Samoa: 2021 Article IV Consultation-Press Release and Staff Report

INTERNATIONAL MONETARY FUND

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IMF Country Report No. 21/56

SAMOA

March 2021

2021 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2021 Article IV consultation with Samoa, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its March 18, 2021 consideration of the staff report that concluded the Article IV consultation with Samoa.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis on March 18, 2021 with the officials of Samoa on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on March 2, 2021.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.

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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PRESS RELEASE

PR21/74

IMF Executive Board Completes the 2021 Article IV Consultation with Samoa

FOR IMMEDIATE RELEASE

Washington, DC – March 19, 2021: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Samoa and considered and endorsed the staff appraisal without a meeting on a lapse-of-time basis.[2]

Samoa has shown resilience to 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 from COVID-19. The authorities' quick response to the measles outbreak in 2019 and the global pandemic has identified the policy priorities well. The international community also responded quickly, including the IMF disbursement under the Rapid Credit Facility in April 2020 which helped unlock record budget support grants by the Asian Development Bank and the World Bank. The authorities strengthened the health care system and provided support to the private sector, with efforts to target assistance to vulnerable businesses and households to safeguard livelihoods.

Nevertheless, the prolonged effects of the global pandemic have heightened the economic challenges, and continued to adversely impact the wellbeing of Samoans. The compounding effects of the two consecutive health shocks pushed the 2020 September quarter real GDP to its 2014 level, with growth projected to contract by 7.8 percent in FY2021 (ending June 2021), and spawned setbacks on sustainable development goals, creating scarring effects. Resilient remittances and the government's commitment to maintaining expansionary fiscal policies in the near term will likely turn the economy around for a gradual recovery starting in FY2022, with growth reaching 1.7 percent.

The recovery may face a bumpy road ahead with unprecedented uncertainty, and risks to the outlook remain tilted to the downside. Under-execution and premature withdrawal of economic stimulus could impede the pace and durability of the economic recovery and strain financial stability. The recovery path also depends on the pace of vaccination and resumption of private sector activities. High vulnerability to natural disasters continues to threaten the economy. AML/CFT concerns could adversely impact correspondent banking relationships and remittances. Strong efforts to implement needed policy and push through reforms with capacity building support provided by the international community will help turn adversity into opportunity for an inclusive, sustained recovery.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

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Executive Board Assessment

In concluding the 2021 Article IV consultation with the Samoa, Executive Directors endorsed the staff appraisal, as follows:

The Samoan economy is projected to bottom in FY2021, with an economic recovery to follow. The border closure and restrictions under the State of Emergency protected citizens from a domestic outbreak of the pandemic. However, the economy experienced a deep contraction. Bold and swift actions by the government, support from the international community, and resilient remittances helped moderate the impacts of the crisis. Strong commitment by the government to stimulate the economy will help steer a gradual economic recovery.

The recovery may face a bumpy road ahead with unprecedented uncertainty, and risks to the outlook remain tilted to the downside. The recovery critically depends on the execution of economic stimulus measures, procurement and rollout of vaccines, and resumption of private sector activities. Premature opening of the border poses a threat of a domestic outbreak of COVID-19. AML/CFT shortcomings and high vulnerability to natural disasters continue to threaten the economy.

Fiscal policy needs to remain sufficiently accommodative in the near term, with strong commitment to medium-term consolidation to ensure debt sustainability. The authorities need to maintain stimulus measures until a sustained economic recovery is attained. Over the medium term, the authorities need to gradually withdraw stimulus, coupled with revenue mobilization, strengthening PFM, and sound governance.

Samoa's debt is sustainable, but remains at high risk of distress, when the country's vulnerability to natural disasters is considered. The authorities need to secure adequate financing early on to stimulate the economy and ensure debt sustainability. The annual Unforeseen budget (i.e., reserve fund) provides some financial buffer to the government for self-insurance against losses from natural disasters. Allocating adequate budget to forge climate resilience can provide long-term benefits to the economy.

Monetary policy remains appropriately accommodative, and efforts must continue to improve monetary transmission. A deposit rate cap, recently implemented by the commercial banks, should be time-bound, and complemented by SOE/PFI reforms to improve monetary transmission. The CBS, the banks, and other stakeholders would need to work together to address bottlenecks to credit intermediation, including through implementation of financial inclusion and PFI reforms.

Samoa's external position is assessed to be moderately stronger than fundamentals and desirable policy settings. The assessment reflected the impacts of the domestic measles outbreak and the global COVID-19 pandemic, which created substantial import compression. Resilient remittance inflows and sizeable foreign grants also contributed. The CBS accumulated adequate foreign exchange reserves during the period, according to the ARA metric for credit-constrained economies. However, the underlying economic recovery is projected to stimulate import demand, deteriorate the current account balance, and lower the reserves over the medium-term. When Samoa's vulnerability to natural disasters is considered, the authorities need to build reserve buffers to at least 5 months of prospective imports. Given weak monetary policy transmission, Samoa's pegged exchange rate system provides a welcome nominal anchor.

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Strengthening the effectiveness of the AML/CFT framework is needed to safeguard remittances and financial stability. The authorities should continue strengthening risk-based AML/CFT supervision and enhancing compliance with customer due diligence and suspicious transaction reporting obligations by banks and MTOs. Implementing a national digital identity should facilitate customer identification, and contribute to addressing money laundering and corruption risks. Mitigating the risks of TCSP's reliance on third party intermediaries for customer due diligence and securing resources for the effective operation of the FIU are paramount to enhancing AML/CFT effectiveness. Continued international engagement is needed to address AML/CFT shortcomings, as well as concerns raised by the EU on Samoa as a non-cooperative tax jurisdiction.

Financial sector policies need to focus on reinforcing financial stability, with continued efforts to implement the 2015 FSAP recommendations. Overall financial stability remains sound. However, effects of the pandemic on the financial institutions vary, depending on the profit and customer bases. The authorities need to monitor financial institutions, ensure their compliance with prudential regulations, and be ready to take actions as needed. The appropriate pace and sequence of reforms must be well formulated to bring non-bank financial institutions under the CBS oversight, and avoid overstretching its supervisory capacity. The policy should also focus on improving the balance sheet of the DBS, while implementing the National Financial Inclusion Strategy to reduce inequality.

Structural reforms should support SDGs to limit scarring. Promoting agriculture, fishery, and MSMEs for economic diversification should lead to job creation. Upskilling and reskilling of the labor force, and boosting human capital can reduce skill mismatch and help increase female and youth labor force participation. Realizing the potential benefits of PACER-Plus can provide additional support to the economic recovery. Enhancing climate resilience, including by upgrading physical infrastructure and mainstreaming climate resilience into all sector plans, remains crucial.

Strengthening capacity will facilitate evidenced-based policy making and its implementation. Priority should be given to reforms to improve tax administration and PFM systems, strengthen banking sector supervision, and mitigate CBR pressures. Enhancing statistical capacity will support evidence-based policy making. The IMF stands ready to support the government's reform efforts through capacity development to help turn adversity into opportunity.

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Table 1. Samoa: Selected Economic and Financial Indicators, 2016/17-2025/26 1/

			Estimate	Projection						
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
				(12-month percent change)						
Output and inflation										
Real GDP growth	1.0	-2.1	3.6	-3.2	-7.8	1.7	3.0	3.5	2.5	2.1
Nominal GDP	1.0	-0.1	5.8	-2.8	-10.0	4.4	5.1	5.9	5.2	4.8
Consumer price index (end of period)	1.0	5.8	-0.1	-3.3	3.1	1.9	2.4	2.4	2.6	2.6
Consumer price index (period average)	1.3	3.7	2.2	1.5	-2.5	2.7	2.1	2.4	2.6	2.6
				(In percent of GDP)						
Central government budget										
Revenue and grants	30.7	32.1	35.7	38.5	37.0	32.3	33.9	35.5	35.9	36.0
Of which: grants	3.4	4.4	6.0	9.4	11.2	5.5	5.6	5.6	5.6	5.6
Expenditure	32.8	32.1	32.9	32.3	40.4	39.0	39.1	38.2	38.1	38.0
Of which: Expense	23.2	24.5	25.8	28.8	36.4	32.7	31.7	30.5	30.0	29.7
Of which: Net acquisition of non-financial assets	9.7	7.6	7.1	3.5	4.0	6.3	7.4	7.7	8.1	8.3
Gross operating balance	7.5	7.7	9.8	9.7	0.6	-0.4	2.2	5.0	5.8	6.3
Overall fiscal balance	-2.1	0.1	2.7	6.2	-3.4	-6.7	-5.2	-2.7	-2.2	-2.0
Overall fiscal balance excl. grants	-5.5	-4.3	-3.3	-3.2	-14.6	-12.2	-10.8	-8.3	-7.9	-7.6
				(12-month percent change)						
Macrofinancial variables										
Broad money (M2)	7.8	16.5	9.9	-0.9	1.8	6.7	6.0	5.9	4.9	4.8
Net domestic assets	4.5	-2.8	2.1	-5.5	...	...	...	...	...	...
Private sector credit, Commercial banks	6.9	1.6	6.1	5.8	3.5	5.6	6.0	5.4	5.3	5.2
Total loan growth, Commercial banks	6.6	1.7	5.8	3.9	...	...	...	...	...	...
Total loan growth, Public financial institutions	12.8	6.0	17.2	9.0	...	...	...	...	...	...
				(Ratio)						
Private credit to GDP, Commercial banks	48.2	47.9	48.1	52.4	..	...	...	...	...	...
Private credit to GDP, Public financial institutions	27.6	29.3	32.5	36.4	...	...	...	...	...	...
Total capital to risk-weighted exposures	25.1	27.3	27.5	27.5	...	...	...	...	...	...
Non-performing loans	4.1	4.3	3.9	3.9	...	...	...	...	...	...
				(In millions of U.S. dollars)						
Balance of payments										
Current account balance	-15.9	7.2	25.9	9.3	-49.0	-84.6	-44.7	-25.2	-17.9	-19.1
(In percent of GDP)	-1.9	0.9	3.0	1.2	-6.5	-10.9	-5.5	-2.9	-2.0	-2.0
Merchandise exports, f.o.b. 2/	38.0	36.3	50.0	46.3	41.2	40.1	40.4	41.6	43.1	45.0
Merchandise imports, f.o.b.	308.6	328.9	349.4	316.3	290.3	304.0	316.9	344.7	387.1	425.2
Services (net)	140.6	158.4	179.8	113.9	-26.4	18.2	62.0	107.1	137.7	168.3
Income (net)	-25.9	-29.7	-35.8	-23.5	-17.5	-15.4	-16.5	-17.9	-19.8	-23.3

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Table 1. Samoa: Selected Economic and Financial Indicators, 2016/17-2025/26 1/ (concluded)

			Estimate	Projection						
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Current transfers (net)	140.0	171.1	181.3	188.9	244.0	176.5	186.3	188.7	208.3	216.0
External reserves and debt										
Gross official reserves 3/	115.0	155.6	185.3	222.3	214.7	168.7	164.9	179.4	190.1	184.4
(In months of next year's imports of GNFS)	3.3	4.2	5.4	7.0	6.5	4.9	4.4	4.3	4.2	4.0
Public debt (in millions of tala) 4/	1,047.4	1,113.8	1,058.6	1,012.3	956.1	1,102.5	1,215.7	1,278.9	1,335.3	1,389.8
(In percent of GDP)	49.6	52.8	47.4	46.7	49.0	54.1	56.8	56.4	56.0	55.6
External debt (in percent of GDP)	48.2	51.9	46.8	46.3	48.7	53.9	56.6	56.3	55.9	55.6
Exchange rates										
Market rate (tala/U.S. dollar, period average) 5/	2.54	2.52	2.62	2.67	...	...	...	...	...	...
Market rate (tala/U.S. dollar, end period) 5/	2.51	2.60	2.63	2.70	...	...	...	...	...	...
Nominal effective exchange rate (2010 = 100) 5/	110.1	106.3	109.1	109.3	...	...	...	...	...	...
Real effective exchange rate (2010 = 100) 5/	104.3	102.4	105.2	106.3	...	...	...	...	...	...
Memorandum items:										
Nominal GDP (in millions of tala)	2,110	2,108	2,231	2,168	1,952	2,038	2,142	2,268	2,386	2,499
GDP per capita (U.S. dollars)	4,212	4,198	4,238	3,961	3,672	3,764	3,913	4,099	4,261	4,407

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

1/ Fiscal year beginning July.

2/ Include re-export of fuel after 2009/10.

3/ Includes the IMF disbursement of SDR16.2 million (100 percent of quota) under the Rapid Credit Facility (RCF) and external financial assistance by

4/ Includes domestic and external public debt.

5/ IMF, Information Notice System.

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INTERNATIONAL MONETARY FUND

SAMOA

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION

March 2, 2021

KEY ISSUES

Samoa has shown resilience to 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 from COVID-19. The authorities' quick response to the measles outbreak and the global pandemic has identified the policy priorities well. The international community also responded swiftly, including the IMF disbursement under the Rapid Credit Facility (RCF) in April 2020 which helped unlock record budget support grants by the Asian Development Bank (ADB) and the World Bank (WB). The authorities strengthened the health care system and provided support to the private sector, with assistance targeted to vulnerable businesses and households to safeguard livelihoods.

Nevertheless, the prolonged effects of the global pandemic have heightened the economic challenges and continued to adversely impact the wellbeing of Samoans. The compounding effects of the two consecutive health shocks pushed the 2020 September quarter real GDP to its 2014 level and spawned setbacks on sustainable development goals (SDGs), creating scarring effects. The economy is projected to contract again and more severely in FY2021 (ending June 2021). Procurement and rollout of vaccines are expected by end-2021, followed by reopening of the border by early 2022. Resilient remittances and the government's commitment to maintaining expansionary fiscal policies in the near term will likely turn the economy around for a gradual recovery in FY2022. However daunting economic challenges still lie ahead.

The economy faces unprecedented uncertainty, and risks to the outlook remain tilted to the downside. Under-execution and premature withdrawal of economic stimulus could impede the pace and durability of the economic recovery and strain financial stability. The recovery path also depends on the pace of vaccination and resumption of private sector activities. Premature opening of the border poses a threat of a domestic outbreak of COVID-19. High vulnerability to natural disasters continues to threaten the economy. AML/CFT concerns could adversely impact correspondent banking relationships (CBRs), remittances, and the economy.

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Main Policy Recommendations

- Fiscal policy that extends some stimulus measures with better targeting for vulnerable households and businesses, along with gradual withdrawal and medium-term consolidation which will slowly bring public debt to 50 percent of GDP.

- Accommodative monetary policy with continuing efforts to improve the monetary transmission mechanism.

- Implementation of comprehensive financial sector reforms, along with continued implementation of the 2015 Financial Sector Assessment Program recommendations.

- Enhancing AML/CFT supervision to upgrade compliance in high-risk institutions, guided by customer due diligence and suspicious transaction reporting obligations that are conducive to mitigating correspondent banking relationship pressures.

- Structural reforms that help achieve SDGs, with priority on job creation and mobility, supported by promotion of financial inclusion with fintech applications and of agriculture, fishery, and MSMEs to leverage the PACER-Plus for exports. Improving the business environment and building resilience to climate change with a coherent adaptation strategy will lend support to private sector growth.

- Further developing statistical capacity and interagency collaboration, facilitated by a legal framework, for information sharing that promotes evidence-based policy making.

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Approved By
Ranil Salgado and Chad Steinberg

Discussions took place by video conference during January 11–21, 2021. The staff team comprised Kenichiro Kashiwase (Head), Seohyun Lee (both APD), Daniela Alcantara (SEC), Reshika Singh (RR-PIC), and Leni Hunter (Resident Representative in Fiji). Cory Hillier, Jonathan Pampolina, Lee Burns (all LEG), Barend De La Beer (STA), Natalia Ivanyk (STA-CDOT), Luis Temes (PFTAC), James Webb, Shiu Raj Kumar (both ADB), and Kim Edwards (WB) participated in some of the discussions. Chang Huh, Angelia Grant, and Lae Siliva (all OED) also joined the discussions. The mission met with Minister of Finance Sili Epa Tuioti, Chief Executive Officer of the Ministry of Finance Leasiosiofaasisina Galumalemana Oscar Malielegaoi, Governor of the Central Bank of Samoa Maiava Atalina Ainuu-Enari, senior government officials, and representatives of the private sector. Enakshi Das, Francis Landicho, and Kristine Laluces (all APD) provided excellent research and editorial assistance for the preparation of this report.

