Glossary

BAS	Business Activity Survey
BPM6	Sixth edition of the *Balance of Payments and International Investment Position Manual*
CBS	Central Bank of Samoa
CDIS	Coordinated Direct Investment Survey
CDOT	IMF Capacity Development Office in Thailand
CIF	Cost, insurance and freight
CPI	Consumer Price Index
ESS	External sector statistics
FOB	Free on board
HIES	Household Income and Expenditure Survey
HS	Harmonized System
IIP	International investment position
IIS	International Investment Survey
IMF-STA	IMF's Statistics Department
IVS	International Visitor Survey
ITRS	International Transactions Reporting System
MOFAT	Ministry of Foreign Affairs and Trade
MTO	Money transfer operator
NEO	Net errors and omissions
NFCs	Non-financial corporations
NPISH	Non-profit institutions serving households
PFL	Pacific Forum Line
SBS	Samoa Bureau of Statistics
SIFA	Samoa International Finance Authority
STA	Samoa Tourism Authority
TA	Technical assistance
TCA	Trade Credits and Advances Survey

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

1.   **A technical assistance (TA) mission on external sector statistics (ESS) was conducted for the Central Bank of Samoa (CBS) in Apia, Samoa during November 19–30, 2018.** This was a follow-up to the initial mission (April 2018) under the Project to Improve ESS in the Asia–Pacific Region, funded by the Government of Japan and managed by the IMF's Statistics Department (IMF-STA) and the IMF Capacity Development Office in Thailand (CDOT).

2.   **The purpose of the mission was to support the CBS in further strengthening ESS compilation and dissemination.** Although limited progress was made in implementing the previous mission's recommendations, the mission managed to work with ESS compilers to address a number of outstanding issues during the mission. These included; (i) piloting the International Investment Survey (IIS) and compilation of direct investment liabilities data for the non-financial corporations (NFCs); (ii) verifying coverage of trade in goods data and consistency with International Merchandise Trade Statistics (IMTS) disseminated by the Samoa Bureau of Statistics (SBS); (iii) assessing the sources and methods used to compile exports of travel services (*including preliminary results from the 2018 International Visitor Survey–(IVS)*); and (iv) reviewing the sources and methods used for remittance receipts. The action plan was updated, with a number of actions reviewed and re-prioritized.

3.   **Collection of international investment data from NFCs is a priority task.** Reported direct investment transactions currently reflect only deposit-taking corporations data reported as part of the monetary statistics. The mission worked with ESS compilers to pilot the IIS. Discussion with selected companies indicates feasibility of survey. The CBS needs to allocate sufficient staff resource to this survey in order to encourage response and deal with respondent questions. While ESS resources are limited, an additional economist has been allocated to the team (commencing 2019).

4.   **A schedule of reporting was agreed with the CBS working towards the inclusion of direct investment data in the September 2019 balance of payments data submission.** Direct investment position data of the NFCs is the main omission in the international investment position (IIP) dataset. **Once the IIS results are available, the CBS should be able to start disseminating initial estimates of the IIP for Samoa.**

5.   Exports of goods in the balance of payments are currently based on exchange control records, while imports are based on Customs data used in the compilation of the IMTS by the SBS. The mission reviewed the two data sources and assessed that the IMTS data should have better coverage than exchange control source data. Using the IMTS data, adjusted to the balance of payments definition will increase exports of goods in the current account by around 10 percent in recent periods and also improve consistency between goods in the balance of

payments and the IMTS data published by Samoa Bureau of Statistics (SBS). **The mission recommended that ESS compilers convert to using the IMTS data as the source of exports data starting 2019; and adjust historical data at least as far back as 2014.** ESS compilers should also disseminate a reconciliation table to help users understand the transition from IMTS to export and import figures recorded in the balance of payments.

