

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/84/130
Supplement 1

CONFIDENTIAL

July 10, 1984

To: Members of the Executive Board
From: The Acting Secretary
Subject: Western Samoa - Stand-By Arrangement

Attached for the records of the Executive Directors is the text of the stand-by arrangement for Western Samoa agreed at Executive Board Meeting 84/104, July 9, 1984.

Att: (1)

Western Samoa--Stand-By Arrangement

Attached hereto is a letter with annexed memorandum dated June 5, 1984 from the Minister of Finance of the Government of Western Samoa requesting a stand-by arrangement for Western Samoa and setting forth the objectives, policies and measures that the authorities of Western Samoa intend to pursue for the period of the stand-by arrangement, and the understanding of Western Samoa with the Fund regarding a review that will be made of progress in realizing the objectives of the program.

To support these objectives, policies and measures, the International Monetary Fund grants this stand-by arrangement in accordance with the following provisions:

1. For the period from July 9, 1984 to July 8, 1985, Western Samoa will have the right to make purchases from the Fund in an amount equivalent to SDR 3.375 million, subject to paragraphs 2, 3, 4, and 5 below, without further review by the Fund.

2. a. Purchases under this stand-by arrangement shall not, without consent of the Fund, exceed the equivalent of: SDR 0.422 million until July 31, 1984; SDR 0.844 million until October 31, 1984; SDR 1.688 million until January 31, 1985; and SDR 2.532 until April 30, 1985.

b. None of the limits in (a) above shall apply to a purchase under this stand-by arrangement that would not increase the Fund's holdings of Western Samoa's currency in the credit tranches beyond 25 percent of quota or increase the Fund's holdings of that currency resulting from purchases of borrowed resources beyond 12.5 percent of quota.

3. Purchase under this stand-by arrangement shall be made from ordinary and borrowed resources in the ratio of 1 to 1, provided that any modification by the Fund of the proportions of ordinary and borrowed resources shall apply to amounts that may be purchased after the date of modification.

4. Western Samoa will not make purchases under this stand-by arrangement, that would increase the Fund's holdings of Western Samoa's currency in the credit tranches beyond 25 percent of quota or increase the Fund's holdings of that currency resulting from purchases of borrowed resources beyond 12.5 percent of quota:

a. during any period in which the data at the end of the preceding period indicate that the limit on net domestic assets of the banking system, or the limit on net credit from the banking system to the public sector, as specified in paragraph 15 of the memorandum annexed to the attached letter dated June 5, 1984, is not observed; or

b. if the cumulative limit on the contracting or guaranteeing of external debt in the maturity ranges of up to 5 years and up to 12 years, respectively, as specified in paragraph 9 of the memorandum annexed to the attached letter dated June 5, 1984, are not observed; or

c. during any period after November 30, 1984, until the review with the Fund as contemplated in paragraph 4 of the attached letter has been completed and suitable performance criteria have been established in consultation with the Fund, or after such performance criteria have been established, while they are not being observed; or

d. during the entire period of this arrangement while Western Samoa has any overdue financial obligation to the Fund, or if Western Samoa:

- (i) imposes or intensifies restrictions on payments and transfers for current international transactions; or
- (ii) introduces multiple currency practices; or
- (iii) concludes bilateral payments agreements which are inconsistent with Article VIII; or
- (iv) imposes or intensifies import restrictions for balance of payments reasons, other than in accordance with paragraph 6 of the memorandum annexed to the attached letter dated June 5, 1984.

When Western Samoa is prevented from purchasing under this stand-by arrangement because of this paragraph 4, purchases will be resumed only after consultation has taken place between the Fund and Western Samoa and understandings have been reached regarding the circumstances in which such purchases can be resumed.

5. Western Samoa's right to engage in the transactions covered by this stand-by arrangement can be suspended only with respect to requests received by the Fund after (a) a formal ineligibility; or (b) a decision of the Executive Board to suspend transactions, either generally or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of Western Samoa. When notice of a decision of formal ineligibility or a decision to consider a proposal is given pursuant to this paragraph 5, purchases under this arrangement will be resumed only after consultation has taken place between the Fund and Western Samoa and understandings have been reached regarding the circumstances in which such purchases can be resumed.

6. Purchases under this arrangement shall be made in the currencies of other members selected in accordance with the policies and procedures of the Fund, and may be made in SDRs if, on the request of Western Samoa, the Fund agrees to provide them at the time of the purchase.