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TABLES

ANNEXES

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Acronyms

ADB	Asian Development Bank
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
APG	Asia Pacific Group on Money Laundering
ARA	Assessing Reserve Adequacy
CBR	Correspondent Banking Relationships
CAPEX	Capital Expenditure
CCPA	IMF-World Bank Climate Change Policy Assessment
CDOT	Capacity Development Office of Thailand
DSSI	G20 Debt Service Suspension Initiative
FAO	Food and Agriculture Organization
FIU	Financial Intelligence Unit
ICT	Information and Communications Technology
ID	Identification Data
IFC	International Finance Corporation
ILO	International Labour Organization
KYC	Know Your Customer
MSMEs	Micro, Small and Medium Enterprises
MTO	Money Transfer Operators
NPL	Non-Performing Loans
PACER Plus	Pacific Agreement on Closer Economic Relations
PEFA	Public Expenditure and Financial Accountability
PFI	Public Financial Institution
PFM	Public Financial Management
PFTAC	Pacific Financial Technical Assistance Centre
PIC	Pacific Island Countries
RCF	IMF's Rapid Credit Facility
SBS	Samoa Bureau of Statistics
SDGs	Sustainability Development Goals
SDS	Strategy for the Development of Samoa
SEP	Seasonal Employment Program
SIDS	Small Island Developing States
SIFA	Samoa International Financial Authority
TA	Technical Assistance
TCSP	Trust and Company Service Provider
VAGST	Value-added goods and services tax
UN	United Nations
UNICEF	United Nations International Children’s Emergency Fund
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
WB	World Bank

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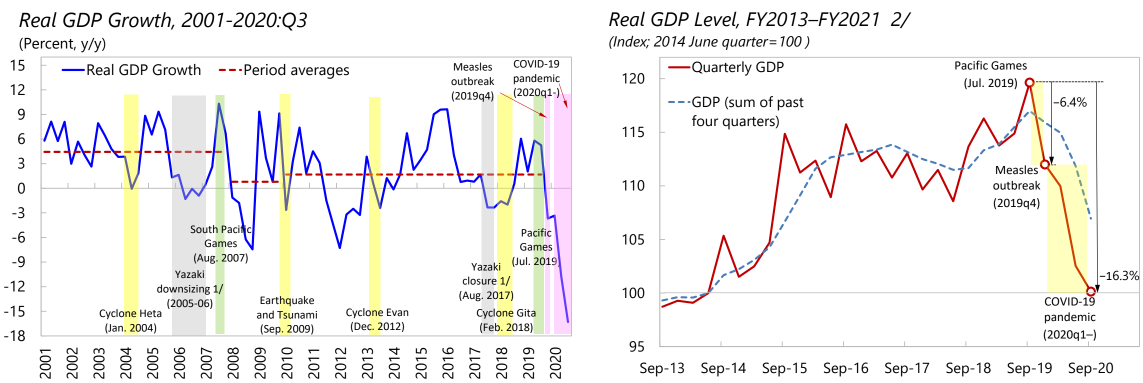
CONTEXT: TURN ADVERSITY INTO OPPORTUNITY

1. **Samoa has shown resilience to 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 from COVID-19. With support provided by the international community, the authorities' quick response to the measles outbreak and the global pandemic included safeguarding human capital, providing support to the private sector and vulnerable businesses and households, and maintaining macroeconomic stability.

Quarterly real GDP in 2020:Q3 fell to its 2014 level, creating deep scars in the economy.



Sources: Authorities' data; and IMF staff calculations.

1/ Yazaki EDS Samoa Ltd. was established in 1995, manufactured automotive electrical systems, and exported to Australia under concessional market-access arrangements.

2/ Fiscal year (FY) runs from July through June, and begins with the September quarter.

2. **The prolonged effects of the global pandemic heightened the economic challenges, adversely impacting the wellbeing of Samoans.** The border closure and restrictions under the State of Emergency kept the pandemic at bay and avoided the collapse of the health system. Nevertheless, the prolonged border closure dealt a severe blow to the tourism sector, with spillovers on other sectors, and resulted in a severe economic contraction. GDP in 2020:Q3 recorded a fourth consecutive quarterly decline, and the economy fell back to the 2014 level, with setbacks on SDGs.

3. **Samoa confronts daunting economic challenges, with financing gaps expected to re-emerge, and needs to turn adversity into opportunity.** The authorities have pushed through reforms with steadfast commitments, underpinning macroeconomic stability. With donor support, policy continuity after the general elections in early April will help pave the road for an inclusive, durable economic recovery, and minimize scarring effects of the pandemic. The authorities have been highly engaged with the Fund and other development partners, and policies have been largely in line with past Fund advice.

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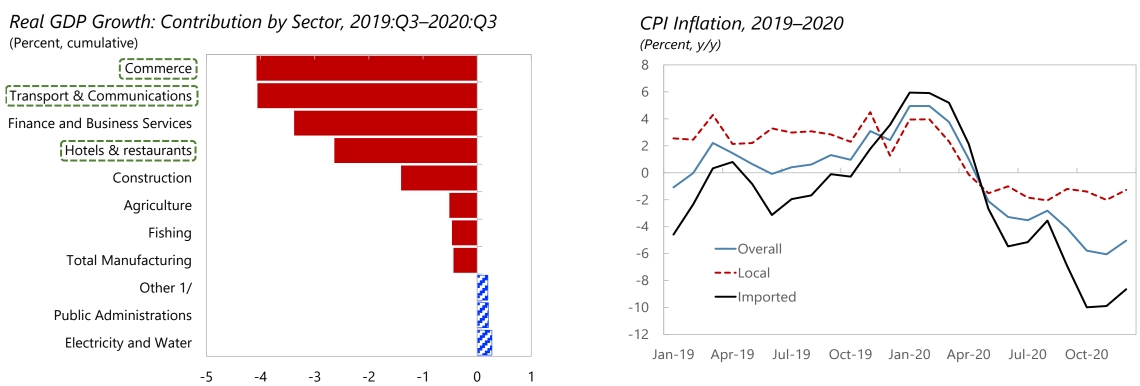
RECENT DEVELOPMENTS, OUTLOOK, AND RISKS

4. **Samoa was hit by two health shocks within a single year, with devastating impacts and lingering aftershocks.** Domestic economic activities came to a near halt, with the measles outbreak in 2019:Q4. The global pandemic followed shortly after, forcing the Government to close the border and implement social restrictions under the State of Emergency. The international community rushed to provide needed support, including the IMF disbursement under the RCF in April 2020.[1] The blow to the economy was still severe, and resulted in a deep contraction in real GDP, reaching −16.3 percent (y/y) in 2020:Q3. Execution of the capital expenditure budget (CAPEX) was adversely affected by heavy, frequent rains with the border closure, which also affected construction more broadly. Credit to the private sector continues to slow, amid heightened risks. Weak domestic demand, reduction in utility prices, and declines in global commodity prices pushed inflation down to -1.6 percent (y/y) in 2020.

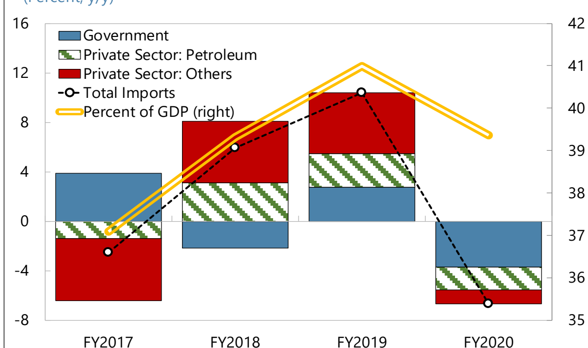
The prolonged border closure with social restrictions exacerbated the downturns.



Sources: Authorities' data; and IMF staff calculations.
1/ Includes ownership of dwellings, and personal and other services.

5. **The economy recorded twin surpluses in FY2020 (ending June 2020).** The overall fiscal surplus reached 6.7 percent of GDP, reflecting favorable tax revenue outturns and CAPEX under-execution. In addition, sizable import compression, driven by weak public and private demand and declines in fuel prices, resulted in a current account surplus of 1.2 percent of GDP. Remittances proved resilient, with fiscal stimulus

Imports: Contribution by Public and Private Sectors
(Percent; y/y)



Sources: Authorities' data; and IMF staff calculations.

[1] The Fund disbursement of US$22 million (100 percent of quota), aimed at addressing the BOP financing gap, was matched by record budget support grants (US$20 million by the ADB and US$15 million by the WB). A safeguards assessment is underway in the context of the April 2020 RCF disbursement. Most recommendations from the last 2014 assessment have been implemented.

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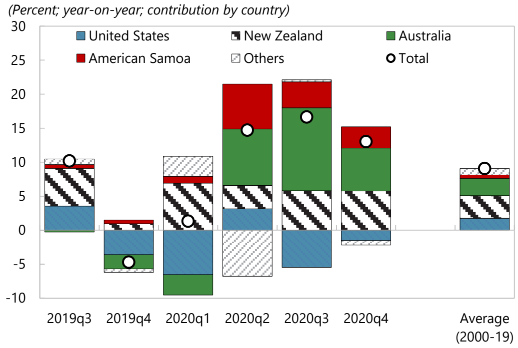
measures implemented by source countries (Australia, New Zealand, United States), and increased by 5 percent (y/y).

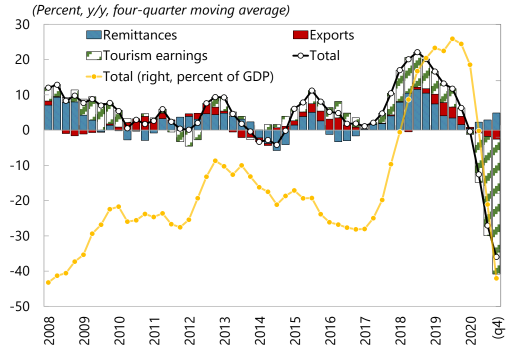
6. **Staff projects real GDP to contract by around 7.8 percent in FY2021, following a 3.2 percent decline in FY2020.** Samoa experienced severe floods around the time of the festive season, which dealt another blow to the economy costing (based on the authorities' estimate) at least 1½ percent of GDP. However, reconstruction efforts are expected to boost construction. Most social restrictions were lifted in December, stimulating household consumption. A supplementary budget in December 2020 extended the stimulus measures. The push by the government to fully execute its budget towards the end of FY2021 will likely promote economic activities during 2021:H1. Reflecting the projected global recovery, commodity prices are expected to pick up in 2020, underpinning staff's inflation projection of -2.5 percent for FY2021.

Remittances proved resilient, but income from abroad declined substantially ...

Samoa: Remittance Inflows by Source Country
(Percent; year-on-year; contribution by country)

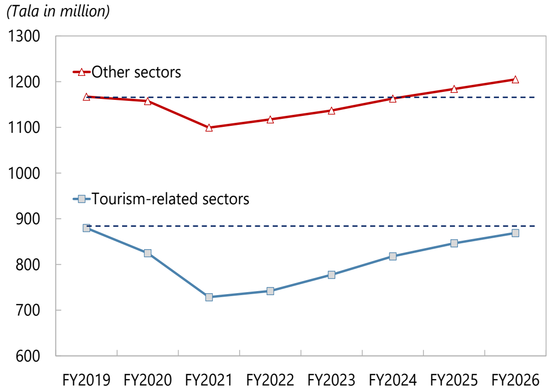


Remittances, Exports, and Tourism Earnings, 2008–2020
(Percent, y/y, four-quarter moving average)

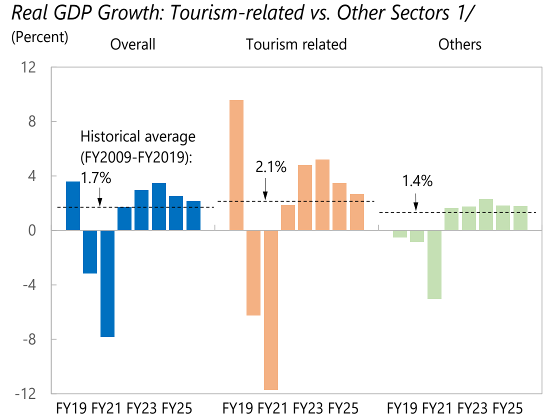


... and a recovery will be slow, and continue to face unprecedented uncertainty.

Real GDP: Tourism-related vs. Other Sectors 1/
(Tala in million)



Real GDP Growth: Tourism-related vs. Other Sectors 1/



Sources: Authorities' data; and IMF staff calculations.
1/ The tourism sectors include commerce, transport, food and beverages, and accommodations and restaurants.

7. **The economy is projected to start recovering in FY2022.** Implementation of effective macroeconomic policies and structural reforms will stimulate economic activities further, facilitate job creation, and help heal the scarring effects. But the recovery will be sluggish due to slower

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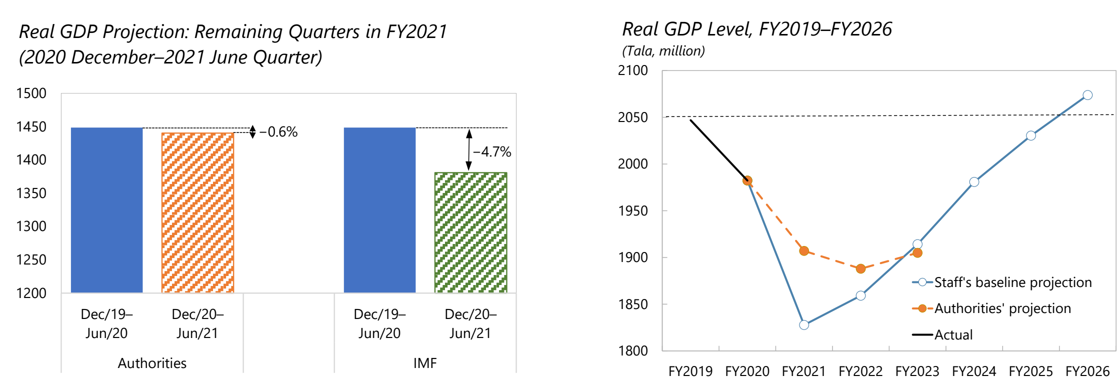
growth in the tourism sector, and requires careful attention to manage resource allocation to support the private sector.

8. A bumpy and uncertain road is ahead, and risks are tilted to the downside (Annex I). Under-execution and premature withdrawal of economic stimulus measures could impede the pace and durability of the recovery, and strain financial stability. The recovery path also depends on the procurement and rollout of vaccines[2] and resumption of private sector activities. Premature opening of the border poses a threat of a domestic outbreak of COVID-19. High vulnerability to natural disasters continues to threaten the economy. AML/CFT concerns could potentially hurt perceptions on remittance flows, raise pressures on CBRs, and adversely impact the economy and reserves coverage.

Authorities' Views

9. The authorities project that the economy will contract by 4.8 percent in FY2021 and begin a gradual recovery in FY2022-FY2023. The sizable decline in real GDP in 2020:Q3 surprised on the downside. Tourism remains a major drag. The authorities anticipate that some improvements in economic activities are on the way, and feel confident that lifting some social restrictions under the State of Emergency in December 2020 will boost consumption. Government stimulus measures will also support commerce, utility, and public administration, among others. Most of the industries will see some recovery, while tourism remains stranded. The authorities are hopeful that support already arranged for Samoa through the international community will facilitate a full vaccine rollout by end-2021, lead to reopening of the border by early 2022, and navigate the recovery thereafter.

The authorities envisage a shallower contraction in FY2021, but a recovery will be slow.



Sources: Authorities' data; and IMF staff calculations.

10. The authorities see pronounced uncertainty ahead. Samoa has no confirmed cases of COVID-19 within its border, and the authorities are intent on maintaining Samoa's COVID-free status. They are cautious that a premature reopening of the border could compromise the safety and security of the country, and may lead to a national lockdown and tighter restrictions. The

[2] Samoa anticipates procurement of the vaccines through the COVID-19 Vaccines Global Access Facility (COVAX) and the Asia Pacific Vaccine Access Facility (APVAX). Australia and New Zealand have also pledged support.

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lingering effects of COVID-19 have the potential to strain financial stability at a time when climate change remains a major threat to the country.

ENGINEER AN INCLUSIVE, SUSTAINED RECOVERY

A. Augmenting Fiscal Policies to Ignite a Durable Recovery

11. **The authorities' swift actions helped orchestrate mobilization of multi-pillared financial assistance to assemble fiscal stimulus packages.** The authorities introduced phase-I and -II stimulus packages in a timely manner, with financial support from the international community. The phase-I stimulus (3.1 percent of GDP) in FY2020 entailed support to affected businesses and households, while safeguarding human capital through health, education, food security, and essential public services. The phase-II stimulus (4.2 percent of GDP) in FY2021 extended some of the

The FY2020 fiscal stimulus package casted a "safety" net, with some targeted measures.