6.   **The methods for deriving export of travel services were also reviewed, and advice provided on how to incorporate the 2018 IVS results and how to back-cast the series.** The number of positive responses to the survey is higher than the previous interviewer-based data collection in 2013–2014, and initial results are considered robust. When final results become available, ESS compilers will need to update the travel model weights used in the balance of payments compilation files for 2018 and consider revising historical series (which were based on the 2013/14 survey).

7.   **In addition, the sources and methods for compiling remittance credits were reviewed in parallel with exports of travel services, as expenditures of visitors with the main purpose of "*visiting friends and family*" also include a portion of donations to their family and the local community.** Alternative data sources for trade in services categories that are not easily captured via the international transaction reporting system (ITRS) were also identified, particularly for transport and government goods and services n.i.e. The survey instruments were updated and ESS compilers encouraged to launch data collection in 2019.

8.   **The ESS are compiled by a small team of two economists, who also have responsibility for real sector statistics, together with two administrative staff with the main responsibility for compiling the ITRS dataset.** In response to previous mission's recommendations, the Governor has agreed to recruit a new economist in 2019 and allocate to ESS compilation team. To make the best use of the resources, the mission assisted ESS compilers to review and re-prioritize the action plan so as to facilitate step-by-step implementation of the missions' recommendations. The mission also highly encouraged ESS compilers to attend the IMF's ESS training courses and workshops for capacity development.

Table 1. Samoa: Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
June 2019	*Switch to using Customs data as the source of trade in goods exports rather than CBS exchange control records.*	**CBS**
September 2019	*Relaunch IIS by meeting all key direct investment enterprises. Allocate individual contact points in the CBS for each enterprise so that a personal relationship can be established. Agree a timetable for survey response with each enterprise and follow up on late responses.*	**CBS**
September 2019	*Validate 2018 IVS results and incorporate in the balance of payments compilation files. Adjust back data weights as required.*	**CBS**

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

A. The Updated Action Plan

Priority	Action/Milestone	Target Completion Date
**Outcome**: Source data are adequate for the compilation of these macroeconomic statistics	
H	Switch to using Customs data as the source of trade in goods exports rather than CBS exchange control records.	June 2019
M	Meet with the resident airline (Samoa Airways) and shipping operator – Pacific Forum Line (PFL) to introduce the transport survey forms and request data from 2019 onwards.	June 2019
L	Continue to liaise with Samoa Tourism Authority (STA) to formalize regular supply of data on cruise ships	June 2019
H	Relaunch the IIS by meeting all key direct investment enterprises. Allocate individual contact points in the CBS for each enterprise so that a personal relationship can be established. Agree a timetable for survey response with each enterprise and follow up on late responses.	September 2019
H	Validate 2018 IVS results and incorporate in the balance of payments compilation files. Adjust back data weights as required. - Introduce the new weights from the 2018 IVS when data becomes available in mid-2019. - Consider updating the weights from the 2013/14 IVS to exclude donations.	September 2019
H	Review assumptions made to ITRS codes R27 and R68 by meeting with local money transfer operators (MTOs) to check if any information on the breakdown of remittances and travel expenditure is available.	September 2019

Priority	Action/Milestone	Target Completion Date
M	Send the government services survey as a joint CBS and Ministry of Foreign Affairs and Trade (MOFAT) exercise to encourage response from the foreign diplomatic missions in Samoa.	December 2019
L	Aim to update the adjustment from "cost, insurance, and freight (CIF)" value to "free on board (FOB) value every five years by collecting freight rates from sea and air transport operators.	June 2020
M	Incorporate results from 2018 Household Income and Expenditure Survey (HIES) in the remittances model once data are available.	July 2020
H	Once direct investment liabilities position data are available, the CBS should also start disseminating annual IIP estimates.	July 2020
Outcome: Data are compiled and disseminated using appropriate statistical techniques, including to deal with data sources, and/or assessment and validation of intermediate data and statistical outputs		
H	Meet Samoa International Finance Authority (SIFA) to emphasize the importance of collecting and providing data to the CBS (ESS and monetary data).	March 2019
H	Collect from SIFA detailed position data (including currency breakdowns) from the offshore banks and insurance companies.	September 2019
H	Approach the trustees of the offshore companies to determine what information is held on their clients' accounts.	September 2019
L	Verify and update the assumption that all of Samoan imports are carried by non-resident transport operators. Adjust estimated freight transport accordingly.	September 2019
M	Compile an IMTS – balance of payments reconciliation table to clarify the transition from Customs-based trade in goods data to exports and imports figures in the balance of payments.	December 2019

