/2001. Similarly, the interest rate spread has remained almost unchanged over the last 3 years. In early 2003, Samoa's newest and fourth commercial bank, Sāmoa Commercial Bank, began

trading. The commercial banking sector is dominated by ANZ and Westpac with established national and international banking facilities/services.

In 1988 the Government of Sāmoa introduced measures to liberalize the financial sector; moving away from a regime that was highly regulated and direct monetary policy and credit controls. Some of the key components of the reform, such as the strengthening of the Central Bank management, funding arrangement for the operations of the Central Bank, management of foreign exchange and development of deeper secondary financial markets have yet to be fully implemented.

To finance and facilitate access of rural-based income generating projects and small and medium enterprises, the government, with support from international financial institutions and bilateral aid donors, established a micro-credit scheme through the Development Bank of Sāmoa (DBS), and NGOs such as the Women in Business Foundation and the South Pacific Business Development Foundation.

Also, training schemes are guaranteed through service provided by the Small Business Enterprise Centre (SBEC). To cater for the expansion of existing small-medium enterprises, implementation of a Venture Capital Fund was planned for 2003/2004. An aid coordination mechanism to channel development funding to the private sector is currently being devised by the government in partnership with UNDP and NZAID, to increase the accessibility of donor funds to the private sector's small and medium sized enterprises for their ongoing development.

VIEWING SAMOA'S
CENTRAL BUSINESS
DISTRICT FROM ATOP
CENTRAL BANK
BUILDING.



External Debt

The nominal value of official external debt increased from SAT380 million to SAT481 million between 1995 and 2002, however, the amount outstanding has fallen as a proportion of GDP from 80 per cent to 59 per cent over the period. For the 12 months of 2005, official external debt declined to SAT456 million equating to 44 per cent of GDP. External debt-servicing obligations positioned at 44 per cent merchandise exports were offset by large quantities of remittances, thus valued at 2 per cent of foreign exchange revenues. These favourable trends in external debt and debt servicing reflect the concessionary nature of the debt portfolio and the growth in exports of goods and services.

Balance of Payments

Over the past five years 2000–2005, trade openness (the average of exports and imports as a percentage of GDP) averaged around 60 per cent. Imports exceeded exports by a ratio of about eight times in 2000 and 2001 and in 2004 the gap exacerbated to around 15. Revenues from tourism, remittances and foreign aid flows continue to be significant sources of foreign exchange supporting the overall balance of payments. Overall exports grew strongly over 2001–2003 but declined by 25 per cent in 2004. The balance of payments recorded surpluses over the period 2001 to 2004 and have been largely sustained by strong contributions from private remittance, net private services, and government official borrowing.

Correcting the huge deficit stance in the balance of trade continues to be a fiscal challenge for some years to come. The exporting sector will face more staunch competition as Sāmoa gains full WTO membership. There is serious concern of the private sector concerning adverse trade implications thus, lobbied government to reintroduce import substitution though such measures are peripheral to the WTO framework. The private sector needs to identify appropriate niche produce/products with a sincere commitment to efficiency and low cost production.

The balance of payments continues to be dominated by private and official transfers, which make up for the small export earnings of the Sāmoan

economy. Private investment inflows are insignificant. The current account has been in surplus since 1994 due to earnings from tourist receipts, private remittances and official grants. Amongst others, ease access to official grants and other preferences become immediate challenges as Sāmoa graduates from its current economic status [least developing (LDC)] to developing country in 2006. Remittances with 20 per cent of GDP, have traditionally been the major source of external income persistent as a relatively viable authority behind Sāmoa's steady economic growth in recent years. Aid has also been very important, averaging over 10 per cent of GDP for the past two decades. Tourism receipts have grown from 5 per cent of GDP in the early 1980s to around 15 per cent of GDP in recent years. By comparison, fish exports have been the main revenue earner, albeit, the recent downturn in fish production and fish exports given the substantial decline in merchandise from the early 1980s to the mid 1990s.

In terms of exporting sectors, fisheries became the leading export industry earning US\$60,000 (SAT150,000) in 1993 to about US\$11 million (SAT36 million) in 2001 and 2002. The rapid expansion of offshore long-line fisheries amounts to a significant growth in the fisheries sector. Moreover, the industry has experienced a significant slump leading to significant revenue loss and rapid closure of, particularly, small-scale operations since mid 2002. For the period 2005, the industry recorded positive growth accounting for 39 per cent of total exports. To ensure the longer-term sustainability of the fishing industry and to support the contribution of the fisheries sector to the social and economic development of Sāmoa, the government agencies are reviewing their support and regulatory functions to assist the industry to deal with resource management and policy issues that have been viewed as constraining industry growth, and on ensuring that the required infrastructure is in place to support future development of the industry. The priority for government now is to provide specific policy interventions that facilitate the granting of time-bound tax relief, extended review of import taxes and tariff on fishing boats and specialized fishing equipments and other indirect fiscal incentives.