Financing Sources	Main Pillars of Support: 1. Household	2. Business	3. Human Capital (health, food security, other)
A. Budget (including donor support)	• **Interest relief:** 3 mo. • **Free rent**: 2-3 mo. • **Utility** (electricity/water) **rate reduction.**	• **Interest relief:** 3 mo. • **Carry loan repayments** under the government guarantee schemes: 3 mo. • **Interest relief** by Development Bank of Samoa: 2 mo. • **Free rent**: 2-3 mo.	• Increase in **preparedness and prevention** on communicable diseases and other • Support for **quarantines, testing, tracing, reporting, and treatment** of COVID-19 • Ensure **food security** by raising domestic food production • Support for **education**
B. Direct assistance from SSF, EBU, SOEs 1/	• **Loan repayment relief** by National Provident Fund • **Electricity rate reduction** • **Moratorium** on all Samoa **housing loan repayments**: 3 mo. • 50 percent **reduction in loan interest rates:** 6mo.	• **Loan repayment refund:** 1 mo. • **Moratorium on pension and insurance premium** (hospitality sector and other sectors): 2-6 mo. • **Free rent:** 2-3 mo. • **Waiver/discount on fees:** 3 mo. **Capital injection** to the Samoa Airways by the Accident Compensation Corporation	
C. Revenue Forgone	• **Reduction in import duties** (essential food items), **excises, and value-added goods and services tax (VAGST)** • **Reduction in domestic excises.**		

Source: Government of Samoa, "Second Supplementary Budget Address, 2019/20," April 7, 2020.
1/ Central government in Samoa comprises the budgetary central government, Social Security Funds (SSF), and Extra Budgetary Units (EBUs). The Accident Compensation Corporation is the only SSF. The Samoa Airport Authority, one of the twelve EBUs, provided support to businesses. Separately, there are fourteen state-owned enterprises (SOEs), among which National Provident Fund, Samoa Housing Corporation, Samoa Ports Authority, and Electric Power Corporation provided assistance to households and businesses.

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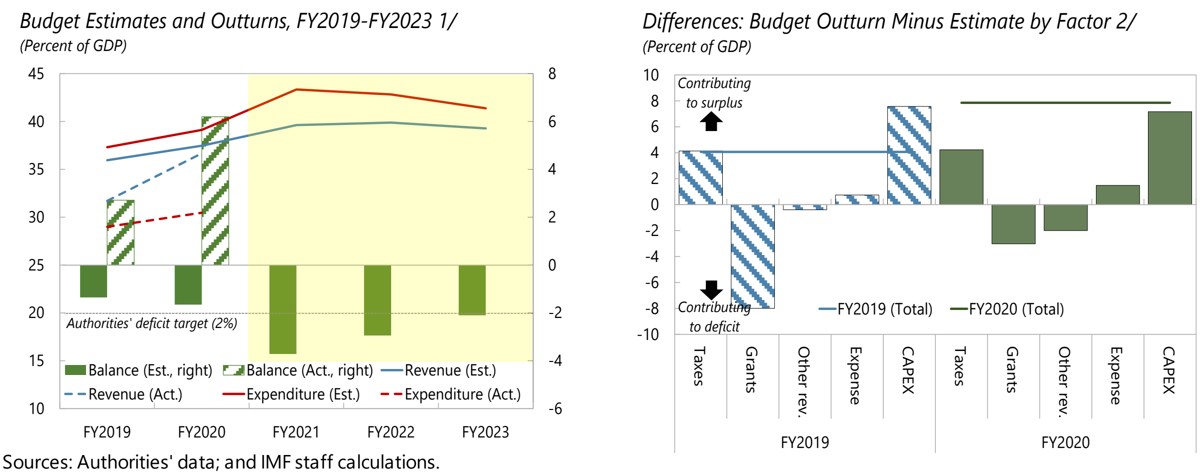
phase-I measures and introduced new ones for vulnerable households and businesses outside the reach of the phase-I stimulus, including through the provision of community-based primary health care services and unemployment subsidies. Annual dividend payouts by the Samoa National Provident Fund (SNPF), part of the phase II stimulus package, were sizable (1.5 percent of GDP). Several state-owned enterprises (SOEs) have helped the government execute the stimulus.

12. The overall execution rate of the two stimulus packages remains high (Table 6). The government has already executed around 90 percent of the phase-I and 80 percent of the phase-II stimulus packages as of end-December 2020. The Office of the Controller and Auditor-General takes responsibilities of the pre-audit function as well as the post-audit function of payments, including crisis-related procurement and spending. The Samoa Audit Office has been conducting a comprehensive audit. The government has implemented its commitment on procurement transparency through publication of public procurement contracts, among which tender awards are publicized on the government websites. Staff encourages the government to publish beneficial ownership information of those with the contracts.

13. However, execution of CAPEX has been weak, and the fiscal surplus reached 6.2 percent of GDP in FY2020, up from 2.7 percent in FY2019. Timely and sizable grants from the international community reached 9.4 percent of GDP in FY2020. The surplus, instead of a deficit of 1.7 percent of GDP in the budget, was driven by a favorable tax revenue outturn, reflecting improved tax compliance in advance of the phased rollout of the Tax Invoicing Management System (TIMS). Under-execution of CAPEX largely contributed since development projects contain a large share of imports (both goods and services), and the prolonged border closure and severe weather adversely impacted project execution. As a result, public debt fell to 46¾ percent of GDP in FY2020.

A sizable surplus in FY2019 and FY2020 was driven by under-execution of CAPEX.



Sources: Authorities' data; and IMF staff calculations.
1/ FY2020 and FY2021 include supplementary budgets.
2/ A positive difference on spending indicates under-execution of the budget. CAPEX is net acquisition of non-financial assets.

14. Staff's baseline projects the fiscal deficit to reach 3.4 percent of GDP in FY2021 and increase to 6.7 percent of GDP in FY2022 before declining gradually over the medium term. Tax revenue collection has been better than anticipated in 2020:H2, reflecting improved tax

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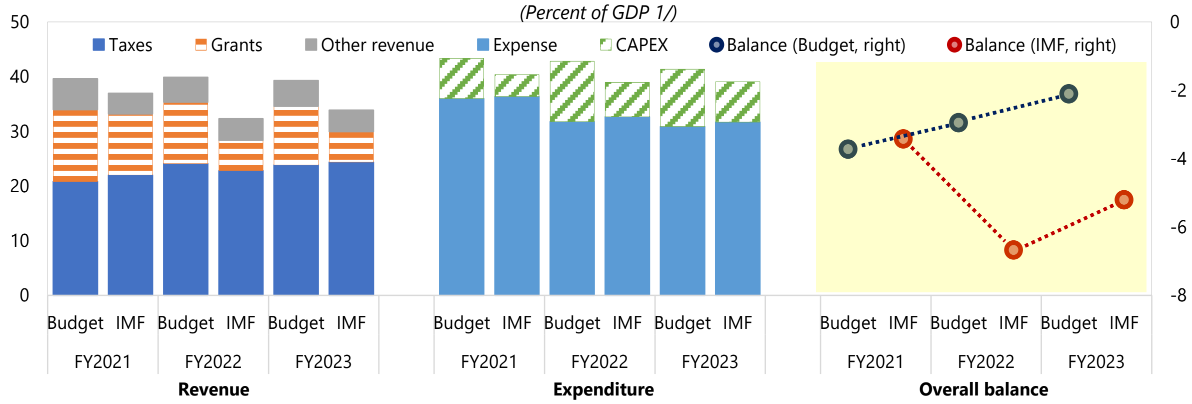
compliance. Staff's baseline assumes full execution of the operating budget, inclusive of the phase-II stimulus, the FY2021 supplementary budget, and the G20 Debt Services Suspension Initiative (DSSI) which provides one-off financing of 2.3 percent of GDP for additional projects (mostly infrastructure). The baseline also entails a reformulated CAPEX in line with the authorities' past execution capacity. Over the medium term, staff assumes conservative estimates of grant receipts of around 5.5 percent of GDP, approximating the pre-COVID outturns in the absence of natural disasters.

The budget assumes sizable grants to finance the deficit, falling to 2 percent of GDP by FY2023.

Fiscal Sector Baseline Projection: Budget and IMF, FY2021–Y2023

(Percent of GDP 1/)



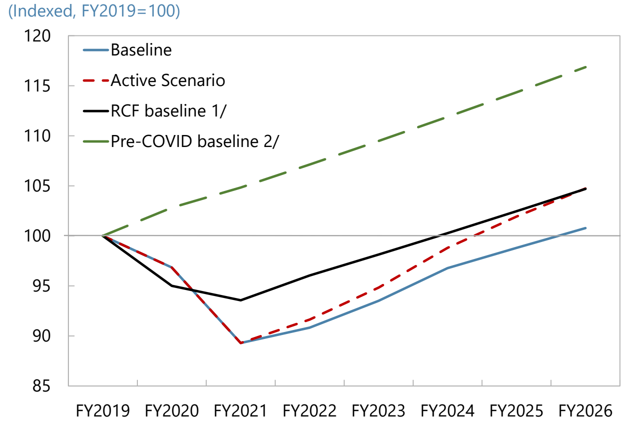
Sources: Authorities' data; and IMF staff calculations.

1/ Based on IMF staff projection of GDP in current value.

15. Fiscal policy needs to be augmented for further accommodation with full execution (i.e., staff's active scenario) to steer an inclusive, sustained recovery (Annex II). The authorities are committed to expansionary fiscal policy. However, their forward estimates of the budget during FY2022–FY2023 rely heavily on the use of CAPEX for stimulus, financed by foreign grants (11 percent of GDP). While the budget formulation brings down the deficit to its target of 2 percent of GDP by end-FY2023, it may fall short of stimulating the economy with CAPEX under-execution. Staff recommends extending stimulus measures based on the authorities' implementation capacity until a sustained recovery is attained (**Text Table 1**). The policy can be harnessed by a commitment to stronger medium-term fiscal consolidation with more conservative estimates of grant receipts that helps ensure debt sustainability. The recommended policy mix entails:

Real GDP, FY2019–FY2026

(Indexed, FY2019=100)



Sources: Authorities' data; and IMF staff calculations.

1/ The staff's baseline projection in April 2020, used for the 2020 staff report of the Rapid Credit Facility (RCF).

2/ The staff's baseline projection in January 2020, reflected in the World Economic Outlook Update, prior to the COVID-19 pandemic.

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Text Table 1. Augmenting Fiscal Policies: Staff's Baseline and Active Scenario

(Percent of GDP 1/)

	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Revenue						
(A) Baseline						
Total revenue	37.0	32.3	33.9	35.5	35.9	36.0
o/w Tax revenue	22.0	22.9	24.4	25.9	26.3	26.4
(B) Active scenario						
Gains from additional measures:						
Tax revenue	0.0	0.0	0.0	0.3	0.7	1.0
Broadening VAGST base 2/	0.0	0.0	0.0	0.1	0.3	0.4
Increasing excises 3/	0.0	0.0	0.0	0.2	0.4	0.6
Total Revenue	37.0	32.3	33.9	35.8	36.6	37.0
Expenditure						
(A) Baseline						
Expense	36.4	32.7	31.7	30.5	30.0	29.7
Transactions in nonfinancial assets (incl. CAPEX)	4.0	6.3	7.4	7.7	8.1	8.3
(B) Active scenario						
Expense: Additional measures:	1.0	2.0	1.0	0.6	0.0	0.0
Social benefits 4/	0.5	1.0	0.5	0.3	0.0	0.0
Budget support to SOEs (transfers)	0.5	1.0	0.5	0.3	0.0	0.0
Expense	37.4	34.7	32.7	31.1	30.0	29.7
CAPEX: Prioritization	0.0	-1.0	-0.5	0.5	0.4	0.8
Transactions in nonfinancial assets (incl. CAPEX)	4.0	5.3	6.9	8.2	8.5	9.1
Overall Balance						
(A) Baseline	-3.4	-6.7	-5.2	-2.7	-2.2	-2.0
(B) Active scenario 5/	-4.5	-7.6	-5.6	-3.4	-1.9	-1.8

Sources: Authorities' data; and IMF staff calculations.
1/ Based on the nominal GDP in the baseline for comparison.
2/ Applies to consumption of water and electricity, with concessions given to the usage by low income households.
3/ Include consumption of alcohol, tobacco, and products containing high fat, salt, and sugar to promote health.
4/ Include cost of unemployment benefits, shelter financing assistance, wage subsidies, interest relief, and others.
5/ Based on nominal GDP under the active scenario.

- *Extending social protection programs and budget support to SOEs, which* aims to safeguard the wellbeing of the vulnerable, addresses setbacks on SDGs, and ensures that SOEs have adequate budget to maintain stimulus measures.

- *Gaining expenditure efficiency with sound governance,* in a concerted effort with the existing NGOs and other organizations on the ground that have provided social welfare to vulnerable households.

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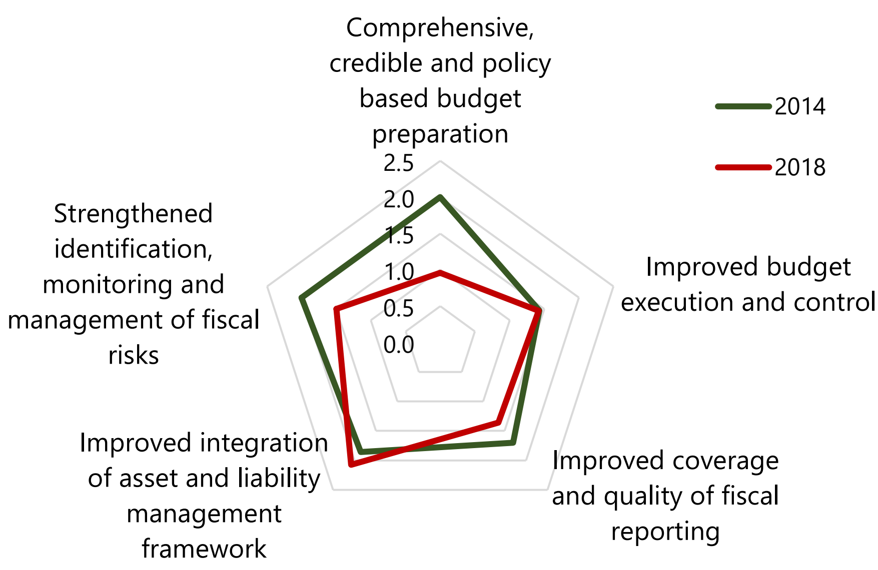
- *Reprioritizing budget expenditure towards job creation and mobility,* with reforms that foster resource reallocation for growth sectors and address high unemployment among women and the youth (**Figure 6**).

- *Implementing economically-viable CAPEX projects, especially ones enhancing resilience to climate change.* Investing in climate-resilient infrastructure (including schools) remains a top priority. Setting aside adequate budget for infrastructure maintenance is needed to maximize service life and durability.

- *Pushing through revenue mobilization over the medium term,* which entails raising excises, and broadening the value-added goods and services tax (VAGST) base to more than offset revenue loss expected from the PACER-Plus. Introducing time limits (e.g., 5 years) to the loss carry-forward period would limit forgone revenues. Completing the TIMS rollout and an establishment of a large taxpayer office can further improve tax compliance.

- *Strengthening public financial management (PFM)* is indispensable, with particular focuses on (i) improving budget reliability, predictability, and execution controls; (ii) enhancing cash management and forecasting; (iii) seeking to improve procurement efficiency; and (iv) strengthening SOEs' performance.

Samoa: Public Expenditure Financial Accountability (PEFA) Assessment



Source: Nevis et al (2019), "Samoa: 2019 Public Expenditure Financial Accountability (PEFA)."

16. **Securing adequate budget financing over the medium term is needed, while safeguarding debt sustainability (Debt Sustainability Assessment).** Staff projects a sizable fiscal deficit to persist over the medium term, but decline to 2 percent of GDP by FY2026. The public-debt-to-GDP ratio is projected to plateau at around 56.5 percent under the baseline, with the deficit fully financed by concessional loans. The fiscal policies under the staff's active scenario would raise the deficit in FY2021–FY2024 but bring the public debt trajectory downward over the medium term.

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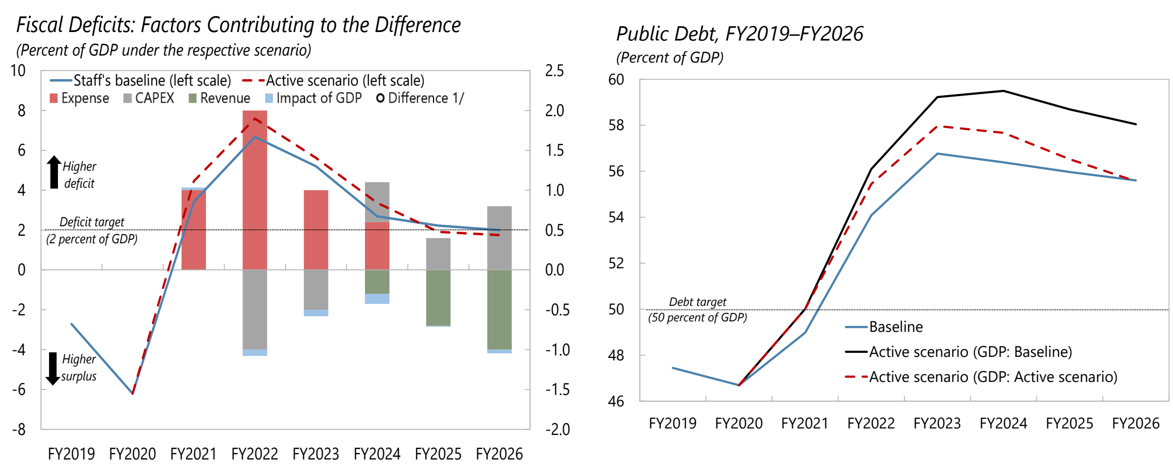
Efforts to mobilize additional budget support grants will bring the public debt closer to the target of 50 percent of GDP. Samoa's debt is sustainable but remains at high risk of distress, given the country's high vulnerability to natural disasters.

