



SAMOA

April 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR SAMOA

In the context of the Request for Disbursement Under the Rapid Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on April 24, 2020, following discussions that ended on April 14 with the officials of Samoa on economic developments and policies underpinning the IMF disbursement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on April 20, 2020.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Statement by the Executive Director** for Samoa.

The documents listed below will be released.

Letter of Intent sent to the IMF by the authorities of Samoa*

*Also included in the Staff Report.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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Washington, D.C.



IMF Executive Board Approves a US\$22.03 Million Disbursement to Samoa to Address the Covid-19 Pandemic

FOR IMMEDIATE RELEASE

- The IMF Executive Board approved the disbursement of US\$22.03 million in emergency financing to help Samoa address urgent balance of payments needs created by COVID-19.
- IMF financing support provides resources to the authorities to maintain macroeconomic stability with the aim of assisting the private sector adversely affected by COVID-19.
- To address the pandemic, the Government of Samoa has taken measures to support businesses, workers, and households to safeguard the health and livelihoods of the population.

Washington, DC – April 24, 2020 The Executive Board of the International Monetary Fund (IMF) approved a disbursement to Samoa under the [Rapid Credit Facility](#) (RCF) equivalent to SDR 16.2 million (about US\$22.03 million, 100 percent of quota) to help cover urgent balance of payments needs stemming from the global COVID-19 pandemic.

Samoa suffered from a severe measles outbreak in late-2019 (which claimed 83 lives and resulted in over 5,700 cases), and resulted in a much larger economic contraction than that of past natural disasters. The global pandemic of COVID-19 has exacerbated the economic downturn and will devastate the economy as it heavily depends on now-closed inbound tourism and remittances.

Samoa has shown resilience to multiple past economic shocks, underpinned by the authorities' strong commitment to support the economy, and financial assistance provided by the international community. Samoa was among the first countries in the world to secure its border to protect its citizens. The authorities' response to the measles outbreak and the global pandemic has well identified the policy priorities, including safeguarding human capital, providing support to the private sector, and maintaining macroeconomic stability. With support provided by external donors, the authorities aim to enhance the country's preparedness to handle the impact of COVID-19, as well as improving the quality and efficiency of the health care system. The authorities' policy response also targets assistance to vulnerable businesses and households to ease the impact of the pandemic, and safeguard their livelihoods. The financial assistance provided by the IMF will help the authorities maintain macroeconomic stability, thereby supporting the private sector and facilitating international payments for imports, which are needed to provide goods and services to sustain the livelihoods of the people.

Following the Executive Board discussion, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, made the following statement:

"The global COVID-19 pandemic has exacerbated the impact of the measles outbreak of late-2019 on Samoa's economy. The border closure, combined with a sudden stop of tourist arrivals and decline in remittances, has led to a precipitous fall in two vital sources of foreign earnings and resulted in an urgent balance of payments need. IMF emergency support under the Rapid Credit Facility will help meet this balance of payments need, maintain macroeconomic stability, and catalyze additional donor support which is needed to fill the remaining balance of payments gap and ease the potentially sizable adjustment burden on the fiscal sector.

“Samoa has shown resilience to multiple past economic shocks. The authorities have put together a strong policy package in response to the pandemic, with policy measures aimed to strengthen the health care system, help vulnerable businesses and households, and accommodative monetary policy to ensure liquidity in the financial sector.

“Beyond the immediate response, the authorities will continue to implement structural reforms, with policies appropriately balanced between safeguarding debt sustainability and promoting economic growth. They also need to continue their efforts to enhance spending efficiency, strengthen social protection programs and safety nets, further improve tax administration, strengthen public financial management, and safeguard financial stability. Addressing vulnerability to climate change remains a key medium-term challenge to create a fiscal buffer.”