Priority	Action/Milestone	Target Completion Date
H	Verifying and comparing various data sources for donations received through*: - ITRS - Administrative data - Foreign Embassy survey - Bilateral data	July 2020
* _Remark_: Work-in-progress. SBS data assessed to be an alternative source of remittances data. Deadline shifted to 2020 to allow use of 2018 HIES results.		
Outcome: Staff capacity increased through training, especially on developing source data, compilation methods, and dissemination		
H	CBS to expand its capacity** - Recruit additional ESS compilers - Provide training to staff	December 2019
** _Remark_: The CBS management approved recruiting one additional economist. New and current ESS compilers are encouraged to attend future IMF ESS training courses and workshops.		

B. Trade in Goods

9.   The CBS and the SBS compile exports of goods using different data sources, leading to inconsistency between IMTS–basis and balance of payments basis data. Rather than using Customs source data, CBS exports are currently based on foreign exchange control records, adjusted to include exports of fish, bunker sales of oil and to exclude goods for processing with no change of ownership. On the contrary, the SBS exports are based on Customs data, adjusted to also include sales of fish and bunker sales. Goods for processing without change of ownership are included in the IMTS figures. Both the CBS and the SBS derive imports from Customs data.

10.   The mission analyzed the differences between trade in goods compiled on an IMTS basis by the SBS and trade in goods compiled on a balance of payments basis by the CBS (Table 2). Differences between CBS and SBS figures are highlighted in yellow. SBS imports from the IMTS are converted from CIF to the FOB valuation used in the BOP by deducting the 8.3 percent CIF-FOB adjustment currently used by the CBS to adjust IMTS imports to an FOB basis. The differences in exports can be partly explained by the CBS and the SBS using different sources (the CBS currently uses exchange control records while the SBS uses Customs data), and also by the CBS' adjustment to exclude goods for processing without change of ownership from the Customs data. Goods for processing was an important industry for Samoa until 2017, when a large Japanese–owned company processing automotive wire harnesses for export to Australia under a concessional market–access arrangement closed. The differences between the CBS and

the SBS imports (adjusted to FOB valuation) should only be due to the exclusion of goods for processing in the CBS' figures.

Table 2. Comparison of Trade in Goods as Published in the IMTS and the Balance of Payments

In millions of WST	Exports			Imports				Balance		
	CBS	SBS	Diff	CBS	SBS – IMTS	SBS – (fob) basis	Diff	CBS	SBS – (fob) basis	Diff
2014	64	118	-54	796	895	821	-25	-732	-703	-28
2015	87	136	-49	763	855	784	-21	-676	-648	-28
2016	93	144	-51	801	899	824	-23	-709	-681	-28
2017	95	112	-17	819	901	826	-7	-724	-714	-10

11.   To meet user needs, the CBS present a breakdown between domestically produced exports (mainly agricultural and fish products) and re-exports (such as aviation fuel). Re-exports are simply derived as the difference between total exports and domestically produced exports. The mission worked with the CBS to test the feasibility of using Customs data instead of exchange control records to compile the detailed breakdown of trade published in Table B-5 of the CBS Quarterly Bulletin.[1] The mission mapped the Harmonized System (HS) codes used to classify Customs data to the Table B-5 product breakdown to confirm that the table can be published using Customs rather than exchange control records.