Tourism

Over the last 5 years, gross tourism revenues were optimistic ascending by about 20 per cent, between 2000 and 2005. There was a slight reversal of the growth trend in tourist arrivals and revenues after the events of September 2001, but picked up strongly in 2002-2005. The government is committed to implementing policies that will promote continued growth in the tourism sector. Similarly, the government is committed to directly participate through intervention policies facilitating a reverse in debts accumulated by the national airline into a commercially viable investment in the medium term, which would serve as a prelude to the development of tourism as the key sector of the economy in years to come. The national goal for the tourism sector centres on expanding the stock of first-class hotel accommodation by at least 350 rooms by 2007. Hence, the government has, in 2003, introduced the 2003 Tourism and Hotel

Revenues from tourism, remittances and foreign aid flows are important sources of foreign exchange supporting the overall balance of payments.

Development Incentives Act, which offers investment tax credits during 2003 to 2007; income-tax holidays depending on the level of capital investment; and import-duty drawbacks which are intended to encourage and support accelerated investments in the tourism sector over the next five years. In boosting investment, the government participated by guaranteeing the National Provident Fund (NPF) and Development Bank SAT45million total equity fund for the new four star resort development. Four similar projects involving multinational corporations are in planning stages.

Employment and Wages

The growth of the formal employment sector has been relatively weak despite the good overall economic growth performance in recent years. The bulk of the workforce is engaged in informal economic activities relating to agriculture and fisher-

TOURISM



Church, Don Bosco school, tourism, corporate sponsorship, cultural identity, sports achievement all rolled into one—Fautasi PREMO Segavao II and its captain Vaimasenu'u Zita tago Martel, first woman to captain a winning fautasi in a regatta. Winning American Samoa's Flag Day celebration April 2006; Honorary Consul of France in Samoa, owner of Polynesian Xplorer, mother of four ...

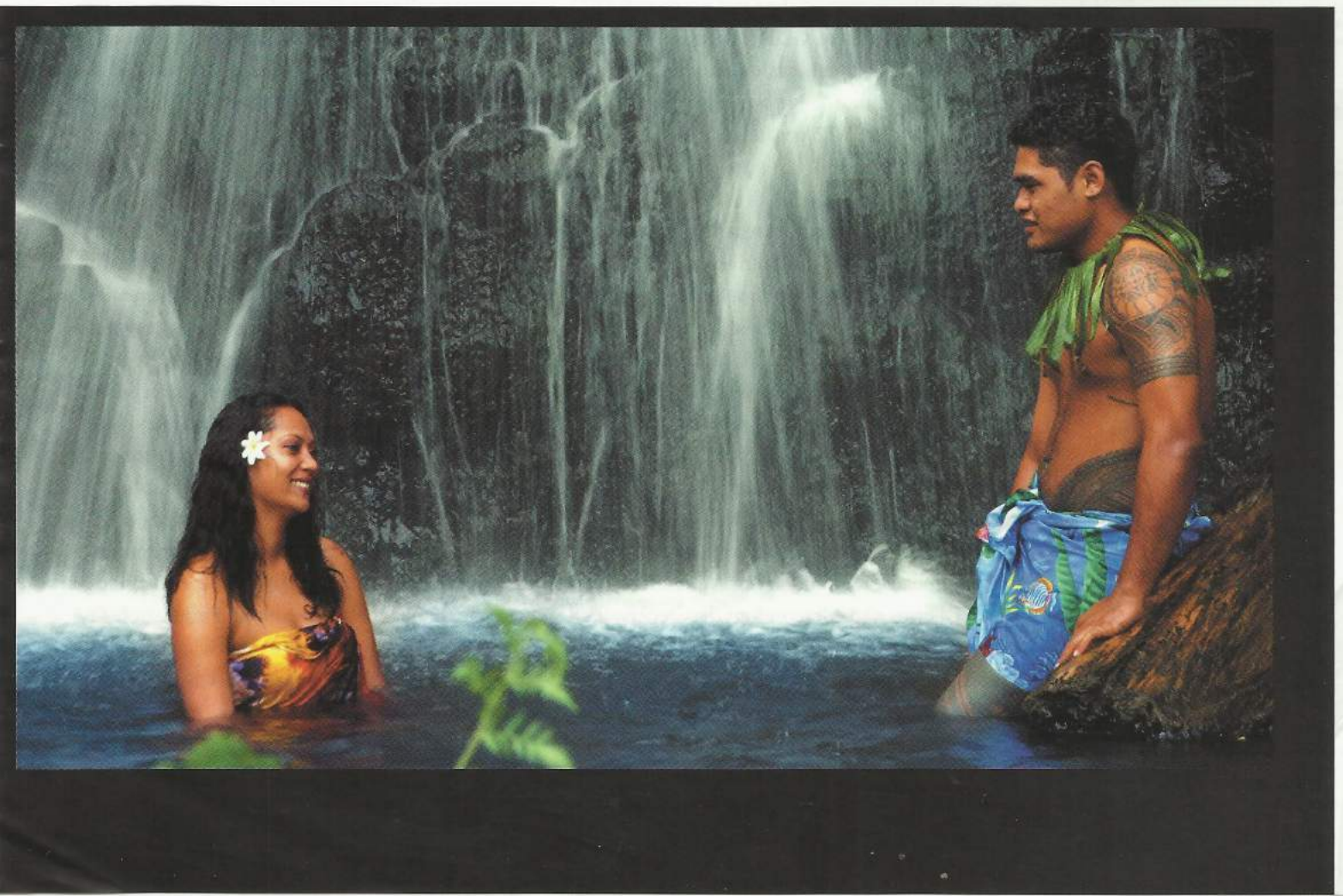
ies, reflecting the high value of subsistence activities and the present need for more employment opportunities in other sectors. However, recent indicators of GDP also indicate a relative decline in the share of subsistence activity in GDP. This trend in economic activity together with the little increase in formal employment - whilst not an entirely new feature of the Sāmoan economy continue to be areas of major concern.