7. The value date for purchases under this arrangement involving borrowed resources will be determined in accordance with Rule G-4(b) of the Fund's rules and regulations. Western Samoa will consult the Fund on the timing of purchases involving borrowed resources in accordance with Rule G-4(d).

8. Western Samoa shall pay a charge for this arrangement in accordance with the decisions of the Fund.

9. a. Western Samoa shall repurchase the outstanding amount of its currency that results from a purchase under this stand-by arrangement in accordance with the provisions of the Articles of Agreement and decisions of the Fund, including those relating to repurchases as Western Samoa's balance of payments and reserve position improves.

b. Any reduction in Western Samoa's currency held by the Fund shall reduce the amounts subject to repurchase under (a) above in accordance with the principles applied by the Fund for this purpose at the time of the reduction.

c. The value date of a repurchase in respect of a purchase financed with borrowed resources under this stand-by arrangement will normally be either the 6th day or the 22nd day of the month, or the next business day if the selected day is not a business day, provided that repurchase will be completed no later than seven years from the date of purchase.

10. During the period of the stand-by arrangement, Western Samoa shall remain in close consultation with the Fund. These consultations may include correspondence and visits of officials of the Fund to Western Samoa or of representatives of Western Samoa to the Fund. Western Samoa shall provide the Fund, through reports at intervals or dates requested by the Fund, with such information as the Fund requests in connection with the progress of Western Samoa in achieving the objectives and policies set forth in the attached letter and the memorandum annexed thereto.

11. In accordance with paragraph 3 of the attached letter, Western Samoa will consult the Fund on the adoption of any measures that may be appropriate at the initiative of the Government or whenever the Managing Director requests consultation because any of the criteria in paragraph 4 above have not been observed or because he considers that consultation on the program is desirable. In addition, after the period of the arrangement and while Western Samoa has outstanding purchases in the upper credit tranches, the Government will consult with the Fund from time to time, at the initiative of the Government or at the request of the Managing Director, concerning Western Samoa's balance of payments policies.

Apia
Western Samoa
June 5, 1984

Mr. J. de Larosiere
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. de Larosiere:

1. Western Samoa adopted an economic and financial program for 1983 which was supported by the International Monetary Fund with a one-year stand-by arrangement in an amount of SDR 3.375 million. The program was implemented successfully, and the full amount that became available under the stand-by arrangement was drawn. While favorable external developments, in particular, the sharp improvement in the terms of trade, were instrumental in achieving the targets, the economic improvement in 1983 was also largely attributable to the strength of fiscal discipline, monetary restraint, and flexible exchange rate management.

2. Attached is a memorandum setting forth the major elements of Western Samoa's program for 1984 which represents the second phase of a medium-term effort to promote growth with a lower rate of inflation and a sustainable balance of payments position. The focus of the program is on the consolidation of the significant gains realized so far in attaining financial stability, together with a correction of certain structural weaknesses in the economy and an improvement in resource allocation. These objectives are to be achieved through continued fiscal and monetary restraint, tax reform, flexible exchange rate management, and the dismantling of the foreign exchange allocation system for imports. In support of this program, and in view of Western Samoa's balance of payments need, we request a one-year stand-by arrangement from the International Monetary Fund in an amount equivalent to SDR 3.375 million.

3. The Government of Western Samoa believes that the policies and measures set forth in the attached memorandum are adequate to achieve the objectives of its program, but will take any further measures that may become appropriate for this purpose. The Government will consult the Fund, in accordance with the policies of the Fund on such consultation, on the adoption of any measures that may be appropriate.

4. Moreover, the Government will conduct a mid-term review of economic and financial policies with the Fund in order to review progress by Western Samoa in implementing its program, and will reach understandings with the Fund on policies and measures contemplated in

paragraphs 6, 7, 15, and 16 of the attached memorandum for the remaining period. The mid-term review will be held in Apia before October 31, 1984.