12.   The CBS uses a fixed percentage (8.3 percent) to adjust from imports CIF to FOB valuation. This percentage was based on a study of import valuations undertaken around five years ago. The mission reviewed the detailed Customs imports data to determine if the CIF–FOB adjustment could be updated. However, FOB values included in the Customs database are not validated by the Customs and, hence, are not of sufficient quality to update the overall CIF–FOB adjustment. The previous mission recommended that data on the freight costs of Samoan importers be separately collected as part of the proposed Trade Credit and Advances (TCA) survey as a way of updating the CIF–FOB ratio. Given that the TCA survey is not seen as a priority, the CBS should instead consider collecting information on freight rates from domestic freight companies. Freight rates could then be combined with information on the volume of imports from Customs to derive an estimate of the overall freight costs on imports. The CIF–FOB adjustments are carried through directly as imports of freight and insurance services. Any imports carried by Samoan sea and air transport operators should be excluded from imports of freight services, and likewise for the insurance on imports.

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[1] https://www.cbs.gov.ws/index.php/statistics/quarterly-bulletin/

Recommended Actions:

- Switch the source of trade in goods exports from exchange control records to Customs data to ensure better coverage and improve consistency with the IMTS published by the SBS. Before implementing this change, the CBS should validate the remaining differences between the IMTS figures published on the SBS website and the detailed tables provided to the CBS for balance of payments compilation. It should be noted that Customs data will still need to be adjusted to remove goods for processing (without change of ownership) and migrants' goods; and to include bunker and other sales in port.

- Review the proportion of freight on imports that is carried by Samoan transport operators and remove from imports of freight services accordingly. Similar adjustments should be undertaken for insurance on imports provided by insurance companies located in Samoa.

- Compile an IMTS – balance of payments reconciliation table so that users are clear about the transition from Customs–based estimates to exports and imports figures in balance of payments basis.

- Aim to update the CIF–FOB adjustment every 5 years by collecting freight rates from sea and air transport operators.

C. Travel

13.   The results from the travel expenditure surveys in 2003 and 2013 were compared with the initial results from the 2018 survey. Exports of travel services (credit) are model–based, using information from a periodic survey of visitors and monthly Immigration data on the number of visitors. The model–based estimates replace travel credits captured in the ITRS. The model derives travel expenditure as the product of the number of visitors, multiplied by the average daily expenses, multiplied by the average length of stay for different groups of visitors (country groupings and purpose of visit).

14.   Overall visitor numbers are sourced from the Immigration records. Each visitor completes a landing card that includes information on the purpose of visit, nationality and place of usual residence, place of stay in Samoa, as well as personal information about the visitor. Information on these cards is captured by the SBS and is used to provide the grossing up structure for the travel model.

15.   Length of stay is not captured in the analysis of landing cards, partly because of problems with the completion of this information by visitors. The STA is investigating if length of stay can be collected by electronically capturing Immigration records of arrival and departure dates of individual passport holders. In the meantime, length of stay is based on the five–yearly IVS results and is included in the weights in calculating the average spend by market and by purpose. (Note that the average expenses per visit weights used to calculate travel expenditure

for European visitors seem too low from 2013, perhaps due to an insufficient sample from the 2013/14 IVS).

16.   A meeting was arranged with the STA, to discuss progress with the update to the 2018 IVS. The IVS is an email–based survey of nonresident visitors to Samoa, funded by New Zealand and using the same survey methodology as the one for New Zealand travel credits. Nonresident visitors are asked to provide their email address on the departure cards; and are then emailed an automated survey form for completion. The advantage of this approach is that it requires minimal interviewer resource and should provide better information on expenditure as it allows visitors to reference credit/debit card information, rather than being based on best estimates as they depart the country. This approach was introduced for the first time in 2018, replacing the previous interviewer–based approach used in the previous exercises. The methodology makes assumptions about the allocation of package expenditure which is either routed to Samoa (55 percent) or flows back to the country of origin (45 percent) to account for the proportion of the package that reflects travel agent fees or flights. These proportions are consistent with those used by the New Zealand methodology which were based on an ad hoc study.

