



# SAMOA

## STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION— INFORMATIONAL ANNEX

April 16, 2018

Prepared By

The Asia and Pacific Department  
(In Consultation with Other Departments)

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## FUND RELATIONS

(As of March 31, 2018)

### Membership Status

Joined: December 28, 1971; Article VIII

### General Resources Account

	SDR Million	Percent Quota
Quota	16.20	100.00
Fund holdings of currency	14.37	88.69
Reserve position in Fund	1.84	11.38

### SDR Department

	SDR Million	Percent Allocation
Net cumulative allocation	11.09	100.00
Holdings	8.01	72.23

### Outstanding Purchases and Loans

	SDR Million	Percent Quota
RFC Loans	5.80	35.80
ESF RAC loan	2.32	14.32

### Latest Financial Arrangements

Type	Approval Date	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
Stand-by	7/9/1984	7/8/85	3.38	3.38
Stand-by	6/27/1983	6/26/1984	3.38	3.38

### Overdue Obligations and Projected Payments to Fund<sup>1</sup>

(SDR million; based on existing use of resources and present holding of SDRs):

	Forthcoming				
	2018	2019	2020	2021	2022
Principal	1.74	2.32	1.16	1.16	1.16
Charges/interest	0.02	0.03	0.03	0.03	0.03
<b>Total</b>	<b>1.76</b>	<b>2.35</b>	<b>1.19</b>	<b>1.19</b>	<b>1.19</b>

<sup>1</sup> When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

## Exchange Rate Arrangement

The exchange rate of the tala is pegged to a trade and payments weighted basket of currencies. The pegged rate can be adjusted within a  $\pm 2$  percent band. The basket is a composite of the currencies of Samoa's most important trading partners and countries that are major sources of tourism revenue from abroad—New Zealand, Australia, the United States, and Euro countries. The exchange rate regime is free of restrictions and multiple currency practices.

## Article IV Consultations

Samoa is on a 12-month consultation cycle. The previous Article IV consultation discussions were held during February 8-17, 2017. The consultation was concluded by the Executive Board on May 1, 2017 (IMF Country Report No. 17/112).

## Safeguards Assessments

An update safeguards assessment of the Central Bank of Samoa (CBS) was completed in June 2014. The assessment found some safeguards elements in place, but concerns over CBS autonomy and governance, audit quality, and staff capacity need to be addressed. The CBS has taken steps to address these, including improving its governance and autonomy through enactment of a new central bank law in 2015. In line with the safeguards policy, the CBS should accelerate efforts to strengthen the quality of the external audit. The CBS should also take further steps to enhance oversight of audit functions.

## AML/CFT

Samoa has improved its AML/CFT framework since the 2006 assessment, including through the Money Laundering Prevent Act 2007 and subsequent regulations in 2009. These better align Samoa's framework with the FATF's recommendations under the third round of mutual evaluations. The FATF recommendations were revised for the fourth round in 2012 and, in 2015, Samoa's AML/CFT regime was assessed by the Asia Pacific Group on Money Laundering (APG) under the revised 2012 FATF standard. APG assessors found significant shortcomings in Samoa's AML/CFT regime, rating it low or moderately effective in 10 out of 11 immediate outcomes assessing effectiveness, and non-compliant or partially compliant with more than half of the 40 FATF recommendations. Following the APG assessment, the authorities developed a national AML/CFT strategy, and are making progress towards its implementation.

## Technical Assistance from Headquarters

The Pacific Financial Technical Assistance Centre (PFTAC) has provided assistance on budgetary management, tax administration, and financial sector supervision. MCM has provided assistance on monetary policy operations, banking, and insurance supervision and other central banking issues. STA has provided help with government finance statistics and balance of payments statistics, and FAD with tax administration and LEG with central bank law. Samoa is an IMF pilot on Correspondent Banking Relationships (CBR), on which it has received technical assistance from LEG and MCM.

