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**FOR  
AGENDA**

EBS/76/93

CONFIDENTIAL

March 5, 1976

To: Members of the Executive Board  
From: The Secretary  
Subject: Western Samoa - Purchase Under the Oil Facility

Attached for consideration by the Executive Board is a communication from Western Samoa informing the Fund of Western Samoa's intention to request a purchase under the oil facility, together with the staff's analysis and recommendation.

This subject will be brought to the agenda for discussion on a date to be announced.

Att: (1)



INTERNATIONAL MONETARY FUND

Western Samoa - Purchase Under the Oil Facility

Prepared by the Asian Department

(In consultation with the Exchange and Trade Relations,  
Legal, Research, and Treasurer's Departments)

Approved by Tun Thin

March 4, 1976

I. Introduction

In a communication dated March 3, 1976 (attached) Western Samoa has informed the Managing Director of its intention to request a final purchase under the oil facility for 1975 in the amount the Fund determines will be available to Western Samoa under paragraph 4 of Executive Board Decision No. 4954-(76/16), adopted February 11, 1976. Western Samoa has already made a purchase under the 1975 Oil Facility amounting to SDR 0.26 million, or the equivalent to 50 per cent of the calculated maximum access for Western Samoa under the 1975 Oil Facility permitted by Executive Board Decision No. 4769-(75/133), adopted July 28, 1975. Since, with the requested purchase, Fund holdings of tala would be raised by more than 25 per cent of the quota in a 12-month period, a waiver of the conditions of Article V, Section 3(a)(iii) of the Articles of Agreement is necessary.

In its communication dated March 3, 1976 the Government of Western Samoa has stated that the purchase is required to meet a balance of payments need in 1975 and that, as stated in paragraph 5 of its letter dated October 27, 1975, the representations in the letter of October 27 apply with respect to the intended request. These representations are those required by paragraph 5 of Executive Board Decision No. 4241-(74/67): under paragraph 5(a) with respect to consultations; under paragraph 5(c) with respect to the use of restrictive measures; and under paragraph 5(d) with respect to repurchases.

The Fund's holdings of tala now stand at 163 per cent of Western Samoa's quota of SDR 2.0 million. Excluding purchases under the oil facility and the Compensatory Financing Facility, Fund holdings of tala amount to 125 per cent of quota. In November 1975, Western Samoa purchased the equivalent of SDR 0.5 million under a stand-by arrangement in the first credit tranche (EBS/75/396, 11/5/75), and the equivalent of SDR 0.5 million under the Compensatory Financing Decision (EBS/75/400, 11/7/75).

Western Samoa is a participant in the Special Drawing Account and received an allocation of SDR 212,000 on January 1, 1972. At the end of January 1976, Western Samoa's holdings were SDR 35,608 or 16.8 per cent of the net cumulative allocation. At that time Western Samoa had a need to reconstitute SDR 42,350.

The Executive Board last reviewed Western Samoa's economic situation on November 12, 1975 when it discussed the Staff Report on the 1975 Article XIV Consultation discussions (SM/75/257, 10/20/75), the Recent Economic Developments (SM/75/258, 10/23/75), the Request for Stand-by Arrangement (EBS/75/396, 11/5/75), the intention to request a purchase under the oil facility (EBS/75/397, 11/5/75) and the request for a purchase under the Compensatory Financing Decision (EBS/75/400, 11/7/75).

## II. Oil Deficit and Balance of Payments Need

The present estimate of the 1975 oil deficit of SDR 2.5 million is not different from that presented in EBS/75/397 of November 5, 1975 and reviewed by the Executive Board on November 12, 1975 when it approved the request for the first purchase by Western Samoa under the 1975 Oil Facility. The estimated overall balance of payments deficit was reduced from SDR 1.62 million to SDR 1.52 million, chiefly reflecting higher capital inflow, while the estimated current account deficit was increased from SDR 10.90 million to SDR 13.67 million, due primarily to higher imports (Table 1).

Gross international reserves of Western Samoa, which amounted to SDR 6.73 million on December 31, 1974, declined to SDR 6.47 million on December 31, 1975, an amount equivalent to 2.7 months of estimated 1975 imports. Net international reserves declined from SDR 6.73 million at the end of 1974 to SDR 5.21 million at the end of 1975.

There have been no discernible changes in the net restrictiveness of the trade and payments system since the issuance of the Staff Report on the 1975 consultation and Western Samoa's request for a first purchase under the 1975 Oil Facility.

## III. Staff Appraisal and Proposed Decision

Western Samoa has informed the Managing Director of its intention to request a final purchase under the oil facility for 1975 in the amount the Fund determines will be available to Western Samoa under paragraph 4 of Executive Board Decision No. 4954-(76/16), adopted February 11, 1976. Western Samoa's net expenditure on imports of petroleum and petroleum products in 1975 is estimated to have been SDR 2.5 million, an increase of SDR 1.4 million over the net import cost in 1973.