Sincerely yours,

Tuilaepa Sailele Malielegaoi
Minister of Finance

Attachment

Memorandum of the Government of Western Samoa on
Certain Aspects of its Economic Policy

I. Background and Policy Response in 1983

1. Western Samoa's limited resource base and its dependence on the production and exports of a few agricultural commodities contributed to the economic and financial imbalances experienced during 1980-82. Real economic growth was negative in each of these years, due mostly to the weak performance of agriculture which is a key sector accounting for about half of GDP and 90 percent of exports. Output of the two major crops, copra and cocoa, continued to stagnate due to the old age of trees, while diversification into new crops was not realized on a large scale. At the same time, there was a sizeable deterioration in the terms of trade, reflecting the decline in international prices of copra and cocoa, and higher prices of oil and other imported goods during this period. Despite a significant drop in the volume of imports, the external current account deficit (excluding official grants) averaged 23 percent of GDP, and large overall balance of payments deficits were recorded. The unsustainable external deficits resulted in a decline in international reserves to critically low levels, and the accumulation of external payments arrears amounting to SDR 13 million by the end of 1982.

2. The adjustment of domestic economic policies, in particular fiscal and exchange rate policies, to the deterioration in the external position was insufficient during 1980-82. Despite substantial inflows of foreign grants, the overall central government deficit averaged 15 percent of GDP, reflecting liberal employment and incomes policies, large transfers to public enterprises, and inadequate measures to broaden the tax base and strengthen collection procedures. The overall deficit of the public enterprises averaged close to 7 percent of GDP during this period, due largely to inefficient management practices and, in certain instances, inappropriate pricing policies. Reflecting mainly the expanded financing needs of the public sector, monetary growth averaged 20 percent annually. Excessive liquidity growth, in conjunction with the decline in import availabilities and higher import prices, contributed to annual average rates of inflation in excess of 20 percent. Real interest rates became increasingly negative, with large differentials emerging between domestic rates and those prevailing abroad, and the real effective exchange rate of the tala showed a significant appreciation beginning in the fourth quarter of 1979.

3. It was against this background that a comprehensive stabilization program was adopted in the first half of 1983. The Government's program was intended to reduce the external current account deficit to 13 percent of GDP in 1983, and realize a small overall balance of payments surplus; reduce external payments arrears by at least SDR 2.9 million by the end of the year, while at the same time undertaking

amounts rescheduled were accelerated during the early months of 1984 resulting in complete elimination of rescheduled commercial arrears by the end of March 1984. Arrears on government and government guaranteed debt were partly repaid and rescheduled during 1983. Of the amount outstanding at the end of 1983, SDR 0.2 million was rescheduled in February 1984, and negotiations are underway for the conversion of the remaining amount into investment in Western Samoa by the non-Fund member government concerned. New external payments arrears will not be incurred during the program period.

9. Although external assistance has so far been largely concessional, the external debt service burden has increased sharply in recent years and is projected to remain heavy in 1984. Since this reflects largely the repayment of external payments arrears (including payments on rescheduled amounts), the debt service burden can be expected to ease considerably after such repayments have been completed. The Government did not contract or guarantee new short- and medium-term debt during 1983. In view of the existing large external debt service obligations, the contracting or guaranteeing by the Government of external loans with an original maturity of up to five years will not exceed US\$3 million during the program period; the contracting or guaranteeing by the Government of external loans with an original maturity of up to 12 years will not exceed US\$5.5 million over the same period.

10. In order to support the external adjustment effort, and to rationalize domestic production incentives, a major revision in the customs, excise, and enterprise incentive legislation was implemented in February 1984. This tax package, which follows closely the recommendations outlined in a 1981 Fiscal Affairs Department report on tax reform in Western Samoa, provides for a generally uniform level of effective protection, a broader tax base, and a more efficient system for granting tax incentives to new industries. The structure of import duties has been substantially simplified, providing an effective rate of protection for most industries of between 60-80 percent. Excise taxes have been shifted from specific to ad valorem rates and the coverage extended to additional products including wine, soft drinks, and luxury items. Exemptions from income and excise taxes for new private sector enterprises, granted over a limited period of time, will largely replace exemptions from import duties. Beginning in early 1984, government imports are subject to import duties. Although this measure has offsetting effects on government revenue and expenditure, it is important in encouraging efficient resource allocation and appropriate government purchasing decisions. A review of the tax system is being planned to correct certain minor anomalies in the new system without modifying the basic thrust of the reform. Consideration is also being given to the adoption of new legislation to provide special incentives for large-scale foreign investment in Western Samoa.