<b>FY 2017</b>	Strengthen the Audit Function	PFTAC
	On-site examination Program	PFTAC
	Assist updating prudential standards for banks	PFTAC
	Financial Stability Analysis	MCMTA
	e-GDDS Implementation (JSA APD)	STASR
	National Accounts	PFTAC
	Attend Compliance Improvement Strategy Launch	PFTAC
	Develop Accounting Policy	PFTAC
	On-site examination Program	PFTAC
	Improve cash management	PFTAC
<b>FY 2016</b>	Revenue Administration Mission	PFTAC
	Review overall reform progress	PFTAC
	Strengthen accounting and reporting frameworks	PFTAC
	Capacity Building Supervisory Oversight and sector financial reporting	PFTAC
	Strengthen accounting and reporting frameworks and attend PFTAC Steering Committee Meeting	PFTAC
	GDDS: Follow Up (JSA)	STASR
	Strengthen Arrears and Returns Management	PFTAC
	On-site examination of a commercial Bank	PFTAC
	Improve cash management	PFTAC
	Compliance Risk Management	PFTAC
	Develop strategy on fiscal oversight for state-owned enterprises	PFTAC
	Monetary and Financial Statistics	STAFI
	Develop strategy on fiscal oversight for state-owned enterprises	PFTAC
	On-site examination of a commercial Bank	PFTAC
	Balance of Payments Statistics	STABP
	Strengthening Supervisory and Regulatory Framework	MCMTA

### Resident Representative

The Regional Resident Representative Office for Pacific Island countries based in Suva, Fiji was opened on September 13, 2010 and the office covers Fiji, Kiribati, Marshall Islands, Micronesia, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. Ms. Leni Hunter is the current Resident Representative.

# RELATIONS WITH THE PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE (PFTAC)

(As of March 2018)

## Background

**PFTAC has provided important and impactful technical assistance (TA) to Samoa in recent years on macro-fiscal planning and analysis, public financial management (PFM), revenue administration, and statistics.** In FY18 Samoa will have received approximately 7 percent of PFTAC resources, comprising 12 missions delivered by experts over 138 days in the field plus 39 days of remote support from PFTAC. Fiscal missions predominated (4 revenue administration mission and 3 PFM), as well statistics (2 real sector and 1 GFS) as macroeconomic programming (2 missions). TA delivery is expected to increase around 40 percent in FY19 with 17 missions planned over 222 field days, again with a fiscal emphasis (8 PFM mission and 3 revenue), 3 macroeconomic programming missions and one each in real sector statistics, GFS, and financial sector supervision.

**PFTAC TA aims to support the authorities to sustain progress on fiscal consolidation and to improve the macroeconomic environment.** PFTAC will continue to focus on building macroeconomic analysis capacity and delivering specific technical inputs.

In the **Public Financial Management** area, PFTAC will continue to support the Ministry of Finance's PFM reform plan with a PEFA scheduled to be undertaken during 2018. Since 2015, PFTAC has been providing TA to Samoa on improving cash management, accounting, and reporting, and fiscal oversight of state-owned enterprises. PFTAC is available in the coming years to provide follow-up support to strengthen the medium-term budgeting system.

Assistance in the **macroeconomic** area will continue to support improvements to GDP forecasting. A Macroeconomic Committee comprising members from the Central Bank of Samoa, the Ministry of Finance, the Ministry for Revenue, and the Samoa Bureau of Statistics (advisory role) was established in 2016. The Committee aims to produce and publish official economic forecasts for the next three years which are needed for fiscal projections. PFTAC will also continue assisting staff at the Ministry of Finance to enhance the SERF Model and to build capacity to produce their own debt sustainability analyses and external vulnerability assessments. This work continues to support building stronger links among all relevant macro fiscal entities to analyze the country's economic and fiscal outlook. A key priority is to increase the understanding of the SERF Model, outside of the Ministry of Finance Economic Policy and Planning Division, to strengthen institutional structures for macroeconomic policymaking.

In the **revenue** area, Samoa's Ministry for Revenue (MfR) continues to make good progress as evidenced through a strong legal framework and continued efforts with PFTAC assistance to strengthen core tax functions which included missions to: (a) improve on-time payment and filing of tax returns; (b) improve tax audit capability; and (c) strengthen the roll out of an industry partnership

initiative introduced to improve tax compliance in cash economy sectors. MfR participates in all PFTAC regional training activities including a workshop to raise regional audit skills which was successfully co-facilitated by a senior MfR auditor who previously participated in a PFTAC Train-the-Trainer program.