Authorities' Views

17. The authorities concur with the staff's recommendations to maintain expansionary fiscal policy in the near term, improve budget execution, and target support to the vulnerable. They broadly agreed on the staff's overall fiscal strategy to extend temporary stimulus measures with better targeting and gradual withdrawal. The authorities plan to further prioritize expenditures that will help stimulate the economy and ensure an inclusive, durable recovery. While an expansionary fiscal policy may breach the authorities' fiscal deficit target of 2 percent of GDP in the near term, they remain committed to medium-term fiscal consolidation. The authorities understood the importance of fully executing the budget to realize benefits of expansionary fiscal policies, and are committed to identifying bottlenecks of CAPEX under-execution for improvement. They have begun discussions of a Phase III stimulus package to be implemented after the elections.

Staff's active scenario can bend the debt trajectory down over the medium term.



Sources: Authorities' data; and IMF staff calculations.
1/ The active scenario minus the baseline projection.

B. Making Monetary Policy Conducive to Growth with External Stability

18. Monetary policy is appropriately accommodative, but credit intermediation remains constrained by weak monetary transmission. The policy rate has remained at 15 basis points, signaling appropriate support in the context of low inflation. Following the onset of the pandemic, the Central Bank of Samoa (CBS) set up a Standby Credit Facility for commercial banks to obtain liquidity as needed. The CBS ceased open market operations to allow the banks to use their available liquidity to meet private-sector credit demand. As of end-November 2020, domestic liquidity in the banking system remained ample, with excess reserves reaching 16 percent of GDP. Given price deflation, CPI-adjusted deposit and lending rates both reached a 7-year high, and credit growth remains weak, reaching 1.5 percent (y/y) in November 2020 (the lowest since 2013).

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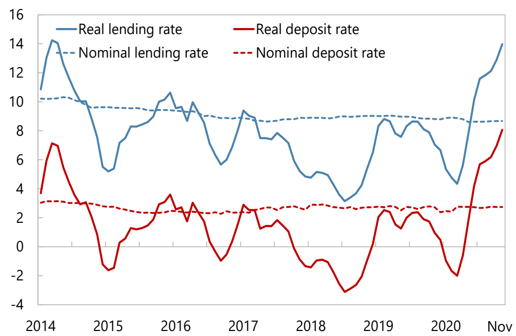
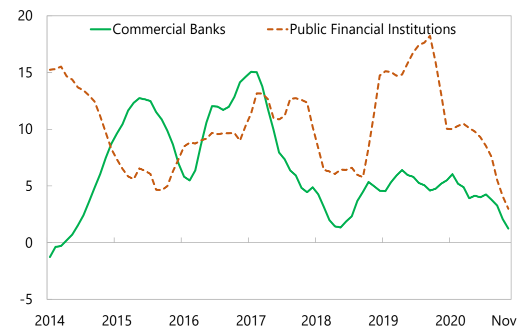
19. A broad-based interest rebate was implemented in 2020. The CBS helped the government execute interest rebates for three months at the rate of 2 percent per annum. The rebate was applied across the board to all households and businesses with outstanding loans at the banks, which cost the government 0.3 percent of GDP.

As real lending rates continued to increase, credit growth dwindled to a historical low.

Lending and Deposit Rates, 2014–2020
(Percent per annum; three-month moving average)



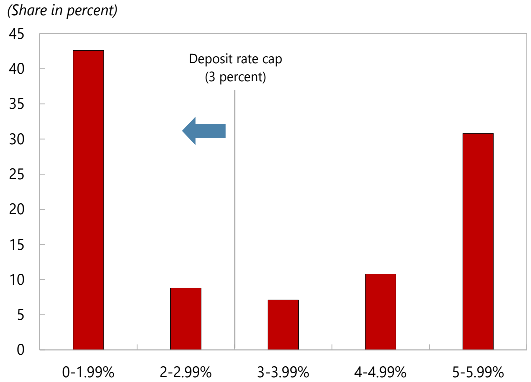
Private Sector Credit Growth, 2014–2020
(Percent; y/y; three-month moving average)



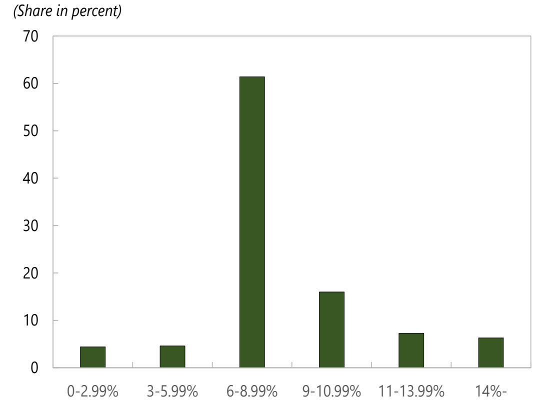
Sources: Authorities' data; and IMF staff calculations.

A deposit interest cap will narrow the gap in interest paid to retail and wholesale depositors.

Commercial Banks: Deposit Rate Structure, August 2020 1/
(Share in percent)



Commercial Banks: Lending Rate Structure, August 2020 1/
(Share in percent)



Source: Authorities' data.
1/ It shows a share of deposit (lending) within each interest rate band to total debit (credit).

20. The banks initiated an interest rate cap on new term deposits, starting in December 2020 for twelve months. Given the lingering effects of the pandemic and its impacts on the balance sheets of the banks as well as borrowers, the CBS encouraged the banks to lower term deposit rates in a bid to lower lending rates. The coordinated effort to cap interest rates lowered the cost of capital and narrowed the interest gap between retail and wholesale depositors. SOEs, public financial institutions (PFIs), and private wholesale depositors have been receiving high term deposit rates. The rate cap encouraged some private wholesale depositors to move their funds to the Unit Trust of Samoa (UTOS), one of the PFIs that offers investment accounts. Given that customer bases vary across the banks, some may see sizable withdrawal by private wholesale depositors. The temporary measure is aimed to address bank profitability under the crisis, but is falling short of

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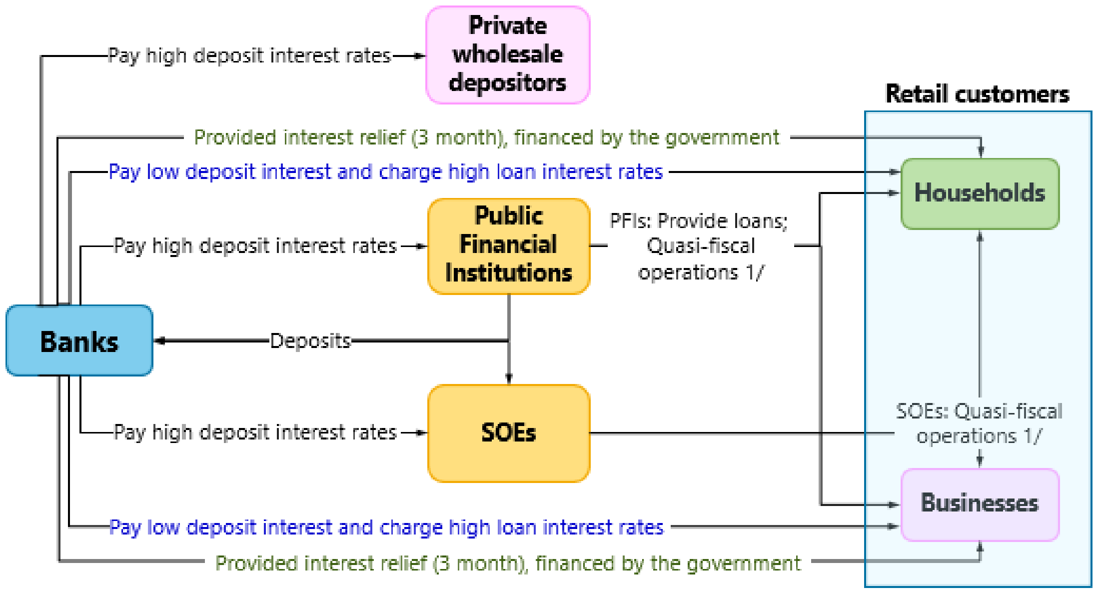
addressing the root cause of weak monetary transmission. The cap should be time-bound and complemented by SOE/PFI reforms to improve the transmission, while ensuring financial stability.

PFIs and SOEs provide direct assistance to households and businesses, indirectly financed by high interest rates received on their deposits at the banks which maintain high lending rates.



1/ Public financial institutions (PFIs) provided interest relief, moratorium on housing loan repayments, discounts on housing loan interest, and dividend payouts. State owned enterprises (SOEs) provided utility rate discounts, free rent, and moratorium on insurance premiums.

21. Improving the transmission mechanism requires a holistic approach (Annex III). The CBS needs to continue its efforts to implement the existing strategy in a measured way with focuses on:

- *Implementing financial inclusion reforms*, which entail promotion of fintech applications (e.g., mobile money and payment systems), establishment of a credit bureau, and enhancement of bankruptcy laws and consumer protection with financial literacy.

- *Minimizing regulatory gaps* that may hamper effective operations of the bureau. Adequate budget needs to be mobilized to help finance appropriate technology and resources.

- *Strengthening regulatory and supervisory frameworks* to better monitor activities of credit unions, microlenders, and other informal lending arrangements. Bringing these financial institutions under CBS oversight needs to avoid overstretching CBS supervisory capacity.

- *Mitigating credit risks to natural disasters* by making disaster risk insurance available to farmers or developing financial products that would address the risks.

22. The authorities need to build external buffers to an adequate level to address vulnerabilities to climate change and external shocks (Annex IV). Samoa's external position in FY2020 is assessed as moderately stronger than fundamentals and desirable policy settings. At end-

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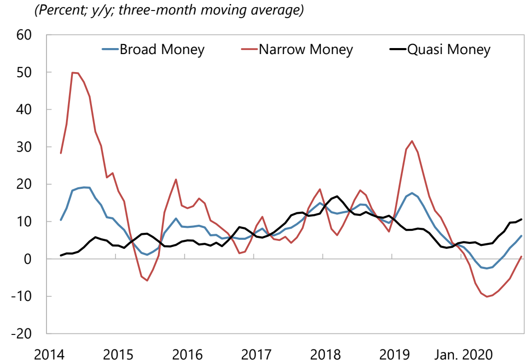
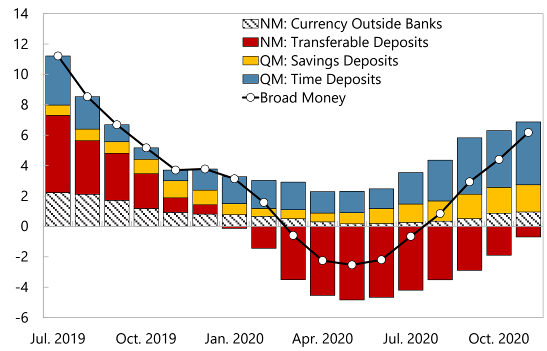
November, reserves cover about 8 months of prospective imports, and remain adequate for credit-constrained economies. But they are expected to decline closer to the lower bound of the desirable range (4.1 to 6.4 months of prospective imports) over the medium term once Samoa's vulnerability to natural disasters is considered. The authorities need to build reserve buffers to at least five months, including through donor support. Given continued external volatility, the authorities' commitment to quarterly reviews of the weights applied to the basket peg will help ensure stability of the exchange rate system, serving as an appropriate nominal anchor given the weak monetary policy transmission.

The Samoa National Provident Fund has contributed to creation of money, with sizable dividend payouts as part of economic stimulus, benefiting the account holders in the formal sector.

Money Growth, 2014-2020
(Percent; y/y; three-month moving average)



Broad Money Growth: Contributions 1/
(Percent; y/y; three-month moving average)



Sources: Authorities' data; and IMF staff calculations.
1/ Contributions by narrow money (NM) and quasi money (QM) growth.

Authorities' Views

23. **The authorities consider its current accommodative monetary policy stance appropriate, but credit intermediation remains constrained by weak monetary transmission, amid elevated credit risks.** The authorities welcomed the initiative taken by the commercial banks to implement a cap on deposit interest rates at 3 percent. It is intended to reduce the cost of capital at the banks, and aimed to lower lending rates to alleviate financial pressures of their clients. The authorities have in recent times seen gradual declines in lending rates, and further commit to the close monitoring of market developments, as appropriate.

24. **The authorities confirmed that the currency basket regime has been working well, and external stability has been maintained.** The authorities review the currency basket weights on a quarterly basis to ensure that the current exchange rate regime works well. They asserted that there are no plans to make any changes to the exchange rate policy. The authorities noted that foreign reserves are currently at comfortable levels, and indicated that the timely IMF disbursement under the RCF alleviated the country's concern of a possible balance-of-payment financing crisis in the short term, and had also positively signaled to Samoa's development partners urgent need for financial assistance. The authorities are mindful of Samoa's vulnerability to external shocks, including natural disasters. They agreed to closely monitor reserves movement, and concurred with staff's assessment that a higher reserves coverage is warranted for the periods ahead.

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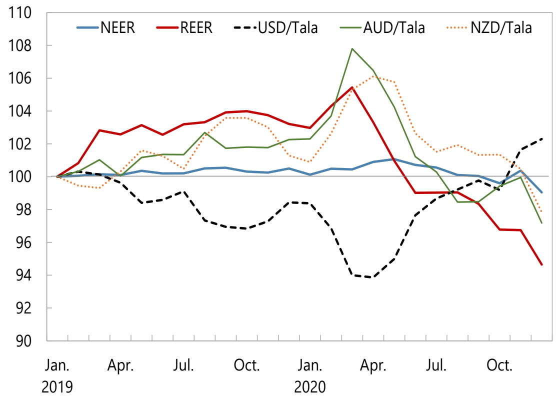
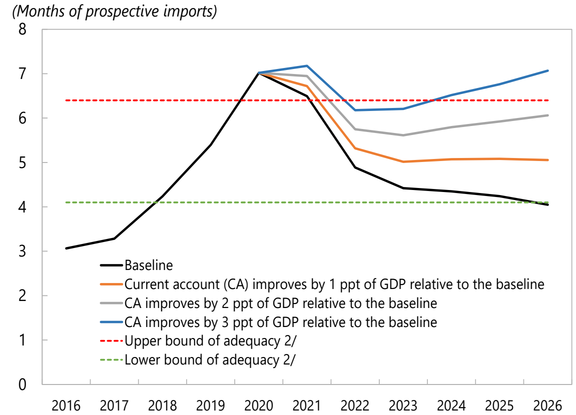
NEER remains stable despite fluctuations in the U.S. dollar (a dominant currency), but additional foreign exchange reserves are needed to cushion external shocks.

Exchange Rates, January 2019–2020 1/
(Index; January 2019=100)



Reserves: Options for Additional Buffer, FY2016-26
(Months of prospective imports)



Sources: Authorities' data; IMF, International Financial Statistics; and IMF staff calculations.
1/ The Australian dollar (AUD) and the New Zealand dollar (NZD) depreciated against the U.S. dollar (USD) in March 2020 by 6¾ and 5½ percent, respectively, from the month before.
2/ The range (4.1-6.4) is derived from the ARA metric for credit-constrained economies, and assumes a higher probability of a large shock event (70 percent) compared to the sample average (50 percent).

C. Reinforcing Financial Stability with Reforms

25. Commercial banks hold capital well in excess of minimum requirements but need to maintain sound liquidity positions (Table 5). Financial soundness indicators through 2020:Q3 show that the banking sector remains resilient. The loan-to-deposit ratio continued to fall with slowdowns in credit growth. While the NPL ratio declined overall, concerns of deteriorating loan quality prompted the banks appropriately to set aside additional provisions. Separately, the concentration of banks' exposure to the commercial real estate sector has increased recently against limited supplies of available customary land for commercial use. Declines in profitability during 2019:Q4 and 2020:Q3 are consistent with the fallout from the shocks. However, the experience among the banks varied, according to their profit base and exposure to the tourism sector. Careful monitoring and assessment of cash flow, liquidity positions, and balance sheets at the individual bank level are needed to maintain financial stability.

26. The authorities need to improve performance and governance of PFIs, and minimize their fiscal risks.[3] Subsidized lending schemes with government guarantees need to be well formulated and targeted with a commercial focus, and evaluated based on a sound guiding principle to contain potential fiscal risks of contingent liabilities. The role and governance of the PFIs should be reformed with an aim to achieve the specific socio-economic objectives they have been set up for, which will prevent crowding-out of commercial bank activities, reduce market distortions,

[3] Based on the management letter (signed on November 4), the Central Bank of Samoa did not extend any additional loans to SOEs (including PFIs) under Credit Loan Facilities during FY2019/20, complying with the Letter of Intent (IMF Country Report No. 20/138).