For information on the emergency financing requests approved by the IMF Executive Board, please see a link to the IMF Lending Tracker:

<https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker>

For upcoming discussions on the emergency financing requests, please see a link to the calendar of the IMF Executive Board meetings: <https://www.imf.org/external/NP/SEC/bc/eng/index.aspx>

Table 1. Samoa: Selected Economic and Financial Indicators, 2016/17 – 2024/25

	2016/17	2017/18	Est. 2018/19	2019/20	2020/21	Proj. 2021/22	2022/23	2023/24	2024/25
	(12-month percent change)								
Output and inflation									
Real GDP growth	1.0	-2.2	3.5	-5.0	-1.5	2.7	2.2	2.2	2.2
Nominal GDP	1.0	-0.2	5.8	-2.4	0.9	4.9	4.7	5.1	5.1
Consumer price index (end of period)	1.0	5.8	-0.1	2.9	1.9	2.9	2.8	2.8	2.8
Consumer price index (period average)	1.3	3.7	2.2	2.8	2.5	2.2	2.5	2.8	2.8
	(In percent of GDP)								
Central government budget									
Revenue and grants	29.3	30.6	33.9	28.4	25.5	28.1	31.5	34.9	34.9
Of which: grants	1.9	2.9	4.2	6.9	5.3	4.8	4.8	4.9	4.9
Expenditure	31.4	30.6	31.2	35.7	35.4	35.8	37.3	37.5	37.6
Of which: Expense	23.2	24.5	25.9	30.3	28.2	28.4	28.5	28.4	28.6
Of which: Net acquisition of non-financial assets	8.2	6.1	5.3	5.4	7.1	7.4	8.9	9.1	9.0
Gross operating balance	6.1	6.2	8.0	-1.8	-2.7	-0.4	3.0	6.5	6.3
Overall fiscal balance	-2.1	0.1	2.7	-7.3	-9.8	-7.8	-5.8	-2.6	-2.7
Overall fiscal balance excl. grants	-4.0	-2.8	-1.5	-14.2	-15.2	-12.6	-10.6	-7.6	-7.6
Public debt	49.7	52.9	47.5	52.9	62.8	68.0	71.3	71.2	71.3
	(12-month percent change)								
Macrofinancial variables									
Broad money (M2)	7.8	16.5	9.9	-2.5	0.9	4.9	4.7	4.7	4.7
Net domestic assets	0.7	0.9	2.1	...	...	...	...	...	...
Private sector credit, Commercial banks	9.5	1.6	6.1	2.6	2.9	4.3	4.3	4.3	4.3
Total loan growth, Commercial banks	6.6	1.7	5.8	...	...	...	...	...	...
Total loan growth, Public financial institutions	12.8	6.0	17.2	...	...	...	...	...	...
	(Ratio)								
Total capital to risk-weighted exposures	25.1	27.3	27.5	...	...	...	...	...	...
Non-performing loans	4.1	4.3	3.9	...	...	...	...	...	...
	(In millions of U.S. dollars)								
Balance of payments									
Current account balance	-16.6	6.8	19.4	-58.7	-58.0	-23.0	-22.4	-20.7	-13.2
(In percent of GDP)	-2.0	0.8	2.3	-7.1	-7.0	-2.6	-2.5	-2.2	-1.3
Merchandise exports, f.o.b. ^{1/}	38.0	36.3	50.0	44.9	45.4	47.2	49.3	51.5	53.8
Merchandise imports, f.o.b.	308.6	328.9	349.4	349.9	343.6	347.1	370.8	401.0	424.8
Services (net)	140.6	158.4	174.8	97.4	95.1	122.7	136.9	152.1	168.4
Income (net)	-26.6	-30.0	-37.3	-36.9	-34.2	-30.4	-34.0	-31.8	-32.1
Current transfers	140.0	171.1	181.3	185.8	179.3	184.6	196.1	208.6	221.5
External reserves and debt									
Gross official reserves ^{2/}	122.3	163.1	192.8	182.4	137.9	151.5	162.6	175.9	190.1
(In months of next year's imports of GNFS)	3.5	4.4	5.1	5.0	3.8	3.9	3.9	4.0	4.2
Public debt (in millions of tala) ^{3/}	1,047.4	1,113.8	1,059.3	1,209.4	1,434.3	1,620.3	1,772.2	1,857.5	1,948.9
(In percent of GDP)	49.7	52.9	47.6	55.6	65.3	70.4	73.5	73.3	73.2
External debt (in percent of GDP)	48.3	52.0	46.9	52.9	62.8	68.0	71.3	71.2	71.3
Exchange rates									
Market rate (tala/U.S. dollar, period average) ^{4/}	2.54	2.52	2.62	2.67	...	...	...	...	...
Market rate (tala/U.S. dollar, end period) ^{4/}	2.51	2.60	2.63	2.70	...	...	...	...	...
Nominal effective exchange rate (2010 = 100) ^{4/}	110.1	106.3	109.1	109.3	...	...	...	...	...
Real effective exchange rate (2010 = 100) ^{4/}	104.3	102.4	105.2	106.3	...	...	...	...	...
Memorandum items:									
Nominal GDP (in millions of tala)	2,109	2,106	2,227	2,175	2,195	2,303	2,411	2,533	2,661
GDP per capita (U.S. dollars)	4,210	4,193	4,231	4,084	4,053	4,211	4,357	4,510	4,667