In **statistics**, Samoa continues to be one of the most advanced nations in the Pacific region. Based on earlier PFTAC advice, for several years Samoa has produced quarterly National Accounts alongside several income indicators. In 2016 and 2017, PFTAC assisted with a rebase of GDP by production, which will bring methods closer into line with the 2008 SNA once published (expected April 2018); and also in developing a new measure of GDP by expenditure, which should come to fruition before end FY2019. The statistics office also produces quarterly and annual employment statistics, a rarity for the region. A two-week national accounts mission is expected to take place in the first half of FY2019.

**Balance of payments** (BoP) and **government finance statistics** (GFS) standards were improved via missions funded by the Japan Administered Account (JSA1) project that concluded in September 2015. The September 2017 GFS mission assisted the statistics office to reconcile grants and transfer data for budgetary central government (BCG) and completed general government consolidation for the fiscal year 2016. A two-week GFS mission is expected to take place in November 2018 with a focus on expanding GFS coverage and compiling and reviewing public sector debt statistics. Since May 2017, Samoa have been eligible to request funding through the IMF's Technical Assistance Office for Laos and Myanmar (TAOLAM) for BoP TA.

In **financial sector supervision**, in April 2017 PFTAC assisted the Central Bank of Samoa in reviewing and redrafting their suite of prudential standards for banks. The revised prudential statements are currently the subject of an industry consultation process, with all revised prudential statements due to be finalized and issued by the end of 2018. This is an important achievement for the Central Bank of Samoa in enhancing its regulatory framework.

## RELATIONS WITH THE WORLD BANK

(As of March 9, 2018)

The World Bank Group's engagement with Samoa as outlined in the February 2017 Regional Partnership Framework (RPF) for nine Pacific Island Countries focuses on supporting Government efforts to: i) fully exploit available economic opportunities, including in agriculture and tourism; ii) enhance access to employment opportunities, including through labor mobility and improved education outcomes; iii) protect incomes and livelihoods, including by strengthening resilience against natural disasters and climate change; and iv) strengthen the enablers of growth, including macroeconomic management and infrastructure. The RPF is closely aligned with the Government's Strategy for the Development of Samoa 2017-2020. The Bank's currently active portfolio consists of 8 projects with a total commitment of US\$147 million.

Samoa: IDA Lending Operations (as of March 2018)			
	Year of Approval (FY)	Original Amount	Undisbursed Balance
		(In millions of US dollars)	
<b>Current projects (IDA plus trust fund contributions)</b>			
Agriculture Competitiveness Enhancement Project	2012	13.0	1.4
Enhancing the Climate Resilience of West Coast Road	2013	14.8	13.0
Enhanced Road Access Project	2014	26.4	7.8
Enhancing the Climate Resilience of Coastal Resources & Communities	2014	14.6	9.2
Aviation Investment Project	2014	41.9	35.1
Pacific Resilience Program	2015	13.8	12.0
Pacific Regional Connectivity Project	2015	17.5	8.5
First Resilience Development Policy Operation	2018	5.0	0.0
<b>Total</b>		<b>147.0</b>	<b>87.0</b>

The Bank's current activities in Samoa are in the following areas:

### 1) Post-disaster recovery projects

**Enhanced Road Access Project:** Aims to restore key road sector assets damaged by Cyclone Evan and enhance the climate resilience of critical roads and bridges in Samoa.

### 2) Budget support

**First Resilience Development Policy Operation:** Supports the Government of Samoa's efforts to strengthen macroeconomic and financial resilience and increase Samoa's resilience to the effects of

climate change, natural disasters, and non-communicable diseases, including through reforms in the areas of revenue, AML/CFT, access to finance, building codes and standards, infrastructure asset management, pharmaceutical procurement, and taxation of unhealthy products.

### 3) Climate Resilience

**Enhancing the Climate Resilience of West Coast Road:** Focuses on ‘climate-proofing’ the West Coast Road from the airport to Apia.

**Enhancing the Climate Resilience of Coastal Resources & Communities:** Provides training and support in targeted communities to update and implement local Coastal Infrastructure Plans, and supports activities that increase the resilience of coastlines, near-shore areas, and coral reefs. The project will also help improve national climate information services and hazard mapping.

**Pacific Resilience Program:** Aims to strengthen early warning systems, promote resilient investments, and strengthen the financial resilience of Samoa by facilitating access to immediate liquidity after a natural disaster.