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and create a level playing field for all financial institutions.[4] To ensure debt sustainability, the policy can aim to improve the balance sheet of the Development Bank of Samoa (DBS), catering important services to the development of MSMEs for inclusive growth. Recent efforts by the DBS to write-off existing NPLs are a step in the right direction, and need to continue for reducing fiscal risks. Improving accounting and disclosure practices is also needed to enhance transparency and governance.

27. Financial sector policies should continue to focus on the 2015 Financial Sector Assessment Program (FSAP) recommendations (Annex V), particularly:

- Modernizing the regulatory and supervisory framework, and making the high-level committee on financial stability operational.
- Bringing non-bank financial institutions under the CBS oversight in a measured way to avoid overstretching its supervisory capacity, and eliminate any regulatory gaps.
- Enhancing crisis preparedness and building capacity to analyze systemic risks, including stress testing and macro-financial mapping.

Authorities' Views

28. The authorities view that Samoa's financial system is sound, stable, and robust, and expressed their continued commitment to implementing the 2015 FSAP recommendations. Prudential data on the banking system underpins its overall soundness. The authorities have made continuing efforts to upgrade prudential regulations and the supervisory framework. They are drafting legislations to enforce the effective CBS oversight of financial institutions, such as credit unions, microfinance institutions, and money lenders. They concurred with staff's recommendations to take a judicious approach to bring them under CBS supervision to avoid overstretching its supervisory capacity. The authorities emphasized the needs for reforms in other areas, including establishment of credit bureau and the national digital ID system and promotion of financial inclusion with the use of fintech solutions. The authorities envisage that these efforts will improve monetary transmission, promote MSMEs, and facilitate inclusive growth, while maintaining stability.

D. Mapping Structural Reforms with SDGs to Limit Scarring

29. Structural issues predating the pandemic require urgent attention, and sectoral strategies need to be realigned to the post pandemic (Annex VI). COVID-related job losses are concentrated in the tourism and supporting sectors. Some Samoans under seasonal employment programs (SEPs) abroad have returned home. Job creation and mobilization must be addressed to reduce high unemployment, underemployment, and those who are "not in education, employment or training (NEET)" among the youth. Multifaceted structural reforms—well-aligned with key outcomes expected in each sector to achieve SDGs (**Text Table 2**)—will help limit scarring and

[4] A potential conflict of interest exists since the NPF Board of Directors is chaired by the CEO of Ministry of Finance.

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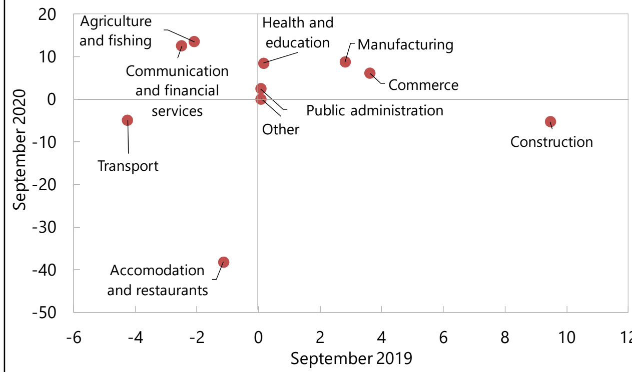
fortify the recovery. Formulating reform priorities and sequencing, with particular attention to the tourism sector, is indispensable to fully execute the strategies. Focuses are:

- *Promoting agriculture, fishery, and MSMEs* remains a priority for inclusive growth as the sectors constitute a significant proportion of employment in both formal and informal sectors, with a high participation of women in MSMEs. Improving credit access and facilitating insurance provision to promote these sectors will lead to job creation.

Samoa: Employment by sector
(Percent change over the same period in the previous year)



Sources: Samoa Bureau of Statistics; and IMF staff calculations.

- *Boosting human capital* by strengthening the health system, ensuring food security, improving access to and the quality of education with use of ICT technology, and linking education and training to match closely the skills needed for jobs.

- *Upskilling and reskilling of the labor force* to facilitate job creation/mobility and promote economic diversification, with attention to non-tourism sectors. Facilitating skill/knowledge transfers by returned Samoans under the SEPs, and establishing apprentice programs can help reduce skills mismatch and nurture industries. Training programs are needed for the tourism sector to support the sector's resumption.

- *Upgrading the business environment* for export growth to take advantage of the PACER-Plus which came into effect in December 2020. Establishing the PACER Plus Implementation Unit within the Ministry of Foreign Affairs and Trade in 2021 is welcome to actively engage with the private sector for disseminating information, and address key challenges of meeting regulations and standards under the agreement. Reviewing the existing tax regime for businesses, improving trade facilitation to reduce the cost by expediting customs clearance with effective use of Samoa Trade Information Portal, and promoting export diversification with support from foreign direct investment remain imperative.

- *Upgrading and maintaining physical infrastructures* to make them fully resilient to natural disasters for lasting serviceability, while mainstreaming climate resilience into all sector plans for a coherent adaptation strategy and improving climate-responsive PFM.[5]

Authorities' Views

30. Income losses due to prolonged effects of the pandemic are of emerging concerns, and the authorities stress building statistical capacity to guide their policy making. The

[5] Samoa is the first country to pilot-test the PEFA Climate module to assess its PFM to support mitigation and adaptation activities.

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economic fallout of the pandemic created hardships for many, with a high proportion of the most vulnerable people falling into poverty. The authorities shared challenges of implementing national strategies to address SDGs, and making an assessment of their progress in identified areas of concern, with paucity of quality data and timely information. They stressed the importance of addressing income and gender inequality to enhancing quality of life for all.

Text Table 2. Mapping Structural Reforms with SDGs

Structural Reforms (Examples)	Priority Areas	Key Outcomes Expected by the Samoan authorities	Corresponding SDGs
1. Boosting human capital of Samoans, particularly the youth, by improving health and the quality of education. This entails safeguarding health capital of the Samoans, ensuring food security, promoting nutritious diet, improving access to and quality of education with use of ICT technology, and linking education to match the skills needed for jobs **(SDGs: 1, 2, 3, 4, 6, 7, 10, 11)**	A. Economic	1. Macroeconomic resilience increased and sustained.	1. No Poverty
		2. Agriculture and fisheries productivity increased.	2. Zero Hunger
		3. Exports products increased	8. Decent Work & Economic Growth
		4. Tourism development and performance improved.	9. Industry, Innovation, and Infrastructure
2. Upskilling and reskilling of the labor force to facilitate resource reallocation and promote diversification of economic growth, with particular attention to non-tourism sectors for jobs **(SDGs: 1, 2, 5, 8)**			12. Responsible Consumption and Production
		5. Participation of private sector in development enhanced	17. Partnership for the Goals
3. Building transparent and business friendly platforms for investment, including both domestic and foreign origins, that would complement existing businesses and nurture seeds of new opportunities for future growth **(SDGs: 9, 11, 12, 16)**	B. Social	6. A healthy Samoa and well-being promoted	3. Good Health and Well-being
			4. Quality Education
4. Implementing financial sector reforms to create a vibrant business environment for MSMEs with financial inclusion. This entails establishment of a national credit bureau, modernization of insolvency regime to minimize the time and cost to resolve insolvency, and regulatory reforms to bring non-bank financial institutions under the CBS oversight **(SDGs: 1, 2, 8, 10)**		7. Quality education and training improved	5. Gender Equality
			10. Reduced Inequalities
		8. Social institutions strengthened	16. Peace, Justice, and Strong Institutions
5. Leveraging PACER-Plus (coming into force in mid-December) to promote exports and safeguard remittances, with concurrent efforts to improve trade facilitation for gaining external competitiveness and carefully assessing its impacts **(SDGs: 5, 8, 10, 12)**	C. Infrastructure	9. Access to clean water and sanitation sustained	6. Clean Water and Sanitation
		10. Transport systems and networks improved	7. Affordable and clean energy
		11. Improved and affordable country wide ICT connectivity	9. Industry, Innovation, and Infrastructure
6. Building climate resilient PFM and economic structure, by enhancing the National Disaster Management Plan and the Climate Change Policy **(SDGs: 6, 7, 11, 13, 14, 15, 17,)**		12. Quality energy supply	11. Sustainable Cities and Communities
7. Establishing the digital national ID system, which helps target social protection programs and safety nets. **(SDGs: 1, 5, 10)**	D. Environment	13. Environmental resilience improved	13. Climate Action
			14. Life Below Water
8. Strengthening capacity with support by the international community, **(SDGs: 17)**		14. Climate and disaster resilience	15. Life on Land

Sources: Strategy for the Sustainable Development for Samoa; and IMF staff.

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31. The authorities concurred with staff's recommendations to advance structural reforms for creating jobs and achieving higher, more-inclusive growth. The authorities stressed on the importance of promoting agriculture, fishery, and MSMEs for job creation, and agreed that boosting human capital leads to more opportunities for employment and helps increase female and youth labor force participation. They are prioritizing the country's trade-related needs through stakeholder consultations to take advantage of the PACER-Plus and committed to implementing trade promotion strategies. Enhancing climate change resilience, including upgrading physical infrastructure and integrating climate resilience into all sector plans, remains crucial for the private sector.

MITIGATE CBR PRESSURES TO SAFEGUARD STABILITY

32. CBR pressures which need to be mitigated with ongoing reforms towards enhanced AML/CFT effectiveness, remain a concern. Consultants have been engaged by the CBS to take stock of the country's implementation of the Asia Pacific Group's recommendations in the 2015 Mutual Evaluation Report and update its national risk assessment. Enhancing risk-based supervision should contribute to upgrading AML/CFT compliance by higher risk institutions, namely banks, money transfer operators (MTOs), and trust and company service providers (TCSPs). Development of a national digital identification system should facilitate customer identification by MTOs, especially for citizens receiving remittances. Given the reputational risks to CBRs and industry's general reliance on third-party intermediaries, ensuring that TCSPs are verifying the accuracy of beneficial ownership information and that authorities are facilitating international exchange of such information will contribute to enhancing transparency of international business companies. The authorities are engaging other Pacific Island Countries and international partners in developing regional solutions to address CBR pressures, including a regional digital Know-Your-Customer facility. AML/CFT capacity development support to the region (including Samoa) by IMF staff is being initiated to assist in mitigating CBR pressures.

33. The CBS needs to address pockets of vulnerability emanating from termination of CBRs. Two domestic banks have received notice of termination of their U.S. dollar CBRs with a correspondent bank in Australia by end-March 2021, although the Australian dollar CBR will be maintained by the correspondent bank. The CBS is monitoring progress of how the affected banks are identifying alternatives, as well as analyzing impacts on trade, financial, and remittance flows. Making U.S. dollar liquidity readily available to support their cash flow needs in the near term and ensuring banks to avoid foreign exchange mismatches will help safeguard financial stability.

34. The authorities need to continue their engagement with the European Union (EU) with regard to the EU list of non-cooperative tax jurisdictions. Adopting international standards and best practices as needed is important to make swift progress with ongoing tax governance efforts, with a view to being removed from the EU list in 2021. This requires coordination across agencies, including *inter alia* the Ministry of Customs and Revenue and the Samoa International Financial Authority (SIFA). The activities of offshore financial center in Samoa currently brings about 1 percent of GDP, including through business management services to international business companies

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catered by the TCSPs and licensed by the SIFA. Parliament passed several legislative amendments in 2019 to strengthen SIFA's regulatory and supervisory roles (**Information Annex**).

Authorities' Views

35. The authorities are committed to enhancing AML/CFT supervision to ensure the compliance of commercial banks, MTOs, and TCSPs. The authorities conduct thorough due diligence and vigorous assessment of suspicious transactions reports. In addition, they take coordinated and organized processes from the financial institutions to the Financial Intelligence Unit (FIU) of the CBS, and to the prosecution and investigation phase. Supported by the ADB, the authorities are ready to make further progress on the KYC utility project to improve CBRs. They will continue to work with the local commercial banks to look for solutions and strategies to cope with the U.S. dollar nostro account closures in Australia. The authorities are also committed to engaging with the EU to be delisted from its list.

FACILITATE EVIDENCED-BASED POLICY MAKING WITH CAPACITY DEVELOPMENT

36. With the view to integrating Capacity Development (CD) and surveillance (Table 7), several technical assistance teams joined the 2021 Article IV consultation. They covered issues concerning CBR pressures, legal issues concerning international taxation, and statistics. The authorities maintain a high level of engagement with the IMF, and have been making further improvements in all areas (**Information Annex**), including external sector statistics, led by the IMF Capacity Development Office in Thailand (CDOT), as well as in government financial statistics, led by headquarters (HQs) and the Pacific Financial Technical Assistance Centre (PFTAC).

37. Further strengthening statistical capacity and interagency collaboration is indispensable to facilitate evidence-based policy making. The COVID-19 crisis has increased the need for granular, relevant, reliable, and timely data. International organizations have helped the authorities gather necessary information and analyze the pandemic's impacts on households and businesses. The authorities need to further strengthen their own statistical capacity, supported by the legal framework, which will promote sound policy management to foster an inclusive, durable economic recovery and address SDGs.

Authorities' Views

38. The authorities expressed their appreciation for the support received from PFTAC, CDOT, and IMF HQs, and their continued interest in undertaking a Climate Change Policy Assessment (CCPA). The authorities reiterated their commitment to push ahead with reforms supported by capacity building, especially on PFM reforms, tax policy and administration, strengthening financial sector supervision and risk management, mitigating CBR pressures, and statistics. They agreed on the needs for granular and timely statistics and enhancing interagency collaboration for information sharing to support evidence-based policy making.

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STAFF APPRAISAL

39. The Samoan economy is projected to bottom in FY2021, with an economic recovery to follow. The border closure and restrictions under the State of Emergency protected citizens from a domestic outbreak of the pandemic. However, the economy experienced a deep contraction. Bold and swift actions by the government, support from the international community, and resilient remittances helped moderate the impacts of the crisis. Strong commitment by the government to stimulate the economy will help steer a gradual economic recovery.

40. The recovery may face a bumpy road ahead with unprecedented uncertainty, and risks to the outlook remain tilted to the downside. The recovery critically depends on the execution of economic stimulus measures, procurement and rollout of vaccines, and resumption of private sector activities. Premature opening of the border poses a threat of a domestic outbreak of COVID-19. AML/CFT shortcomings and high vulnerability to natural disasters continue to threaten the economy.

41. Fiscal policy needs to remain sufficiently accommodative in the near term, with strong commitment to medium-term consolidation to ensure debt sustainability. The authorities need to maintain stimulus measures until a sustained economic recovery is attained. Over the medium term, the authorities need to gradually withdraw stimulus, coupled with revenue mobilization, strengthening PFM, and sound governance.

42. Samoa's debt is sustainable, but remains at high risk of distress, when the country's vulnerability to natural disasters is considered. The authorities need to secure adequate financing early on to stimulate the economy and ensure debt sustainability. The annual Unforeseen budget (i.e., reserve fund) provides some financial buffer to the government for self-insurance against losses from natural disasters. Allocating adequate budget to forge climate resilience can provide long-term benefits to the economy.

43. Monetary policy remains appropriately accommodative, and efforts must continue to improve monetary transmission. A deposit rate cap, recently implemented by the commercial banks, should be time-bound, and complemented by SOE/PFI reforms to improve monetary transmission. The CBS, the banks, and other stakeholders would need to work together to address bottlenecks to credit intermediation, including through implementation of financial inclusion and PFI reforms.

44. Samoa's external position is assessed to be moderately stronger than fundamentals and desirable policy settings. The assessment reflected the impacts of the domestic measles outbreak and the global COVID-19 pandemic, which created substantial import compression. Resilient remittance inflows and sizeable foreign grants also contributed. The CBS accumulated adequate foreign exchange reserves during the period, according to the ARA metric for credit-constrained economies. However, the underlying economic recovery is projected to stimulate import demand, deteriorate the current account balance, and lower the reserves over the medium-term. When Samoa's vulnerability to natural disasters is considered, the authorities need to

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build reserve buffers to at least 5 months of prospective imports. Given weak monetary policy transmission, Samoa's pegged exchange rate system provides a welcome nominal anchor.

45. Strengthening the effectiveness of the AML/CFT framework is needed to safeguard remittances and financial stability. The authorities should continue strengthening risk-based AML/CFT supervision and enhancing compliance with customer due diligence and suspicious transaction reporting obligations by banks and MTOs. Implementing a national digital identity should facilitate customer identification, and contribute to addressing money laundering and corruption risks. Mitigating the risks of TCSP's reliance on third party intermediaries for customer due diligence and securing resources for the effective operation of the FIU are paramount to enhancing AML/CFT effectiveness. Continued international engagement is needed to address AML/CFT shortcomings, as well as concerns raised by the EU on Samoa as a non-cooperative tax jurisdiction.

46. Financial sector policies need to focus on reinforcing financial stability, with continued efforts to implement the 2015 FSAP recommendations. Overall financial stability remains sound. However, effects of the pandemic on the financial institutions vary, depending on the profit and customer bases. The authorities need to monitor financial institutions, ensure their compliance with prudential regulations, and be ready to take actions as needed. The appropriate pace and sequence of reforms must be well formulated to bring non-bank financial institutions under the CBS oversight, and avoid overstretching its supervisory capacity. The policy should also focus on improving the balance sheet of the DBS, while implementing the National Financial Inclusion Strategy to reduce inequality.