Sources: Data provided by the Samoan authorities; and IMF staff estimates and projections.

1/ Includes re-export of fuel after 2009/10.

2/ Includes the IMF disbursement of SDR16.2 million (100 percent of quota) under the Rapid Credit Facility (RCF) and external financial assistance by multilateral and bilateral donors to support policies to address impacts of the global COVID-19 pandemic (see Table 5).

3/ Includes domestic and external public debt.

4/ IMF, Information Notice System.



SAMOA

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

April 20, 2020

EXECUTIVE SUMMARY

Context. Samoa, with a population of around 0.2 million, suffered from a severe measles outbreak in late-2019 (claimed 83 lives and resulted in over 5,700 cases), which led to a much larger economic contraction than that of past episodes of natural disasters. The global pandemic of COVID-19 has exacerbated the downturn and will devastate the Samoan economy as it heavily depends on now-banned inbound tourism. Staff supports the authorities' planned policy measures to help the private sector. The Fund's support for Samoa's balance of payment (BOP) needs (US\$ 22 million or 100 percent of quota) will provide a significant short-term buffer.

Request for Fund support. The authorities requested Fund emergency assistance under the Rapid Credit Facility (RCF) to address the urgent BOP needs caused by the measles outbreak of late-2019 and the global COVID-19 pandemic of early-2020. The authorities requested a disbursement of SDR16.2 million, equivalent to 100 percent of quota, with the full amount to become available upon Board approval of the request. Staff supports the request. Fund assistance would help ease the pressure on the urgent BOP needs and help catalyze assistance from development partners, and will assist implementation of planned economic and fiscal measures by the Government of Samoa.

Policy recommendations. The authorities' responses to the COVID-19 pandemic have been timely, scaling up health care spending and putting in place measures to contain the outbreak. The authorities have also responded with a combination of appropriate fiscal, monetary, and prudential measures that seek to minimize its economic impact. The fiscal policy response should focus on carefully designed spending reductions, especially in terms of the past ambitious public investment plans, and a reallocation of resources towards healthcare spending and other measures that provide temporary support for vulnerable households and businesses most affected by the crisis. The authorities' efforts are also suitably focused on ensuring adequate liquidity to the banking system, and supporting access to credit. Beyond this immediate response, the authorities remain committed to promote inclusive growth through implementation of their structural reform agenda, while preserving financial-sector and external stability, as well as fiscal sustainability.

Approved By
**Paul Cashin and Chad
 Steinberg**

The IMF team, comprising Kenichiro Kashiwase (Head), Seohyun Lee (both APD), Reshika Singh (RR-PIC), and Leni Hunter (Resident Representative, PIC) held discussions with the Samoan authorities by teleconferences during April 8-14, 2020. The Samoan authorities were led by Minister of Finance Sili Epa Tuioti, and included Chief Executive Officer of the Ministry of Finance Leasiosiofaasisina Galumalemana Oscar Malielegaoi, Governor of the Central Bank of Samoa Maiava Atalina Ainuu-Enari, and senior government officials. Lae Tui Siliva (OED) also joined the teleconference discussions. Haopeng Xu (APD) and Francis Landicho (APD) assisted in the preparation of this report.

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