11. The 1984 Central Government budget projections indicate a consolidation of the very strong improvement in the Government's financial position that occurred in 1983. An overall deficit (commitment basis and including grants) equivalent to 2.9 percent of GDP is

negotiations for the rescheduling of the remainder; halt the decline in real output; and bring about a moderation in the rate of inflation by the last quarter of 1983. The Central Government budget for 1983 incorporated new revenue measures (to yield additional revenue equivalent to 4 percent of GDP) and expenditure cuts in order to realize a reduction in the deficit to 6 percent of GDP. Measures were also introduced to improve the financial positions of public enterprises and reduce their combined deficit to 1 percent of GDP. Credit policies were tightened considerably, while bank deposit rates were raised by 5-6 percentage points and lending rates by an average of 4 percentage points. Between February 7 and May 13, 1983, the tala was depreciated, in steps, against the New Zealand dollar by 15 percent.

4. The stabilization program for 1983 was effectively implemented and the macroeconomic targets set were mostly achieved. Real GDP growth was resumed; inflation was reduced to 16.5 percent, despite the successive devaluations of the tala and adjustments in taxes and administered prices; the Central Government deficit and the overall deficit of the public enterprises both declined to approximately 2 percent of GDP; the external current account deficit was reduced to 14 percent of GDP, reflecting partly the sharp improvement in the terms of trade, and a large overall balance of payments surplus was recorded. External payments arrears were reduced to SDR 2.6 million by the end of 1983 through repayments, rescheduling, and investment by a creditor in Western Samoa. Monetary expansion was reduced to 17 percent, with a drop in net domestic assets of the banking system reflecting largely the sharp reduction in net bank credit to the public sector.

II. The Adjustment Program for 1984

5. The economic and financial program for 1984 represents the second phase of a medium-term effort to promote growth in the context of a lower rate of inflation and a viable balance of payments position. The program focuses on correcting structural weaknesses, improving resource allocation, and promoting export-led growth, while at the same time consolidating the significant gains achieved in 1983 in attaining financial stability. The major economic targets for 1984 are to realize real GDP growth of 2 percent; to bring about a further slowing down in the rate of inflation to 12 percent on an average basis; to achieve a reduction in the external current account deficit to 12 percent of GDP and realize an overall balance of payments surplus of SDR 1.5 million, or 1 percent of GDP. These objectives and targets are to be achieved through flexible exchange rate management, improvements in the exchange and payments system, further rationalization of the tax system, and continued tight fiscal and monetary policies.

6. A key element of the 1984 program is the gradual dismantling of the existing foreign exchange allocation system which applies mostly to private sector imports. Effective April 1, 1984, the upper limits on the allocation of foreign exchange on certain basic food items and

construction materials has been lifted. The foreign exchange allocation system will be dismantled effective July 1, 1984, with the exception of imports of motor vehicles, certain capital equipment, and a few locally manufactured goods which will require approval (possibly in the form of import licenses) by the Central Bank. In order to ensure the orderly dismantling of the allocation system and avoid the depletion of foreign exchange reserves a number of supporting measures will be taken. All imports exceeding a certain minimum amount in value will be made subject to letters of credit. A stricter documentation of exports will be required in order to ensure repatriation of export receipts. Given the significant turnaround in the balance of payments in 1983 and the continued strong foreign exchange position, the Government feels that the timing of the proposed move is appropriate, and that the envisaged gradual dismantling of the allocation system will contribute to the removal of administrative inefficiencies and inequities in the present payments system without putting undue pressure on the balance of payments. The gradual dismantling of the allocation system will be supported by flexible exchange rate management and tight monetary policies outlined below. The tax reform undertaken in 1984 and the ensuing generally uniform effective rate of protection should also contribute to the efficient use of imports. The dismantling of the foreign exchange allocation system for imports and the accompanying movements in foreign exchange reserves will be examined at the time of the mid-term review; progress made by Western Samoa in this area will be an important element in the successful completion of the review with the Fund.

7. The Government remains committed to a flexible exchange rate policy. Exchange rate actions during the first half of 1983 contributed to restoring the international competitiveness lost since late 1979. However, the gains from the devaluation were mostly eroded in the latter part of the year due to the rapid increase in domestic prices which was partly attributable to such special factors as drought-induced domestic supply shortages and demand pressures generated by the South Pacific games held in Apia in September. Although inflation moderated during the first quarter of 1984, there remained a need to restore competitiveness lost since mid-1983. In view of this, and in order to bring about a change in relative prices aimed at reducing import dependency and promoting export growth, the tala was devalued by 4.3 percent and 3.9 percent in terms of the New Zealand dollar on May 7 and May 31, 1984, respectively. The exchange rate will continue to be monitored closely and further corrective action will be taken if indicated. The benefit from the devaluation will be passed on fully to producers. Exchange rate policy will be a major element of the mid-term review with the Fund.