Informal activities in the informal sector (unrecorded activities generating employment) contribute significantly to job creation throughout all communities. Physical characteristics are evident as stalls exchanging goods and services are being erected along road sides. As well, the modernization of the Sāmoan culture revives and enhances the traditional social framework sustaining the art of traditional oratory. Now it has reinvented itself more vigorously and conspicuously as a permanent monetized employment.

Total formal or paid employment recorded in the 2001 census was estimated at around 26,900

persons, about 51 per cent of the economically active labour force. A further 23,433 were employed in unpaid family work activities. Between the 1991 and 2001 census the number of people claiming to be employers, employees or self-employed increased by 42.6 per cent (from 18,900). Total public sector employment accounted for 32 per cent of this formal employment with government departments being 22 per cent and state-owned enterprises 10 per cent. The private sector accounted for 26.8 per cent of formal employment. Yazaki EDS, manufacturing automotive wiring harnesses for export, is the largest single private sector employer and the fluctuation in its number of employees has a major impact on the economy. At its high point in 1996 the company employed around 4,000, more recently the number has been around 2,000 to 2,500.

About 50 per cent of the economically active workforce is engaged in the agriculture, fisheries and forestry sector. Almost all are engaged primarily in subsistence farming. This fact reflects the



continuing importance of rural activities even though their relative importance in the total economy has declined. Unemployment is difficult to measure in Sāmoa as those without formal employment are generally absorbed into the informal or subsistence sectors. The 2001 census recorded that about two-third of those in the 15–24 age group were either unemployed (around 5 per cent) or 'not economically active' (about 60 per cent); this compares with about 56 per cent who were either unemployed (around 3 per cent) or not economically active (about 54 per cent) in the same age group in 1991.

For the whole labour force the unemployment rate in 2001 was recorded at 2.5 per cent (males with a slightly higher rate than females) and those not economically active 49 per cent (males 32 per cent and females 68 per cent). These high numbers of 'economically inactive' mainly youth population suggest that there is considerable potential for increased rural output.

In July 2005 major salary and wages restructuring in the public sector was implemented increasing 50 per cent of the total costs at SAT36 million, 4 per cent of GDP. The raise would be implemented in increments over a three year period. The minimum wage was also revised and raised to around SAT2 per hour.