17.   Initial indications are that the email data collection approach is working well. The IVS is running throughout the calendar year 2018. Up to end–June 2018, around 3,300 surveys have been completed. This compares with the overall sample of 4,400 in 2013. The STA projected that around 170,000 visitor arrivals will be made to Samoa in 2018 and are hoping for around 8,000 completed IVS surveys. Although response rates are relatively low, the aggregate number of responses to date should be sufficient to provide expenditure data of reasonable quality.

18.   The STA provided initial travel expenditure results from the new IVS, which are broadly in line with the CBS estimates for the first half of 2018 (projected forward from the previous 2013 survey results using changes in visitor numbers and the consumer price index (CPI)). The survey continues until the end of 2018, with results available in 2019. The ESS compilers plan to incorporate the results into the new model once results are complete and validated.

19.   The expenditure of cruise ship visitors is simply calculated as the number of visitors multiplied by the average daily expenses for all visitors from the IVS. The STA provided data during the mission to allow the model to be updated from March 2015. This data should now be supplied on a regular basis. The average daily expenses for cruise ship passengers is broadly in line with the daily expenses per visitor of cruise ships in the Caribbean.

20.   The mission considers that the previous interviewer–based visitor surveys may have included an element of personal transfers in travel expenditure. Travel expenditure results from the earlier visitor surveys includes "family obligations". This is a particularly important component of "expenditure" by those declaring the purpose of visit as "visiting family and friends (VFR purpose of travel)". However, the sixth edition of *the Balance of Payments and International Investment Position Manual (BPM6)* paragraph 10.86 and 10.88 define travel as:

"Travel credits cover goods and services for own use or to give away acquired from an economy by non-residents during visits to that economy. In the case of travel, the consumer moves to another territory to consume the goods and services that he or she acquires."

The mission considers that at least part of the "family obligations" category identified in the expenditure results represents personal transfers rather than travel services as the traveler does not consume the goods and services. This issue needs to be considered when back-casting the results from the 2018 survey to earlier years.

21. Travel debits (expenditure of Samoan residents on trips abroad) are sourced from the ITRS. It is suggested that this item be reviewed during a future TA mission.

Recommended Actions:

- Continue to liaise with the STA to formalize regular supply of data on cruise ships.

- Introduce the new weights from the 2018 IVS when data becomes available in mid–2019, so that results can be included in the 2019 data dissemination. When calculating any changes to earlier years, ESS compilers should also consider recalculating the weights from the 2013 IVS to exclude donations as an expenditure item.

D.   Other Trade in Services Components

22. The CBS compiles eleven component breakdown of trade in services, broadly in line with *BPM6* requirements. Government services n.i.e. are not currently separately identified. Trade in services data, apart from exports of travel services and imports of freight services are mainly derived from the ITRS.

23. The recent automation of the ITRS data capture and processing now allows ESS compilers more time to check and validate the data. However, additional sources need to be developed in some areas to address the known deficiencies in ITRS reporting—inaccurate classification of service transactions by respondent banks, netting procedures, and routing transactions via nonresident banks. The IIS is designed to supplement ITRS data sources by collecting trade in services data from direct investment enterprises as direct investors will often use nonresident banks, so transactions are not captured via the ITRS. When fully operational, the IIS will provide an alternative source of trade in services data for the major nonbank enterprises. Reported data will need to be analyzed in conjunction with ITRS data to avoid potential double–counting.

24. A survey of resident transport operators was designed by the previous mission but has not yet been dispatched. Survey data would be a useful supplement to the ITRS as transport operators will often use nonresident banks for their external transactions. The IMF standard transport survey instrument was reworked into separate surveys for sea and air transport for ease of completion. It is recommended that ESS compilers meet with the resident airline

(Samoa Airways) and shipping operator (the PFL) to introduce the survey forms and request data from 2019 onwards.