8. External payments arrears were reduced from SDR 13 million at the end of 1982 to SDR 2.6 million at the end of 1983 through cash payments and rescheduling. Commercial arrears, which constituted over 60 percent of the total stock of arrears outstanding at the end of 1982, were repaid or rescheduled over a three-year period. Repayments on the

estimated for 1984, with limited recourse to the banking system; excluding grants, the overall deficit is projected to decline to 14 percent of GDP. Total revenue (excluding grants) and total expenditure are estimated to rise by 15 percent and 7 percent, respectively. These growth rates exclude the offsetting impact on revenue and expenditure of government payment of import duties from 1984. The recent tax reform, and increases in fees and charges are expected to yield additional revenue in 1984 equivalent to 4 percent of GDP including receipts from government payment of import duties, or to 1.7 percent of GDP excluding such receipts. Revenue growth in 1984, however, is constrained by the decline in income tax receipts following the exceptional effort to collect income tax arrears in 1983, and by the slower growth in imports. Current expenditure is expected to rise moderately, with wages rising by 10 percent (5 percent cost-of-living and 5 percent regrading) and a continued reduction of government employment through the funding only of essential vacancies. A moderate increase is also projected for development spending, with much of the growth related to the planned expansion of Apia's international airport. Developments in government expenditure during the year will continue to be closely monitored through quarterly reviews of departmental budgets; departments exceeding their targeted expenditure in a particular quarter will be required to scale down their spending for the remainder of the year. In the event that developments during the year suggest a significantly higher budget deficit than presently envisaged, additional measures will be taken to raise revenue and/or curtail expenditure.

12. In 1984, the overall deficit of the public enterprises is estimated to decline substantially to the equivalent of 0.8 percent of GDP. The major contributor to this improved overall position will be the Copra Board which continues to benefit from high world market prices for its products. Moderate improvements are also indicated in the financial positions of the Western Samoa Trust Estates Corporation (WSTEC) and the Special Projects Development Corporation (SPDC). WSTEC should benefit in 1984 from further sales of land and better management practices. Payments for ongoing projects and commencement of construction work on Apia's international airport are expected to strengthen the financial position of the SPDC. The Electric Power Corporation (EPC) will continue to follow a flexible pricing policy in 1984 and seek to avoid operating losses. There will be further large scale investment by the EPC this year in increasing hydroelectric capacity. With a view to further improving public enterprise finances and monitoring more closely the operations of public enterprises, a National Economic Council (NEC) was established in late 1983. The Council, which includes the Ministers of Finance, Agriculture, and Economic Affairs, and is chaired by the Prime Minister, meets quarterly to review the performance of public enterprises. Major public enterprises are required to report on their activities to the NEC on a monthly basis. Through the supervision of the NEC and timely adoption of corrective measures, it is the Government's intention to achieve a better coordination among various public enterprise activities and to improve the efficiency of their operations. The Government is also continuing its efforts to turn over,

where it might be appropriate, public sector activities to the private sector.

13. A *cost-of-living adjustment for government employees* has been provided for in the 1984 budget for the first time in two years. The 5 percent adjustment only partially compensates for the increase in the domestic component of the CPI in 1983. The Government will take steps to ensure that wage increases in the public enterprises and the private sector during 1984 do not exceed the increase budgeted for government employees. The importance of wage restraint in the adjustment effort is fully recognized and will be taken into account in the preparation of the 1985 budget.

14. In support of the fiscal and incomes policies described above, monetary and credit policies are aimed at limiting the increase in net domestic assets of the banking system to 5 percent in 1984. Given the balance of payments objectives for 1984, this increase would be consistent with containing the growth of total liquidity at 15 percent in 1984 compared with 17 percent in 1983. In view of the reduced recourse by the public sector to net bank credit, the envisaged increase in net domestic assets would allow for sufficient expansion of credit to the private sector to finance the expected resumption in investment and production activity. As in the past year, credit policy will be directed toward channeling increased resources to the private sector. However, credit policy will be sufficiently tight to ensure that credit expansion does not put undue pressure on the balance of payments in view of the additional import demand that is likely to be generated with the dismantling of the allocation system.