### 4) ICT Sector

**Pacific Regional Connectivity Project:** Aims to reduce the cost and increase the availability of internet services in Samoa. The project encompasses construction of a submarine cable connecting Samoa to Fiji; the establishment of the Samoa Submarine Cable Company (SSCC), a public-private partnership; and the provision of technical assistance to review, development and implement ICT regulation in Samoa.

### 5) Agriculture Sector

**Agriculture Competitiveness Enhancement Project:** Aims to support fruit and vegetable growers and livestock producers to improve their productivity and take greater advantage of market opportunities. The project covers three components – (i) livestock production and marketing, (ii) fruit and vegetable production and marketing, and (iii) institutional strengthening.

### 6) Aviation sector

**Samoa Aviation Investment Project:** Aims to improve operational safety and oversight of international air transport and associated infrastructure, including through improvements to runways, facilities, and navigation aids at the main international airport.

The IFC has also been active in Samoa, particularly in the telecoms sector. The IFC has invested substantially in Digicel, with market liberalization and increased competition helping to increase mobile access in Samoa to over 80 per cent of the population. The IFC has also provided assistance to the tourism sector, and has helped with the expansion of banking services to allow small and medium entrepreneurs find capital to start and run their businesses.



## RELATIONS WITH THE ASIAN DEVELOPMENT BANK

(As of March 9, 2018)

Asian Development Bank (ADB) operations in Samoa started in 1966: as at year-end 2017, \$189.3 million in loans, \$130.87 million in grants, and \$32.16 million in technical assistance (TA) have been provided to Samoa. ADB's active portfolio of 6 projects in Samoa at end of 2017 was \$164.5 million, including \$96 million in ADB financing, and \$68.5 million in administered cofinancing.

ADB's operations adopt a harmonized approach for development coordination and maintaining the focus of its Pacific Approach 2016-2020, targeting improvement of growth prospects and living standards, especially for disadvantaged members of the community. The Country Operations Business Plan is closely aligned with the Strategy for the Development of Samoa (SDS).

Samoa has received ADB regional technical assistance for economic management, energy efficiency, statistics and private sector development (including SOE reforms, land reforms and secured transactions reforms). ADB continues to include Samoa in new regional TA activities. ADB has also committed to provide technical assistance for the development of the private sector.

ADB has been the lead partner in the energy sector. Over 20 years, ADB has financed almost two thirds of the generation capacity in Samoa. The power sector expansion project mobilized \$100 million in financing of which \$57 million was in cofinancing. A further \$27 million financing was mobilized for renewable energy rehabilitation and development. Other areas of focus include ICT connectivity - the Tui Samoa cable was successfully landed in February 2018, on time and significantly under budget; support for agribusiness financing, and policy reforms supported by a series of policy-based operations.

The ADB-funded Pacific regional disaster resilience program was approved in December 2017. Under this program Samoa has access to \$6 million in contingent financing. While Cyclone Gita in February 2018 caused extensive flooding in Apia, the government decided against drawing down the funds available.

The TA supported development of a legal framework for leasing of customary land and in doing so afford all relevant parties necessary protection of rights that would normally be available under a commercial lease. The proposed legal framework has been endorsed by the Government of Samoa.

ADB is supporting a project to upgrade the Apia port by extending the breakwater to the north side of Apia harbor, widening the shipping channel, reconfiguring the ports area. The project will also procure a mobile x-ray scanner for the Ministry for Revenue to enhance border security and tax compliance. ADB will provide \$39.78 million in ADF grants in 2018.

<b>ADB loans to Samoa, 2012–17 (in millions of USD)</b>						
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Loan Approvals	0	0	0	0	0	3.1
Loan Disbursements	17.9	4.3	2.03	1.1	0.0	0.0
Cumulative loan amount available	177.51	177.45	177.24	176.37	176.34	179.44
Cumulative disbursements	167.8	172.1	174.13	175.21	175.25	175.32
Net loan amount undisbursed	9.7	5.3	3.1	2.0	2.0	4.1

# STATISTICAL ISSUES

(As of March 2018)