25.   Freight imports are assumed to be equivalent to the overall CIF–FOB adjustment, implying that nonresidents carry 100 percent of imports into Samoa. This seems unlikely as there are resident sea and air operators. It is recommended that the proportion of imports carried by resident and non-resident transport operators is updated when information on freight services on imports to Samoa become available as part of the proposed survey of resident transport operators.

26.   Government goods and services n.i.e. are currently reported as zero. Although government services are coded in the ITRS, transactions are often not routed via the domestic banking system and therefore not captured. It is recommended that the ESS compilers approach the Ministry of Finance to determine if the funding of Samoan embassies and consulates abroad is available, as this could be used as a reasonable proxy for government goods and services debits. For credits, a survey of foreign embassies was designed during the previous mission but has not yet been sent out. While it can be difficult to capture data from foreign embassies, sending the survey via the MOFAT will encourage response. If numbers of foreign diplomats are available on a regular basis, a model–based approach to estimate government service credits could be introduced.

Recommended Actions:

- Conduct the proposed government goods and services survey as a joint CBS–MOFAT exercise to encourage response from the foreign diplomatic missions in Samoa.

- Meet with the resident airline (Samoa Airways) and shipping operator (PFL) to introduce the transport survey forms and request data from 2019 onwards.

- Verify the assumption that 100 percent of Samoan importers are carried by nonresident transport operators, and remove the portion served by resident transport operators from freight transport debits.

E.   Secondary Income

27.   Sources and methods used to compile remittance credits were reviewed and compared with the household income data. Household remittance credits are based on the ITRS (adjusting to exclude travel expenditure of returning Samoan visitors), and an estimate of the proportion of imports that represents transfers in kind. Several ITRS codes are used in the estimation of household remittance flows.

- o   ITRS receipt code R68 represents "family maintenance, individual or household remittances". ESS compilers check that these transactions are household to household transactions but consider that at least part may represent nonresident Samoans

transferring funds in order to finance their travel expenditure in advance of travelling to Samoa, rather than simply representing remittances. This is partly motivated by better exchange rates when using MTOs rather than foreign exchange dealers.

o ITRS receipt code R27 represents "reconversion of funds, foreign currency purchase", which means foreign exchange that is converted into WST. This amount is assumed to represent money provided to friends and family in Samoa. Two thirds of this receipt are assumed to reflect transfers to Samoan households, either by returning Samoan residents who have visited family abroad, or nonresident Samoans who are visiting family in Samoa. The remaining third is assumed to represent travel expenditure by nonresidents. The third assumed to be travel is discarded as exports of travel services are derived from the STA model.

o The final component of personal remittances is transfers in kind which are thought to be underestimated in the official Customs data, so an additional adjustment of 0.8 percent of the value of total imports is included.

28.   Remittances to fund churches and other non-profit institutions serving households (NPISH) are separately identified in the ITRS coding structure.

29.   The mission investigated alternative sources of data on remittances to help assess the current assumptions on ITRS flows. Module 5 of the 5-yearly HIES conducted by the SBS includes questions on household income, including remittances received. Question 5.8.1 asks about remittances received from overseas over the last 12 months, broken down into cash and goods (in kind) remittances. A breakdown of the types of goods and the residence of the sender is also requested. Figures for the total weekly income for each category are provided in Table 2.13 of the 2013/14 HIES Tabulation Report. These were converted to annual totals for comparison with annual balance of payments data. The analysis is presented in Table 3 – Comparison of remittances in the balance of payments and SBS HIES results.

30.   ITRS–based remittances in the balance of payments (WST 294 million), is almost three times higher than that reported by Samoan households in the HIES (WST 119 million) in 2013. Reasons may include households under-reporting remittance income in the HIES, or under sampling of households that receive remittances, but also potential over-estimation of remittances based on ITRS sources. Table 3 compares remittances in the balance of payments with HIES sources. Remittances as a percentage of household income and the average remittance per person and per household are also calculated to help assess the plausibility of both the HIES and the balance of payments data. The SBS are undertaking a new HIES in 2018. When results are available in late 2019, the comparison with the estimates of remittances in the balance of payments should be updated and the assumptions made in the estimation of remittances reviewed.