47. Structural reforms should support SDGs to limit scarring. Promoting agriculture, fishery, and MSMEs for economic diversification should lead to job creation. Upskilling and reskilling of the labor force, and boosting human capital can reduce skill mismatch and help increase female and youth labor force participation. Realizing the potential benefits of PACER-Plus can provide additional support to the economic recovery. Enhancing climate resilience, including by upgrading physical infrastructure and mainstreaming climate resilience into all sector plans, remains crucial.

48. Strengthening capacity will facilitate evidenced-based policy making and its implementation. Priority should be given to reforms to improve tax administration and PFM systems, strengthen banking sector supervision, and mitigate CBR pressures. Enhancing statistical capacity will support evidence-based policy making. The IMF stands ready to support the government's reform efforts through capacity development to help turn adversity into opportunity.

49. It is recommended that the next Article IV consultation with Samoa take place on the standard 12-month cycle.

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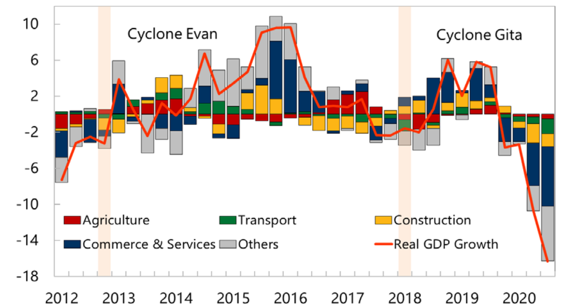
Figure 1. Samoa: Real Sector Developments

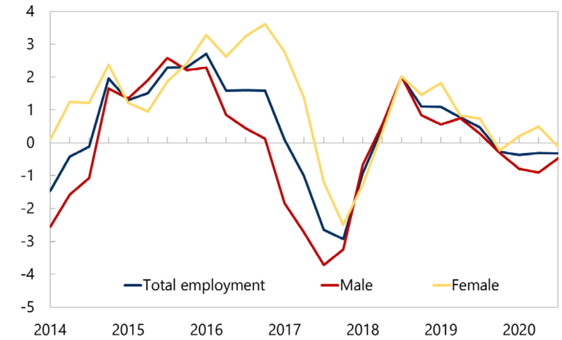
Growth across all sectors deteriorated due to the adverse impact of the COVID-19 pandemic...

Real GDP Growth by Sector
(In percentage change)



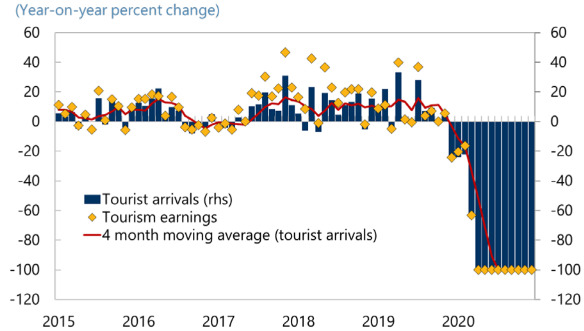
... and employment declined, reflecting weak economic activities.

Employment Growth
(In percent, year-on-year change)



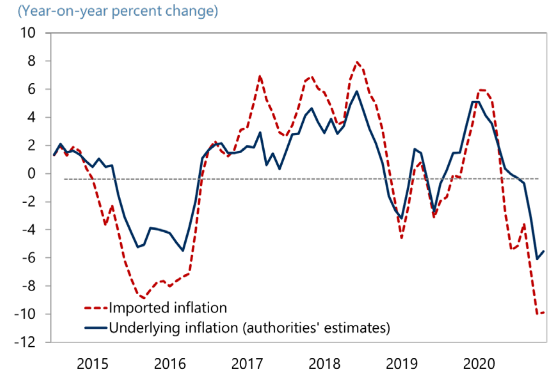
Tourism earnings remained severely depressed with the prolonged border closure.

Tourism
(Year-on-year percent change)



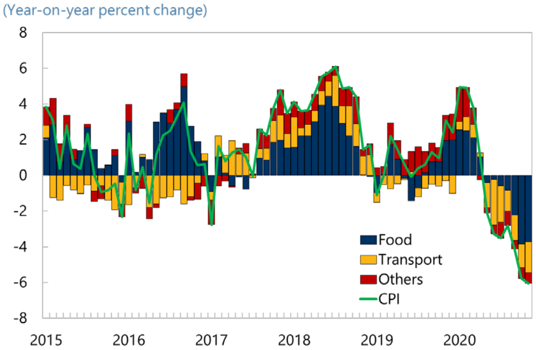
Inflation in FY2020 remained subdued at 1.5 percent, and prices continued to decline during the second half of 2020.

Inflation indicators
(Year-on-year percent change)



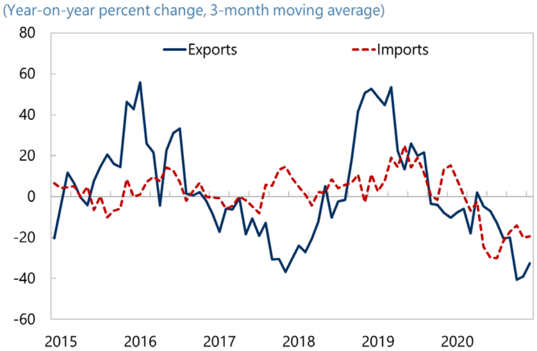
Recent disinflation was mainly driven by declines in food and fuel prices, and the cost of transportation.

Contribution to Inflation
(Year-on-year percent change)



Both export and import declined due to weak global and domestic demand in the aftermath of COVID-19.

Exports and Imports Growth
(Year-on-year percent change, 3-month moving average)



Sources: Country authorities; and IMF staff calculations.

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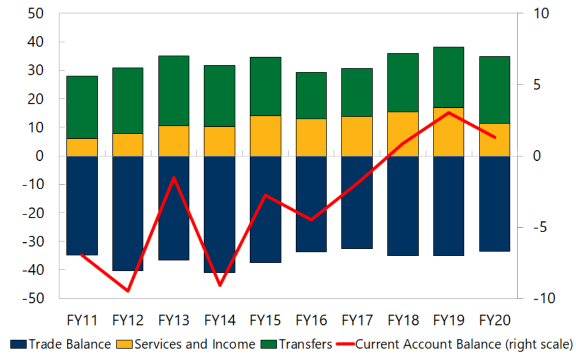
Figure 2. Samoa: External Sector Developments

The current account surplus in FY2020 was driven by import compression, remittances, and foreign grants…

Current Account Balance

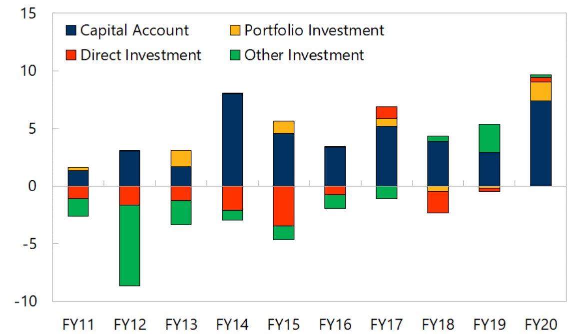
(In percent of GDP)



… and the strong capital account surplus was driven by official transfers.

Capital and Financial Accounts

(In percent of GDP)

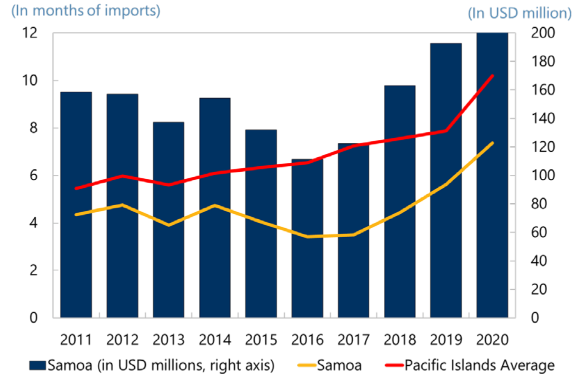


Note: Presentation in line with BPM6.

Samoa's reserves coverage continues to expand, but is still below the PIC average.

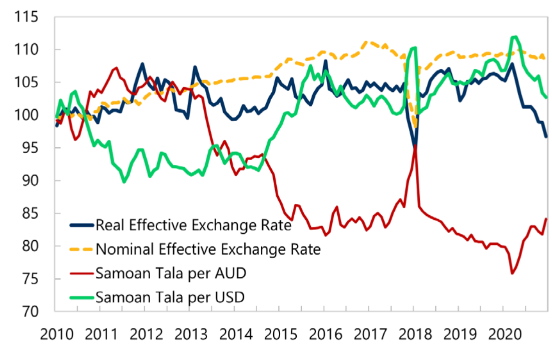
Reserves

(In months of imports) (In USD million)



While the NEER remained broadly unchanged, the REER started depreciating due to sizable disinflation in Samoa.

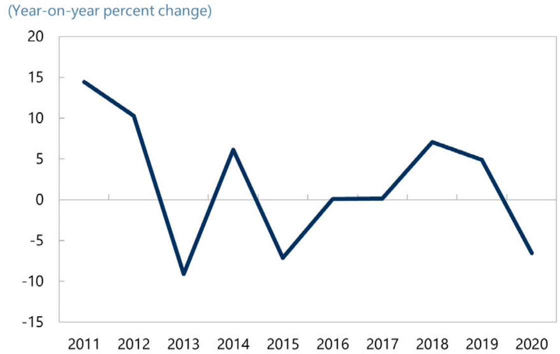
Exchange Rates (2010=100)



Economic contraction, including under-execution of capital expenditure, led to a sharp decline in imports.

Import Growth (Goods and Services)

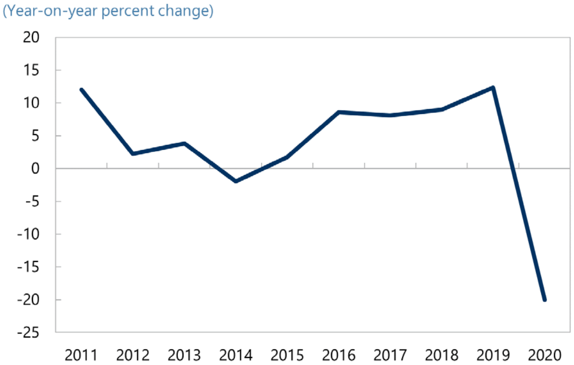
(Year-on-year percent change)



Likewise, the global economic downturn led to a rapid deterioration in exports.

Export Growth (Goods and Services)

(Year-on-year percent change)



Sources: Country authorities; and IMF staff calculations.

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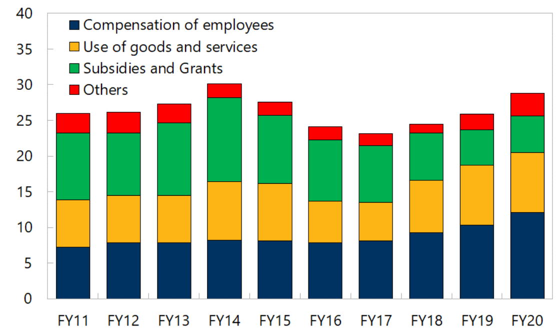
Figure 3. Samoa: Fiscal Sector Developments

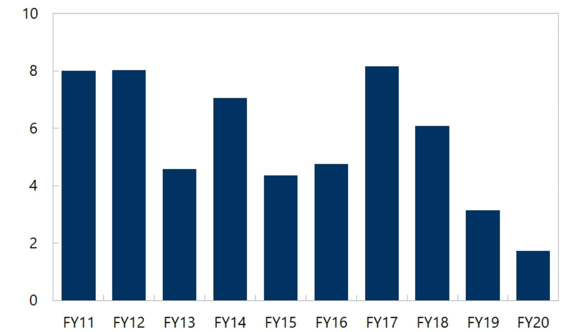
Operational expense picked up further in FY2019, driven by a higher wage bill…

Current Spending
(in percent of GDP)



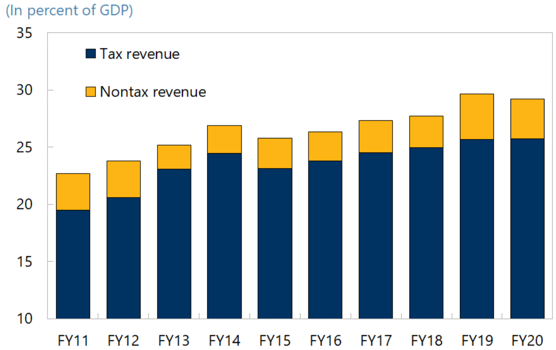
…while capital expenditure fell to a historical low.

Net Acquisition of Non-financial Asset
(In percent of GDP)



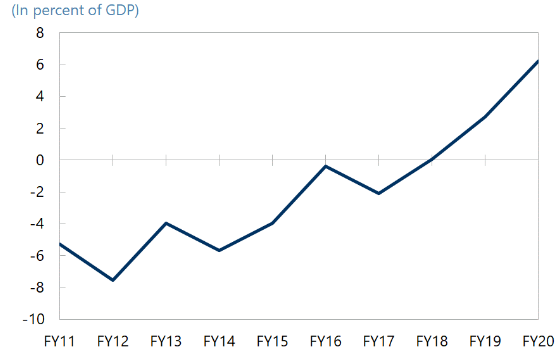
Revenue performance proved resilient, supported by favorable grant and tax receipts despite the pandemic …

Revenues (excluding grants)
(In percent of GDP)



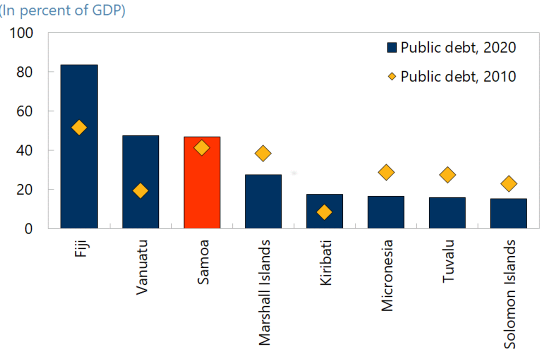
…and in addition, the sizable under-execution of CAPEX contributed to a large fiscal surplus.

Overall Balance
(In percent of GDP)



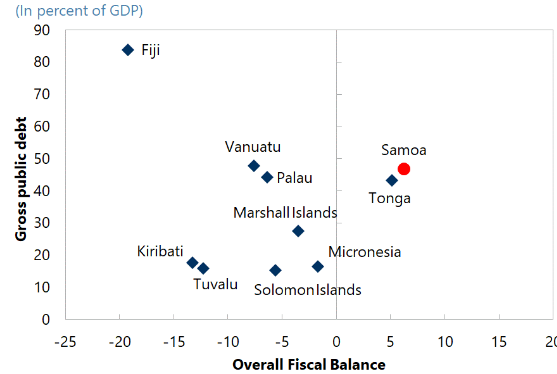
Samoa's public debt, however, remains high by regional standards…

Gross Public Debt, 2020
(In percent of GDP)



… and fiscal space is limited, compared to other PICs.

Fiscal Space, 2020
(In percent of GDP)



Sources: Country authorities; and IMF staff calculations.

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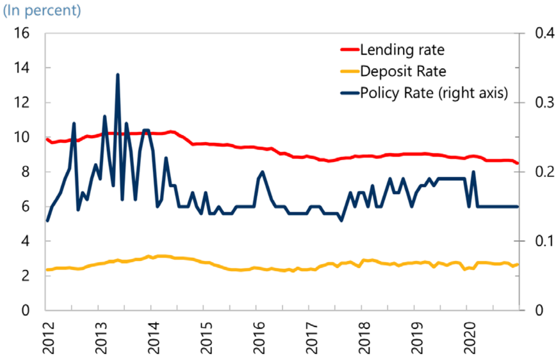
Figure 4. Samoa: Monetary and Financial Sector Developments

The policy rate has remained accommodative, and the lending rate has marginally declined since March 2020…

Policy Rate
(In percent)



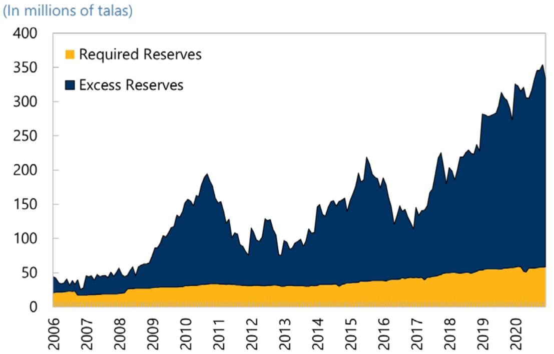
… but inflation-adjusted deposit rates in Samoa increased and remain high, compared to its peers.

Real Deposit Rates
(In percent)

Sources: IFS database; and IMF staff calculations.