<b>I. Assessment of Data Adequacy for Surveillance</b>	
<p><b>General:</b> Data provision has some shortcomings but is broadly adequate for surveillance. Core macroeconomic and monetary data are regularly reported to the IMF and published on official websites. However, there are weaknesses in national accounts, monetary and financial, and external sector statistics.</p>	
<p><b>National Accounts:</b> National account statistics has been improved during the last three years. GDP is compiled quarterly, predominantly using the VAGST data. GDP by production is in the process of being rebased from 2009 to 2013, which is expected to be published in April 2018; parallel development work on an experimental estimate of GDP by expenditure will be resumed after that and is tentatively expected for release by end-FY19.</p>	
<p><b>Price Statistics:</b> The CPI is compiled monthly (February 2016=100; though weights largely derived from the 2013-14 Household Income and Expenditure Survey). A quarterly import price index (March 2009 = 100) is also published coverage being limited to chapters 01-27 of the Harmonized System.</p>	
<p><b>Government Finance Statistics:</b> Samoa has participated in the Japan Administered Account for Selected IMF Activities (JSA)-funded project through to September 2015. Since the completion of the JSA-funded project the authorities began publishing and submitting data for inclusion in IMF publications. The statistics office also started to increase coverage by compiling high frequency GFS (quarterly). The last mission in September 2017 produced GFS for the general government (FY16). The MoF, Debt Management Unit started to compile and publish the quarterly debt report for the general government. Improving GFS data, debt statistics and expanding coverage is the focus of the next mission planned for November 2018.</p>	
<p><b>Monetary and Financial Statistics (MFS):</b> Samoa reports monetary data to the IMF for the central bank, other depository corporations and other financial corporations (OFC) on a regular basis and through standardized report forms (SRF). Following up on the recommendations of the MFS TA mission conducted in 2015, data for OFCs, including its coverage, could be further improved.</p>	
<p><b>Financial Sector Surveillance:</b> Samoa began reports of Financial Soundness Indicators to the IMF in March 2016.</p>	
<p><b>External sector statistics (ESS):</b> The quality of ESS is overall poor, mostly hindered by the frail data collection framework; access to source data for the compilation of some of the most relevant ESS components is limited. The Central Bank of Samoa (CBS) produces and disseminates the balance of payments of Samoa on a quarterly basis, following BPM6, but restricted to main aggregates. Improved coverage and accuracy of trade in goods, travel, and remittances was achieved as part of the previous JSA ESS project completed in February 2016, but important gaps remain. Access to offshore enterprise source data, a major component of Samoa's ESS, was obtained. The non-offshore data collection framework has been developed, and some steps have been taken towards effective implementation. They authorities need more time—at least two years—to build the capacity to provide full IIP data to the Fund, although partial IIP data (excluding the private sector) might be provided over a shorter time horizon.</p>	
<b>II. Data Standards and Quality</b>	
Samoa is a participant in the GDDS since September 2012 and eGDDS was launched in April 2017.	No data module ROSC has so far been conducted in Samoa.

**Samoa – Table of Common Indicators Required for Surveillance**  
(As of March 2018)

	Date of latest observation	Date received	Frequency of Data <sup>4</sup>	Frequency of Reporting <sup>4</sup>	Frequency of Publication <sup>4</sup>
Exchange Rates	03/12/18	03/12/18	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities	01/18	02/19/18	M	M	M
Reserve/Base Money	12/17	02/19/18	M	M	M
Broad Money	10/17	01/10/18	M	M	M
Central Bank Balance Sheet	12/17	02/19/18	M	M	N/A
Consolidated Balance Sheet of the Banking System <sup>1</sup>	12/17	02/19/18	M	M	N/A
Interest Rates <sup>2</sup>	12/17	02/19/18	M	M	M
Consumer Price Index	12/17	02/19/18	M	M	M
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – Central Government	Q3 2017	02/19/18	Q	Q	Q
Stocks of Central Government and Central Government-Guaranteed Debt	Q3 2017	02/19/18	Q	Q	N/A
External Current Account Balance	Q3 2017	02/19/18	Q	Q	Q
Exports and Imports of Goods and Services	Q4 2017	02/19/18	M	M	M
GDP	Q3 2017	02/19/18	Q	Q	Q
Gross External Debt	Q3 2017	02/19/18	Q	Q	Q
International Investment Position <sup>5</sup>					

<sup>1</sup>Data obtained directly from the Central Bank of Samoa.

<sup>2</sup>Officially-determined rates (yields on central bank securities) and commercial banks' deposit and lending rates.

<sup>3</sup>Domestic and external financing.

<sup>4</sup>Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); Not Available (NA).

<sup>5</sup>Samoa does not provide International Investment Position data due to capacity constraints.