Table 3. Comparison of Remittances in the Balance of Payments and SBS HIES Survey Results

Remittances - HIES - 2013/14 results

Source of income	HIES results		CBS' 2013 data (WST)
	Weekly income WST	Annual income WST	Balance of payments-basis
(a) Remittances received	1,283,641	66,749,332	284,490,000
(b) Cash received	114,106	5,933,512	3,920,000
(c) In kind received	892,327	46,401,004	6,020,000
Total (d) = a + b + c	2,290,074	119,083,848	294,430,000
Total household income (e)	19,098,651	993,129,852 ➤	993,129,852
Remittances as a % of household income (f) = d/e	12%		30%

Number of households in 2013 (g)	27,865
Remittances per household: HIES (WST) $(h_{HIES}) = d_{HIES}/g$	4,274
(WST) $(h_{CBS}) = d_{CBS}/g$	10,566

Number of population in 2013 (j)	191,703
Per capita remittances: HIES (WST) $(k_{HIES}) = d_{HIES}/j$	621
Per capita remittances: Balance of payments data (WST) $(k_{CBS}) = d_{CBS}/j$	1,536

31.   The mission worked with ESS compilers to assess the existing remittance flows assumptions. Around one-third of total visitors to Samoa in recent years are visiting friends and relatives. Only this group of travelers will also provide remittances from the population of nonresident visitors, so it is more reasonable to assume that a maximum of one-third of foreign currency converted to WST will be for remittances (rather than two-thirds in the current assumption). In addition, part of the foreign exchange transfer is for travel expenditure of the nonresidents visiting friends and relatives in Samoa – presumably half – implying only one-sixth will reflect remittances. In addition, some remittances will be brought back by Samoan resident visits to see family and friends in New Zealand, Australia, etc. If we assume another one-sixth of foreign exchange sales reflect this remittance route, implying a maximum of one-third of R27 representing remittance receipts, rather than two-thirds in the current assumption. This would have the effect of reducing remittances by around WST 16 million in 2017, which in turn results in lower net errors and omissions.

Recommended Actions:

- Review assumptions made to ITRS codes R27 and R68 by meeting with local MTOs to see if any information on the breakdown of remittances and travel expenditure is available.

- Incorporate results from 2018 HIES in the remittances model once data become available.

F.   Foreign Direct Investment

32.   Reported direct investment transactions currently only reflect commercial banks data reported as part of the monetary statistics, together with investment in property reported to the ITRS. Data for NFCs are not available. While the ITRS coding structure includes direct investment transactions, receipts and payments are generally not reported, most probably because transactions are often routed through the nonresident banking system. The ITRS is not considered an adequate source for direct investment transactions and previous missions have recommended that the IIS be launched to capture direct investment flows, levels and income, alongside other investment flows. The mission reviewed progress and met with two nonbank direct investment enterprises to clarify requirements and support the CBS' endeavors to launch the survey.

33.   The first stage in launching a new survey is to ensure that the register of enterprises is up to date. In Samoa, the list of enterprises to be surveyed is based on local knowledge, together with information from the ITRS. The 5-yearly Business Activity Survey (BAS) that is run by the SBS is a census of all registered companies that collects information on the activity (income and expenditure, etc.) as well as the ownership structure of each resident enterprise, including the proportion of the enterprise owned by nonresident investors. The SBS provided a list of companies that reported foreign ownership at the request of the mission. The BAS also collects data on a number of potential variables that could be used to gross up the results of the IIS, including total financial assets and total income and expenditure.