Income Distribution

Income distribution has constantly posed challenges for developing countries. In the case of Sāmoa, although the economy has performed strongly in recent years there still remain significant variations in incomes and standards of living between the urban and rural areas. Subsistence and semi-subsistence agriculture remains at the hub of economic activities for the vast majority of the population who reside in Savai'i and rural Upolu yet investment in agriculture has been diminishing. Despite the role of agriculture in the lives of many Sāmoans, the Ministry of Agriculture, Forests, Fisheries and Meteorology has received an average of only around 6 per cent of current expenditure for the last 5 years - about half of the amount allocated to state-owned enterprises as grants and subsidies. The outcomes sought by

government through reforms in other key sectors, especially education, health, telecommunications and postal services are expected to be important catalysts in improving the distribution of national incomes. The government has been developing strategies to promote equitable growth and hardship alleviation. This has been facilitated through a consultative process to analyse available hardship/poverty indicators to provide government with a basis for monitoring progress towards the achievement of the Millennium Development Goals. In order to quantify the extent to which households might be experiencing hardship, national and regional poverty lines based on the 2002 Household Income and Expenditure Survey has been calculated.

The analysis, which is yet to be officially recognized by government, indicates that in 2002, 20 per cent of households nationally had incomes below the basic needs poverty line and therefore were experiencing some degree of financial hardship on a daily or weekly basis. Generally, to many, hardship is characterized more accurately by poor access to quality services and opportunities, or the ability to realize their potential and aspirations. The youth and elderly in rural areas are being identified as the most vulnerable groups. The government recognizes the need to address both macro and micro-level issues to alleviate hardship.

This would mean maintaining macroeconomic stability and economic growth, pressing on with reforms in health and education (including increased emphasis on vocational training), creation of an investment-friendly environment, responding to village and community needs such as in developing village income-generating enterprises. In the social area, small-scale hardship alleviation projects for improving water supplies, health services, transport and communication are needed.

Improving the quality of basic services delivery will also be important through better training for teachers, better staffing of schools and clinics, better maintenance for health and education facilities and infrastructure, and improving the availability of essential teaching materials and medical supplies. The good economic performance enjoyed by the Sāmoa economy since the mid

1990s to early years of the current century, also brought to the government and public greater focus on income distribution and reassessment of economic and social hardship. With the completion of the 2001 Population Census and subsequent Household Income and Expenditure Survey in 2002, the government now has access to updated and improved demographic data and is finalizing its participatory assessment on poverty/hardship including developing appropriate hardship-reduction strategies over the medium term. There is evidence of increasing inequality/hardship as rural areas, particularly on the main island Savai'i, gain a disproportionately smaller share of economic benefits in comparison to Upolu and particularly the urban-based population.

The greater Apia urban area, containing the bulk of Sāmoa's population is estimated to generate more than 70 per cent of its national income. In the five years to end 2001 with the completion

of the road sealing over most of Upolu, the island has become much more integrated into a single catchment/commuter region for Apia. Better roads have also encouraged the development of tourist facilities around the island helping to generate employment in rural Upolu. These developments have helped to ensure that there has been a more even distribution of income throughout Upolu but has tended to increase the gap with Savai'i. Growth in the urban sector, coupled with the rapid growth of the formal economy, has thus been reflected in a growing concentration of income since the early 1970s. The goal of hardship reduction will be a challenging one in view of the recent sudden slump in the fishing industry production, and the gradual decline in the share of the subsistence sector in GDP. In the short term, sustaining rural societies will require a steady flow of remittance, and continuing population mobility between urban and rural areas.

CONCLUSION AND RECOMMENDATIONS

Sustaining and improving economic growth to ensure sustainable livelihoods are enhanced enhanced will be a priority for government in the short and the near term. This is particularly important, not only to maintain the momentum for continuing reforms, but also given the increased emphasis now placed by government on issues of income distribution, equity, and its plans to develop and implement targeted hardship reduction strategies.

- The authorities must implement the necessary reforms equipped to target central areas immediately.
- Government intervention using carefully targeted policies supporting sectors and industries that are showing signs of exhaustion particularly manufacturing, agriculture and fishery.
- Exporting sector needs to minimize their costs and be efficient in production of niche products

The future stance for Sāmoa's economy appears optimistic with real pressure likely to be mounted on the budget over the next few years. The gains from the reforms would inhibit positive political will to see through the reform process.

- Government needs to drive the reform process across the public sector spectrum particularly in public works, telecommunications, education and health.
- Government to speed up reforms in other key sectors specifically state-owned enterprises and agriculture.
- Government must exercise controlled fiscal discipline and ensure that fiscal monitoring is maintained, thereby paving the way to nurturing an investment environment with good governance in order to maintain sustained economic growth and sustainable livelihoods in all communities.

Endnotes

¹ Samoan Official Currency SAT: Samoan Tala