15. Taking into account the projected credit needs of the public and private sectors and the relevant seasonal patterns of credit demand, ceilings for end-June, end-September, and end-December 1984 have been set on the outstanding levels of net domestic assets of the banking system, and on net bank credit to the public sector as shown in the attached table. Appropriate credit ceilings will be established for end-March 1985 during the mid-term review of the program with the Fund.

16. As part of the Government's stabilization program, interest rates were adjusted in February 1983 with a view to establishing positive real rates of interest and eliminating differentials with interest rates abroad. Time deposit rates currently range from 14-17 percent per annum on deposits with maturities of 3 months to 24 months, while lending rates range from 14-20 percent on different categories of commercial bank loans. The adjustment in interest rates has resulted in a shift from cash and demand deposits into time deposits, helped moderate the demand for credit, and provided incentives for the repatriation of funds held abroad. Interest rates are expected to become increasingly positive in real terms in view of the anticipated further slowing down in inflation. The Government remains committed to a flexible interest rate policy and will continue to monitor interest rates in light of domestic price movements and developments in interest

rates in neighboring countries. Interest rate policy will be reassessed at the time of the mid-term review with the Fund.

17. The legislation for the establishment of the Central Bank was approved by the Parliament in early 1984. The Central Bank of Samoa began operations on May 1, 1984, and will gradually take over the central banking functions presently performed by the Treasury, the Monetary Board, and the Bank of Western Samoa. The establishment of an independent Central Bank is expected to enhance the effectiveness of monetary policy in Western Samoa.

18. The adjustment policies adopted during 1983-84 need to be placed in the context of a medium-term program aimed at promoting growth. Agriculture, including forestry and fisheries, will continue to be the most important sector of the economy. In recognition of this, a major agricultural sector study is being undertaken in Western Samoa by the Asian Development Bank during 1984. The objective of the study is to examine the existing problems in the agricultural sector, identify potential areas of development, and determine strategies for promotion of economic activity in these areas. The study covers crops, livestock, fisheries, forestry, agroindustries and related activities.

19. Under the existing programs to promote growth of agricultural output, cocoa planting is being supported by a suspensory loan scheme under which 60 percent of the loan granted to the grower is turned into a grant provided a certain level of production is attained within 5-6 years. It is planned to expand this scheme to cover coconut production and to introduce intercropping with cocoa. To increase copra production, improvements are also being made in the collection, transportation, and the processing of nuts. Larger scale, commercial production of tropical fruits and vegetables continue to be promoted with a view to increasing exports of these items.

20. There has been a substantial expansion of the industrial base in recent years with the establishment of the brewery and cigarette factories, the copra crushing mill, the veneer mill, and the fruit processing plant. Several joint ventures with foreign firms are expected to be established in the near future; these include plywood production, processing and packaging of dairy, meat, and fish products, processing of passion fruit, and production of activated carbon from coconut shells. Western Samoa has also adopted a comprehensive energy program under which two hydroplants have become operational and another is scheduled to be completed in late 1984, which will raise the share of energy generated from this source to about 70 percent. A project for power generation from wood waste is underway and is expected to be completed in 1987. This new source of energy will supplement hydro-electric power stations in the dry season and virtually eliminate the need for diesel fuel imports for electricity generation by 1988. Energy prices, which were adjusted by 17-21 percent in June 1983 to reflect increased costs of imported petroleum products, will continue to be adjusted to reflect changes in costs.

21. The growth of the tourism industry has been hampered by the inadequacy of the existing airport. A project is underway for the extension of the airport in two stages over the period 1984-88. The first stage involves runway expansion while the second stage will cover the upgrading of airport facilities. The financing of the project, which is estimated at WS\$19 million, will come largely from external sources. The new airport will allow for a larger volume of tourist traffic, as well as providing air freight capacity needed to promote exports of perishable products (fresh fish, fruits, etc.). The construction of a major new hotel is being undertaken in conjunction with the extension of the airport.

Western Samoa: Limits on Selected Financial Aggregates

	As of	On		
	Dec. 28, 1983	June 27, 1984	Sept. 26, 1984	Dec. 26, 1984
<u>(Outstanding amounts in thousands of tala)</u>				
Net domestic assets of banking system <u>1/</u>	56,095	59,700	59,100	59,000
Credit to public sector <u>1/</u>	37,188	40,500	38,900	36,950

Contracting of external public debt in 1984 1/
(In millions of U.S. dollars)

With maturity of:

Up to and including 12 years	5.5
Up to and including 5 years	3.0

1/ As defined in the Memorandum of Understanding.