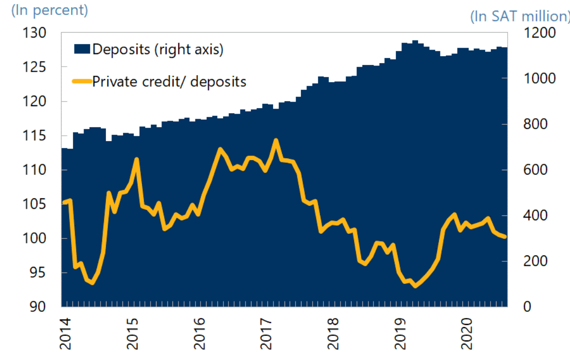
Excess reserves remain ample, and continue to grow…

Liquidity
(In millions of talas)



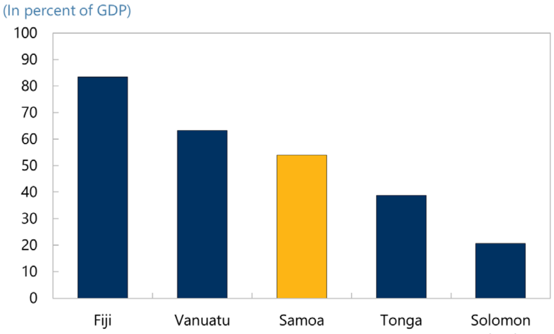
… while deposits reached a plateau, and the private credit-to-deposit ratio declined with weak credit demand.

Underlying Credit to Deposit Ratio
(In percent)



Credit provided by commercial banks is lower than in some of the regional peers…

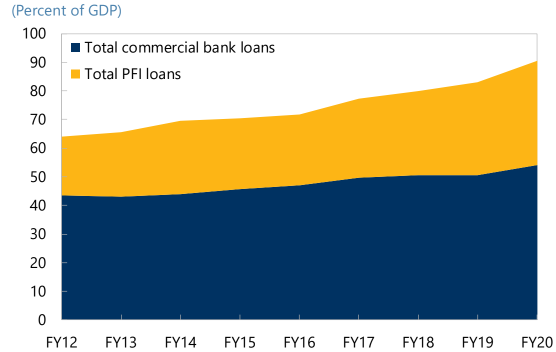
Commercial Bank Credit to the Economy, December 2020
(In percent of GDP)



Note: The latest data available for Solomon Islands is in September 2019 and for Fiji and Vanuatu is November 2020.

… and balance sheets of public financial institutions (PFIs) continue to grow with their credit expansion.

Credit to economy
(Percent of GDP)



Sources: Country authorities; IMF International Financial Statistics database; and IMF staff calculations.

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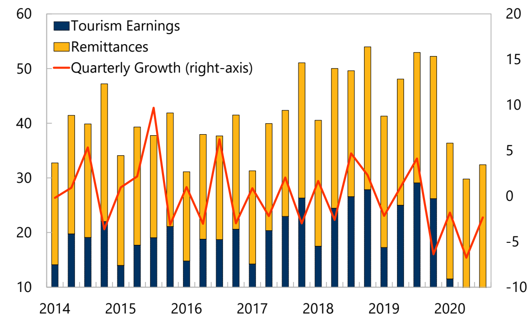
Figure 5. Samoa: The Role of Remittances

Tourism earnings disappeared with the border closure, yet remittances account for 30 percent of GDP…

Tourism and Remittances

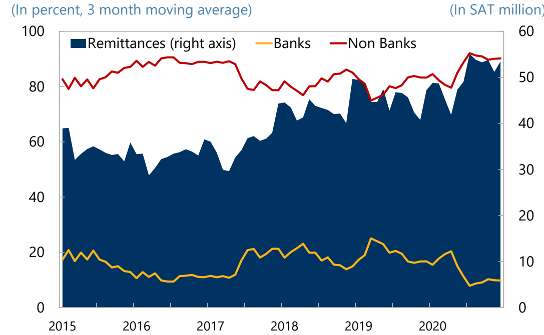
(Percent of GDP)



… and remittances are primarily channeled through non-banks, including money transfer operators.

Samoa: Remittances by Share

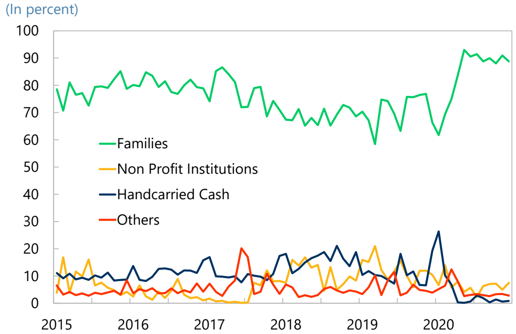
(In percent, 3 month moving average) (In SAT million)



Remittances provide a vital source of income to families …

Samoa: Remittances by Recipients

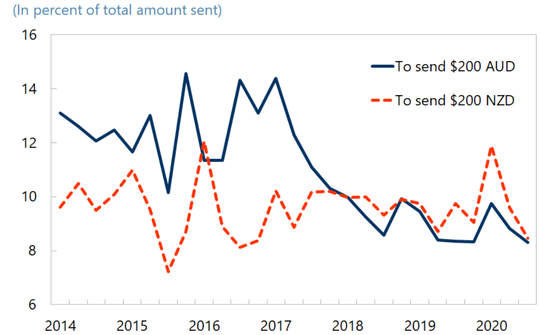
(In percent)



… and the average cost of remittance transfers has been falling but remains above the G20 objective of 5 percent.

Average Cost of Remittance

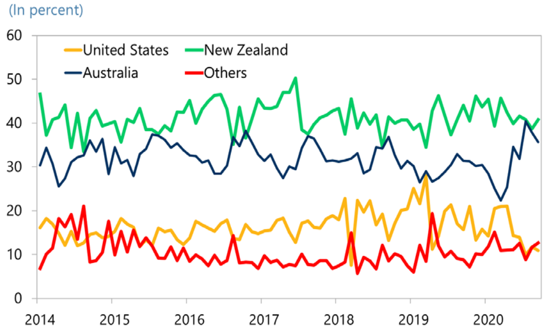
(In percent of total amount sent)



Australia and New Zealand are the two main countries of origin for remittance inflows to Samoa …

Remittances by Country of Origin

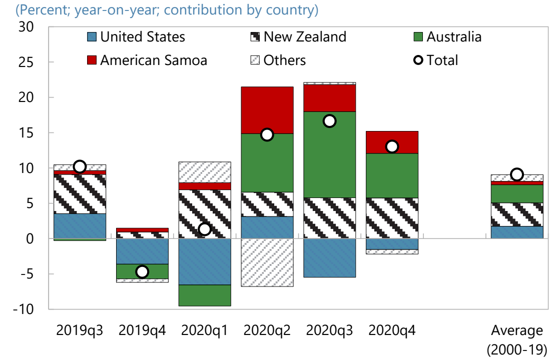
(In percent)



… and remittances from Australia, New Zealand, and American Samoa proved resilient during the pandemic.

Samoa: Remittance Inflows by Source Country

(Percent; year-on-year; contribution by country)



Sources: Country authorities; World Bank, *Remittance Prices Worldwide*; and IMF staff calculations.

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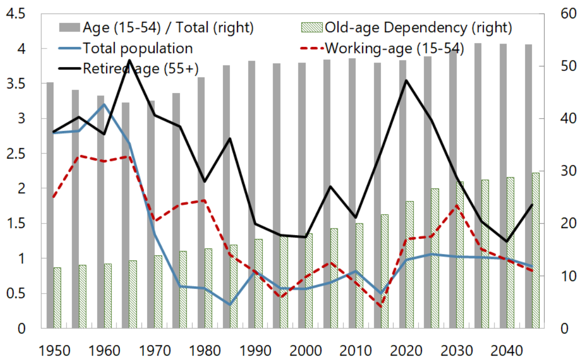
Figure 6. Samoa: Demographics and Labor Markets

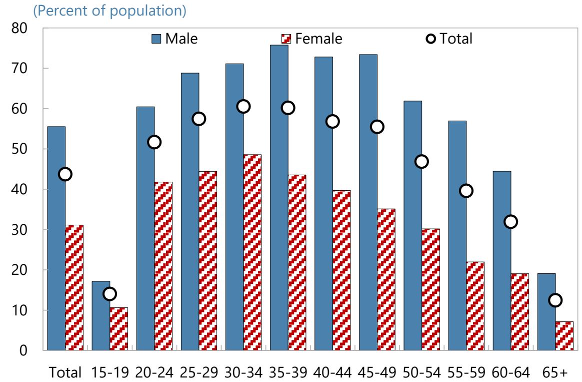
Samoa has a large share of working age population, with rapid increases in the number of retired....

Population Growth and Demographic Changes
(Percent)



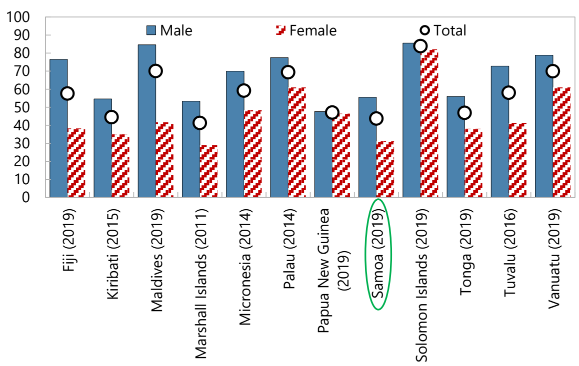
... and female labor force participation lags behind that for male.

Labor Force Participation Rate: Age and Sex, 2019
(Percent of population)



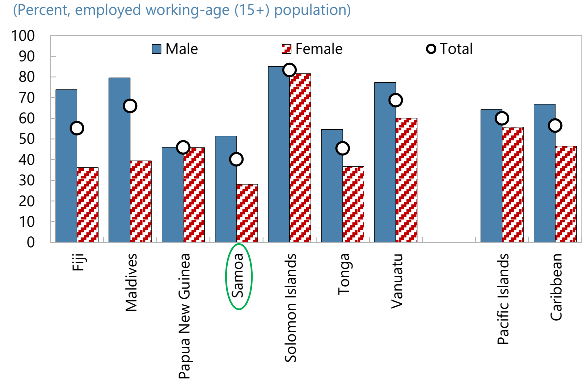
Female labor force participation is particularly low, compared to that in other countries in the region.

Labor Force Participation Rate
(Percent, working-age (15-64) population)



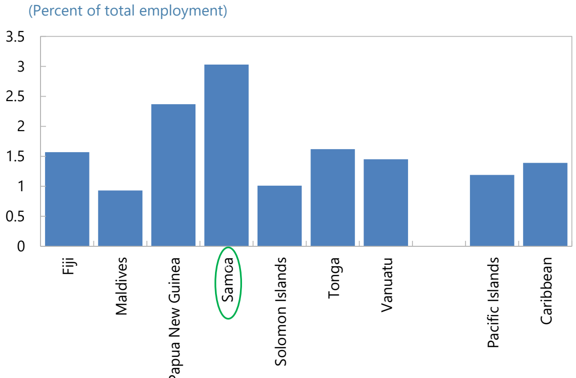
Likewise, the share of people with jobs remains low relative to the size of population.

Employment to Population Rate, 2019
(Percent, employed working-age (15+) population)



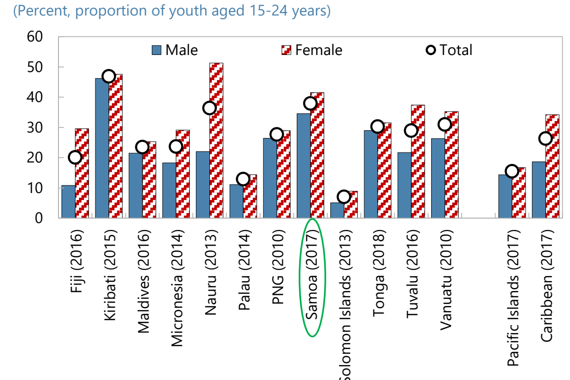
Jobs are particular scarce in Samoa ....

Labor Dependency Ratio, 2019 1/
(Percent of total employment)



... and the economy can take advantage of a high share of young generations in NEET.

Youth: Not in Employment, Education or Training (NEET)
(Percent, proportion of youth aged 15-24 years)



Sources: Country authorities; ILO modelled estimates (Nov. 2020); and UN Population Division, World Population Prospects (2019).

1/ Dependents include persons aged 0 to 14 and persons aged 15 and above that are either outside the labor force or unemployed.

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Table 1. Samoa: Selected Economic and Financial Indicators, 2016/17–2025/26 1/

	2016/17	2017/18	Estimate 2018/19	2019/20	2020/21	2021/22	Projection 2022/23	2023/24	2024/25	2025/26
				(12-month percent change)						
Output and inflation										
Real GDP growth	1.0	-2.1	3.6	-3.2	-7.8	1.7	3.0	3.5	2.5	2.1
Nominal GDP	1.0	-0.1	5.8	-2.8	-10.0	4.4	5.1	5.9	5.2	4.8
Consumer price index (end of period)	1.0	5.8	-0.1	-3.3	3.1	1.9	2.4	2.4	2.6	2.6
Consumer price index (period average)	1.3	3.7	2.2	1.5	-2.5	2.7	2.1	2.4	2.6	2.6
				(In percent of GDP)						
Central government budget										
Revenue and grants	30.7	32.1	35.7	38.5	37.0	32.3	33.9	35.5	35.9	36.0
Of which: grants	3.4	4.4	6.0	9.4	11.2	5.5	5.6	5.6	5.6	5.6
Expenditure	32.8	32.1	32.9	32.3	40.4	39.0	39.1	38.2	38.1	38.0
Of which: Expense	23.2	24.5	25.8	28.8	36.4	32.7	31.7	30.5	30.0	29.7
Of which: Net acquisition of non-financial assets	9.7	7.6	7.1	3.5	4.0	6.3	7.4	7.7	8.1	8.3
Gross operating balance	7.5	7.7	9.8	9.7	0.6	-0.4	2.2	5.0	5.8	6.3
Overall fiscal balance	-2.1	0.1	2.7	6.2	-3.4	-6.7	-5.2	-2.7	-2.2	-2.0
Overall fiscal balance excl. grants	-5.5	-4.3	-3.3	-3.2	-14.6	-12.2	-10.8	-8.3	-7.9	-7.6
				(12-month percent change)						
Macrofinancial variables										
Broad money (M2)	7.8	16.5	9.9	-0.9	1.8	6.7	6.0	5.9	4.9	4.8
Net domestic assets	4.5	-2.8	2.1	-5.5	…	…	…	…	…	…
Private sector credit, Commercial banks	6.9	1.6	6.1	5.8	3.5	5.6	6.0	5.4	5.3	5.2
Total loan growth, Commercial banks	6.6	1.7	5.8	3.9	…	…	…	…	…	…
Total loan growth, Public financial institutions	12.8	6.0	17.2	9.0	…	…	…	…	…	…
				(Ratio)						
Private credit to GDP, Commercial banks	48.2	47.9	48.1	52.4	..	…	…	…	…	…
Private credit to GDP, Public financial institutions	27.6	29.3	32.5	36.4	…	…	…	…	…	…
Total capital to risk-weighted exposures	25.1	27.3	27.5	27.5	…	…	…	…	…	…
Non-performing loans	4.1	4.3	3.9	3.9	…	…	…	…	…	…
				(In millions of U.S. dollars)						
Balance of payments										
Current account balance	-15.9	7.2	25.9	9.3	-49.0	-84.6	-44.7	-25.2	-17.9	-19.1
(In percent of GDP)	-1.9	0.9	3.0	1.2	-6.5	-10.9	-5.5	-2.9	-2.0	-2.0
Merchandise exports, f.o.b. 2/	38.0	36.3	50.0	46.3	41.2	40.1	40.4	41.6	43.1	45.0
Merchandise imports, f.o.b.	308.6	328.9	349.4	316.3	290.3	304.0	316.9	344.7	387.1	425.2
Services (net)	140.6	158.4	179.8	113.9	-26.4	18.2	62.0	107.1	137.7	168.3
Income (net)	-25.9	-29.7	-35.8	-23.5	-17.5	-15.4	-16.5	-17.9	-19.8	-23.3
Current transfers (net)	140.0	171.1	181.3	188.9	244.0	176.5	186.3	188.7	208.3	216.0
External reserves and debt										
Gross official reserves 3/	115.0	155.6	185.3	222.3	214.7	168.7	164.9	179.4	190.1	184.4
(In months of next year's imports of GNFS)	3.3	4.2	5.4	7.0	6.5	4.9	4.4	4.3	4.2	4.0
Public debt (in millions of tala) 4/	1,047.4	1,113.8	1,058.6	1,012.3	956.1	1,102.5	1,215.7	1,278.9	1,335.3	1,389.8
(In percent of GDP)	49.6	52.8	47.4	46.7	49.0	54.1	56.8	56.4	56.0	55.6
External debt (in percent of GDP)	48.2	51.9	46.8	46.3	48.7	53.9	56.6	56.3	55.9	55.6
Exchange rates										
Market rate (tala/U.S. dollar, period average) 5/	2.54	2.52	2.62	2.67	…	…	…	…	…	…
Market rate (tala/U.S. dollar, end period) 5/	2.51	2.60	2.63	2.70	…	…	…	…	…	…
Nominal effective exchange rate (2010 = 100) 5/	110.1	106.3	109.1	109.3	…	…	…	…	…	…
Real effective exchange rate (2010 = 100) 5/	104.3	102.4	105.2	106.3	…	…	…	…	…	…
Memorandum items:										
Nominal GDP (in millions of tala)	2,110	2,108	2,231	2,168	1,952	2,038	2,142	2,268	2,386	2,499
GDP per capita (U.S. dollars)	4,212	4,198	4,238	3,961	3,672	3,764	3,913	4,099	4,261	4,407

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

1/ Fiscal year beginning July.