Gross official reserves declined by SDR 0.26 million in 1975. A final purchase under the oil facility for 1975 could be SDR 0.09 million or SDR 0.12 million, respectively, in the event the percentage of maximum calculated access is to be established at 70 per cent or 75 per cent. There has been no increase in the restrictiveness of the trade and payments system in 1975; Western Samoa has been conducting its policies consistently with the understandings set forth in paragraph 2 of the Rome Communique and it is implementing the economic and financial policies described in the statement attached to the letter to the Fund dated October 27, 1975.

Table 1. Western Samoa: Balance of Payments, 1972-75

(In millions of SDRs)

	1972	1973	1974	1975 Revised Estimate
Merchandise trade (net)	-16.94	-14.04	-13.34	-23.97
Exports (f.o.b.)	4.85	5.66	10.72	5.85
Imports (c.i.f.)	-21.79	-19.70	-24.06	-29.82
Of which: Petroleum and petroleum products	(0.85)	(1.06)	(1.90)	(2.50)
Services (net)	2.07	0.87	1.92	1.54
Transfers (net)	4.03	6.75	8.15	8.76
Current account balance	-10.84	-6.42	-3.27	-13.67
Nonmonetary capital (net)	8.69	7.54	3.29	12.15
Official	1.01	2.66	4.03	...
Private	7.68	4.88	-0.74	...
Errors and omissions	-0.46	-2.31	0.05	--
Allocation of SDRs	0.21	--	--	--
Overall balance	-2.40	-1.19	0.07	-1.52
Financing (assets increase -)				
Monetary authorities 1/	2.40	1.19	-0.07	1.52
Assets	2.02	1.56	-0.06	0.26
Liabilities	0.38	-0.37	-0.01	1.26
Of which: Use of Fund credit	--	--	--	1.26
Oil Facility 1975	(--)	(--)	(--)	(0.26)
Other	(--)	(--)	(--)	(1.00)
<u>Memorandum items</u>				
Maximum access to 1975 Oil Facility				0.5
Fund holdings of member's currency as per cent of quota (end of period)	82	82	82	163 2/
Gross international reserves (end of period)	8.23	6.67	6.73	6.47
Net international reserves (end of period)	7.85	6.66	6.73	5.21

Source: Based on data provided by the Western Samoan authorities.

1/ Includes foreign assets held by other official institutions.

2/ Including outstanding purchases under the Compensatory Financing Decision and the oil facility.

Therefore, in light of the representations of the Government of Western Samoa, the staff believes that Western Samoa's request for a final purchase is in conformity with the oil facility decisions, and the following decision is submitted for consideration by the Executive Board:

1. The Fund has received a communication dated March 3, 1976 from the Government of Western Samoa informing the Fund of Western Samoa's intention to request the final purchase under Executive Board Decisions No. 4634-(75/47) adopted April 4, 1975, and No. 4954-(76/16) adopted February 11, 1976. Western Samoa has made representations in accordance with paragraph 5 of Executive Board Decision No. 4241-(74/67).

2. The Fund determines that a purchase in an amount to be established by the Fund in accordance with paragraph 4 of Decision No. 4954-(76/16) would be in conformity with the decisions cited in paragraph 1 above, agrees to the purchase, notes the representations made by Western Samoa in accordance with paragraph 5 of Decision No. 4241-(74/67), adopted June 13, 1974, and grants the necessary waiver of the conditions of Article V, Section 3(a)(iii) of the Articles of Agreement on the repurchase terms set forth in the letter dated October 27, 1975.

ATTACHMENT  
March 3, 1976

Managing Director  
International Monetary Fund  
Interfund  
Washington, D.C.

I am submitting this cable on behalf of the Government of Western Samoa to inform the Fund of the intention of Western Samoa to request a final purchase under the oil facility in the amount that the Fund determines will be available to Western Samoa to meet a balance of payments need in 1975. As stated in paragraph 5 of Western Samoa's letter to the Fund dated October 27, 1975, the representations in that letter apply with respect to this intended request. If the Fund finds that the intended request would be in conformity with the facility for 1975 and after it informs Western Samoa of the amount that may be available, the request for the purchase of that amount will be submitted at the time suggested by the Fund.

Western Samoa wishes to inform the Fund that it has not imposed new or intensified existing restrictions on current international payments or transactions and that it is implementing the economic and financial policies described in the statement attached to the letter to the Fund dated October 27, 1975.

Aumua Ioane  
Minister of Finance  
Government of Western Samoa