34.   In meetings arranged by the CBS with two direct investment enterprises—Digicel and Samoa Breweries, both advised that they would be able to comply with the IIS requirements. The IIS survey form was explained and the importance of providing data emphasized. One company said that they were willing and able to provide quarterly data in line with the survey structure and saw no major difficulties in completing the IIS survey on a regular basis. The second company said that they would only be able to provide annual data as quarterly accounts were not prepared. Following the meetings, the CBS sent the companies the reporting schedule and electronic survey forms for completion.

35.   The CBS needs to allocate sufficient resource to the IIS in order to improve response rates. Meetings with the direct investment enterprises confirms that the required data can largely be derived from financial statements. However, as with all enterprise surveys, respondents will need to be supported and encouraged to respond. It is recommended that the CBS aims to visit all the key enterprises to explain the objectives and definitions before sending the survey forms and timetable for completion. The CBS should aim to collect annual data for the year 2018 by end–August 2019, so that it can be validated and included in the 2019 data dissemination. Where enterprises are not able to provide quarterly data, these should be estimated from annual results.

Recommended Actions:

- Launch the IIS by meeting all key enterprises. Allocate individual contact points in the CBS for each enterprise so that closer contact can be established between the respondents and CBS compilers. Agree a timetable for survey response with each enterprise and follow-up on late responses.

- Once direct investment liabilities position data are available, the CBS should also start disseminating annual IIP estimates.

G. The Offshore Institutions

36.   The offshore financial and non-financial companies are not currently included in Samoa's balance of payments statement due to insufficient data provided by the regulator. The SIFA only reports annual data for two registered offshore banks and one of the three registered insurance companies in the SIFA's standard reporting format. Transactions data are not currently calculated as currency breakdown is not available in the standard reporting format used by the SIFA.

37.   According to the SIFA Annual Report, more than 37,000 offshore companies were also registered with SIFA in June 2016. While SIFA registers each offshore company, there is no specific reporting obligation and the SIFA advised during an earlier mission that their role was simply to register the offshore companies and did not foresee measuring the activity of these units. As the offshore companies have no physical presence in Samoa, the trustees of the offshore company accounts may be the more likely potential source of information.

38.   Counterpart data from the IMF's Coordinated Direct Investment Survey (CDIS) suggests that Samoa has substantial outward direct investment to China that is not reflected in the Samoa balance of payments figures. One explanation is that this could originate from the offshore companies. The CDIS Guide paragraph 2.13 states that:

> "Some direct investment enterprises exist solely for the purpose of transferring funds—that is, funds that pass through an enterprise resident in an economy to an affiliate in another economy—and may take the form of: special purpose entities, holding companies, and financial institutions that serve other nonfinancial affiliates. **These units are included in direct investment of an economy even though the funds they transfer may have little impact on the local economy.** Not only are the entities that are engaged in pass-through funding classified as direct investment units, but also the funds in transit are included in direct investment (unless excluded because it represents debt between affiliated financial intermediaries). These funds are an integral part of a direct investor's financial transactions and positions with affiliated enterprises; excluding these funds from direct investment would distort and substantially understate direct investment financial flows and positions at aggregate levels; and the inclusion of these data in direct investment promotes symmetry and consistency among economies."

39.   The CBS should adopt a step-by-step approach for the collection of offshore units' data, initially focusing on offshore banks. As international requirements for the reporting of offshore units evolves, it is likely that the SIFA and the offshore company trustees will need to expand data collection from the offshore units under their jurisdiction. The CBS should, therefore, keep abreast of developments with respect to offshore reporting and continue to liaise with the SIFA.

 Recommended Actions:

- Continue to collaborate with SIFA. As requirements for the reporting of offshores evolves, it is likely that SIFA will need to expand data collection from the offshores under its jurisdiction.

- Given the lack of data currently held by the SIFA, the first priority should be to collect detailed position data (including currency breakdown) from the offshore banks and insurance companies. This will allow transactions to be derived from positions. If no currency breakdown is available from the SIFA, the CBS should make assumptions on denomination of assets and liabilities, rather than continue to report zero transactions.

- Approach the trustees of the offshore companies to determine what information is held on their clients' accounts.