2/ Include re-export of fuel after 2009/10.

3/ 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.

4/ Includes domestic and external public debt.

5/ IMF, Information Notice System.

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Table 2. Samoa: Balance of Payments, 2016/17 – 2025/26 1/

			Estimates			Projections				
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
					In millions of US Dollars					
Current account balance	-15.9	7.2	25.9	9.3	-49.0	-84.6	-44.7	-25.2	-17.9	-19.1
Trade balance	-270.6	-292.7	-299.4	-270.0	-249.1	-263.9	-276.5	-303.1	-344.1	-380.2
Exports, fob 2/	38.0	36.3	50.0	46.3	41.2	40.1	40.4	41.6	43.1	45.0
Imports, fob	308.6	328.9	349.4	316.3	290.3	304.0	316.9	344.7	387.1	425.2
Services balance, net	140.6	158.4	179.8	113.9	-26.4	18.2	62.0	107.1	137.7	168.3
Services credit	224.5	249.8	271.4	209.8	63.3	111.0	159.3	209.9	245.6	280.8
o/w Tourism earnings	151.3	180.3	201.4	139.1	0.0	47.1	94.1	143.4	177.7	210.0
Services debit	83.8	91.3	91.6	95.9	89.7	92.8	97.3	102.8	107.8	112.5
Primary income, net	-25.9	-29.7	-35.8	-23.5	-17.5	-15.4	-16.5	-17.9	-19.8	-23.3
Secondary income, net	140.0	171.1	181.3	188.9	244.0	176.5	186.3	188.7	208.3	216.0
Official transfers, net	4.3	3.8	5.8	3.0	49.3	10.3	10.5	10.8	10.9	11.4
Private transfers, net	135.7	167.2	175.4	185.9	194.7	166.2	175.8	177.9	197.3	204.6
Credit	154.1	190.1	199.1	206.9	213.6	186.1	196.7	200.5	219.9	228.2
Debit	18.4	22.8	23.7	21.0	18.9	19.9	20.9	22.6	22.5	23.5
Capital account balance	43.2	32.4	24.7	63.9	30.8	31.0	31.8	32.0	32.3	33.7
Official	26.0	28.1	17.2	57.6	22.2	22.4	23.2	23.5	23.7	24.7
Private	17.2	4.3	7.6	6.3	8.6	8.6	8.6	8.6	8.6	9.0
Financial account balance 3/	5.2	-15.6	16.6	22.9	5.5	-8.9	-10.9	-8.3	0.9	15.1
Direct investment, net	8.5	-15.7	-2.6	8.1	-7.3	-1.8	-6.5	-1.2	-4.0	-4.1
Portfolio investment, net	5.6	-3.7	-1.5	13.0	3.3	2.9	7.2	0.3	0.3	0.3
Other investment, net	-9.0	3.9	20.7	1.8	9.5	-10.0	-11.6	-7.4	4.5	19.0
Errors and omissions	-2.3	-25.6	-23.9	-39.9	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-19.9	-29.6	-10.1	-10.4	23.6	44.7	2.0	-15.2	-13.5	0.6
Financing	19.9	29.6	10.1	10.4	-23.6	-44.7	-2.0	15.2	13.5	-0.6
Change in gross official reserves	18.3	27.1	6.8	60.1	-7.5	-46.0	-3.9	14.5	10.7	-5.7
Net use of credit	-1.6	-2.5	-3.3	20.6	-1.7	-1.7	-0.9	-0.1	-2.3	-4.5
o/w: IMF disbursement (+)	0.0	0.0	0.0	22.2	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Repayments to the IMF (-)	-1.6	-2.5	-3.3	-1.6	-1.7	-1.7	-0.9	-0.1	-2.3	-4.5
Exceptional financing, Other Investment, loans	...	...	...	...	17.8	0.4	-1.0	-0.6	-0.6	-0.6
DSSI: Principal on long-term debt rescheduled	...	...	...	...	14.5	0.0	0.0	0.0	0.0	0.0
DSSI: Moratorium interest capitalized	...	...	...	...	3.0	0.0	-0.3	-0.6	-0.6	-0.6
DSSI: Interest on deffered amount capitalized	...	...	...	...	0.3	0.4	-0.7	0.0	0.0	0.0
					In percent of GDP					
Current account balance	-1.9	0.9	3.0	1.2	-6.5	-10.9	-5.5	-2.9	-2.0	-2.0
Trade balance	-32.5	-35.0	-35.1	-33.6	-33.1	-33.9	-33.9	-35.2	-38.1	-40.3
Exports, fob 2/	4.6	4.3	5.9	5.8	5.5	5.2	5.0	4.8	4.8	4.8
Imports, fob	37.1	39.3	41.0	39.4	38.6	39.1	38.9	40.0	42.8	45.1
Services balance, net	16.9	18.9	21.1	14.2	-3.5	2.3	7.6	12.4	15.2	17.8
Services credit	27.0	29.8	31.8	26.1	8.4	14.3	19.5	24.4	27.2	29.8
o/w Tourism earnings	18.2	21.5	23.6	17.3	0.0	6.1	11.5	16.6	19.7	22.3
Services debit	10.1	10.9	10.7	11.9	11.9	11.9	11.9	11.9	11.9	11.9
Primary income, net	-3.1	-3.5	-4.2	-2.9	-2.3	-2.0	-2.0	-2.1	-2.2	-2.5
Secondary income, net	16.8	20.4	21.3	23.5	32.5	22.7	22.8	21.9	23.0	22.9
Official transfers, net	0.5	0.5	0.7	0.4	6.6	1.3	1.3	1.3	1.2	1.2
Private transfers, net	16.3	20.0	20.6	23.1	25.9	21.4	21.6	20.6	21.8	21.7
Credit	18.5	22.7	23.4	25.7	28.4	23.9	24.1	23.3	24.3	24.2
Debit	2.2	2.7	2.8	2.6	2.5	2.6	2.6	2.6	2.5	2.5
Capital account balance	5.2	3.9	2.9	8.0	4.1	4.0	3.9	3.7	3.6	3.6
Official	3.1	3.4	2.0	7.2	3.0	2.9	2.8	2.7	2.6	2.6
Private	2.1	0.5	0.9	0.8	1.1	1.1	1.1	1.0	0.9	0.9
Financial account balance 3/	0.6	-1.9	2.0	2.9	0.7	-1.1	-1.3	-1.0	0.1	1.6
Direct investment, net	1.0	-1.9	-0.3	1.0	-1.0	-0.2	-0.8	-0.1	-0.4	-0.4
Portfolio investment, net	0.7	-0.4	-0.2	1.6	0.4	0.4	0.9	0.0	0.0	0.0
Other investment, net	-1.1	0.5	2.4	0.2	1.3	-1.3	-1.4	-0.9	0.5	2.0
Errors and omissions	-0.3	-3.1	-2.8	-5.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-2.4	-3.5	-1.2	-1.3	3.1	5.7	0.2	-1.8	-1.5	0.1
Financing	2.4	3.5	1.2	1.3	-3.1	-5.7	-0.2	1.8	1.5	-0.1
Change in gross official reserves	2.2	3.2	0.8	7.5	-1.0	-5.9	-0.5	1.7	1.2	-0.6
Net use of credit	-0.2	-0.3	-0.4	2.6	-0.2	-0.2	-0.1	0.0	-0.3	-0.5
o/w: IMF disbursement (+)	0.0	0.0	0.0	2.8	0.0	0.0	0.0	0.0	0.0	0.0
o/w: Repayments to the IMF (-)	-0.2	-0.3	-0.4	-0.2	-0.2	-0.2	-0.1	0.0	-0.3	-0.5
Exceptional financing, Other Investment, loans	...	...	...	...	2.4	0.0	-0.1	-0.1	-0.1	-0.1
Memorandum Items:										
Nominal GDP (in millions of USD)	832.2	836.8	852.3	803.6	751.6	777.3	815.3	861.6	903.6	943.0
Current account balance (in percent of GDP)	-1.9	0.9	3.0	1.2	-6.5	-10.9	-5.5	-2.9	-2.0	-2.0
Gross official reserves (in million of U.S. dollars)	115.0	155.6	185.3	222.3	214.7	168.7	164.9	179.4	190.1	184.4
(In months of prospective imports of GNFS)	3.3	4.2	5.4	7.0	6.5	4.9	4.4	4.3	4.2	4.0
Exports of goods (annual percentage change)	2.9	-4.6	37.9	-7.4	-11.1	-2.6	0.7	3.0	3.5	4.5
Imports of goods (annual percentage change)	0.5	6.6	6.2	-9.5	-8.2	4.7	4.2	8.8	12.3	9.8
Remittances (in percent of GDP) 4/	18.5	22.7	23.4	25.7	28.4	23.9	24.1	23.3	24.3	24.2
Tourism earnings (in percent of GDP)	18.2	21.5	23.6	17.3	0.0	6.1	11.5	16.6	19.7	22.3

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

1/ The presentation follows the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6).

2/ Including re-export of fuel after 2009/10.

3/ Excluding reserve assets.

4/ Including other current transfers.

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Table 3a. Samoa: Summary of Budgetary Central Government Operations, 2018/19–2025/26

	Estimates		Budget 1/	Revised Budget 2/	Staff Projection	Projections				
	2018/19	2019/20		2020/21		2021/22	2022/23	2023/24	2024/25	2025/26
					(In millions of tala)					
Total Revenue	795.7	834.4	762.7	773.5	722.0	658.3	726.1	805.0	856.0	898.9
Revenue (excluding grants)	661.8	631.2	513.1	517.6	503.9	545.8	607.0	676.9	721.4	758.0
Tax revenue	572.6	556.3	407.4	407.4	430.0	466.0	522.5	587.6	627.6	659.9
Taxes on income, profits and capital gains	131.6	122.4	107.1	107.1	109.2	106.4	119.1	128.1	137.0	148.5
Taxes on property	0.8	0.0	0.8	0.8	0.0	0.9	1.0	1.1	1.1	1.2
Taxes on goods and services	376.7	378.5	258.5	258.5	283.0	315.9	354.7	405.7	429.1	449.3
Value added tax	229.4	231.8	135.9	135.9	186.0	174.1	206.5	243.1	258.0	269.8
Excises	132.7	132.5	112.2	112.2	90.4	130.9	135.4	148.7	156.3	163.6
Others	14.6	14.2	10.4	0.0	6.6	10.8	12.8	13.9	14.9	15.9
Taxes on international trade and	63.4	55.4	40.9	40.9	37.8	42.8	47.7	52.7	60.3	60.8
Grants	133.9	203.2	249.6	255.9	218.1	112.5	119.1	128.1	134.6	140.9
Other revenue	89.2	74.9	105.7	110.2	73.9	79.8	84.5	89.2	93.8	98.1
Total Expenditure	735.2	699.9	814.8	846.1	788.7	794.2	837.4	866.0	908.9	948.8
Expense	576.7	623.4	680.3	702.8	709.8	666.1	679.0	691.0	716.6	742.5
Compensation of employees 3/	230.7	261.1	316.4	324.4	266.0	265.1	265.6	279.1	290.7	303.9
Use of goods and services 3/	186.4	182.0	257.4	272.8	226.7	201.0	206.3	211.1	218.9	225.3
Interest	16.6	15.9	14.6	10.7	7.0	15.6	19.5	21.4	22.4	23.3
External	15.1	15.0	...	...	6.4	15.5	19.4	21.3	22.3	23.3
Domestic	1.4	0.9	...	...	0.6	0.1	0.1	0.1	0.0	0.0
Subsidies 4/	4.7	4.8	26.8	26.8	26.8	18.4	17.3	4.6	4.8	5.0
Grants 5/ 3/	106.5	120.4	13.3	17.3	129.0	124.7	127.3	130.3	133.7	137.2
Social benefits 6/	19.9	23.0	39.2	39.2	39.2	24.3	24.8	25.4	26.0	26.7
Other expense 7/	12.0	16.3	12.6	11.7	15.1	17.1	18.1	19.2	20.1	21.1
Transactions in nonfinancial assets	158.4	76.5	134.5	143.3	78.9	128.2	158.5	175.0	192.3	206.3
Gross operating balance	218.9	211.0	82.4	70.7	12.2	-7.8	47.1	114.0	139.4	156.4
Overall balance	60.5	134.5	-52.1	-72.6	-66.7	-136.0	-111.3	-61.0	-52.9	-49.9
Overall balance excluding grants	-73.4	-68.7	-301.7	-328.5	-284.8	-248.5	-230.5	-189.1	-187.6	-190.8
Primary balance	77.1	150.4	-37.5	-62.0	-59.7	-120.4	-91.8	-39.6	-30.6	-26.6
Financing	60.4	134.3	-52.1	-72.6	-66.7	71.1	77.3	77.2	76.3	74.9
Net financial assets	7.3	89.2	-116.7	-116.7	-94.8	0.0	0.0	0.0	0.0	0.0
Domestic currency and deposits	7.3	89.2	-118.1	-118.1	-94.8	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	-53.1	-45.1	-64.7	-44.1	-28.1	-71.1	-77.3	-77.2	-76.3	-74.9
External loans (net)	-43.8	-37.9	-60.5	-39.9	-23.9	-68.3	-76.1	-76.5	-76.3	-74.9
Disbursement	27.2	37.1	...	...	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	71.0	75.0	...	...	23.9	68.3	76.1	76.5	76.3	74.9
Domestic loans (net)	-9.3	-7.1	-4.2	-4.2	-4.2	-2.8	-1.2	-0.7	0.0	0.0
Unidentified financing gap 8/	...		...	...	0.0	207.1	188.6	138.1	129.2	124.9
Statistical discrepancy	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Nominal GDP (in millions of tala)	2,231.2	2,168.0	1,952.1	1,952.1	1,952.1	2,038.4	2,141.6	2,268.0	2,385.9	2,499.5
Total central government debt outstanding	1,058.6	1,012.3	996.0	...	956.1	1,102.5	1,215.7	1,278.9	1,335.3	1,389.8
Domestic debt	14.9	7.8	5.0	...	6.0	4.4	3.3	2.3	1.7	1.2
External debt	1,043.7	1,004.6	991.0	...	950.1	1,098.0	1,212.4	1,276.6	1,333.6	1,388.6
Stock of government deposits (in millions of	212.5	280.0	...	...	185.2	185.2	185.2	185.2	185.2	185.2

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

1/ The FY2021 budget includes phase 2 of the authorities stimulus package in response to COVID-19. Staff projection includes grants of US$20 million from ADB and US$15 million from the World Bank.

2/ Includes supplementary budget 1, which reflects the freeing up of government's cash position due to the Debt Service Suspension Initiative (DSSI).

3/ Starting January 2019, the Ministry of Health finances operations of the National Health Services (previously classified as an extra budgetary unit).

4/ Primarily to subsidize the cost of production for public corporations.

5/ Grants paid to extra budgetary units of the central government.

6/ To meet the direct cost of social assistance related spending that are not covered by a social security fund or provident fund.

7/ Includes current and capital transfers to meet the cost of operation for state owned enterprises, which are not part of subsidies.

8/ Assumed to be externally financed at concessional borrowing terms.

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Table 3b. Samoa: Summary of Budgetary Central Government Operations, 2018/19–2025/26

	Estimates		Budget 1/	Revised	Staff	Projections				
				Budget 2/	Projection					
	2018/19	2019/20		2020/21		2021/22	2022/23	2023/24	2024/25	2025/26
					(In percent of GDP)					
Total Revenue	35.7	38.5	39.1	39.6	37.0	32.3	33.9	35.5	35.9	36.0
Revenue (excluding grants)	29.7	29.1	26.3	26.5	25.8	26.8	28.3	29.8	30.2	30.3
Tax revenue	25.7	25.7	20.9	20.9	22.0	22.9	24.4	25.9	26.3	26.4
Taxes on income, profits and capital gains	5.9	5.6	5.5	5.5	5.6	5.2	5.6	5.6	5.7	5.9
Taxes on property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on goods and services	16.9	17.5	13.2	13.2	14.5	15.5	16.6	17.9	18.0	18.0
Value added tax	10.3	10.7	7.0	7.0	9.5	8.5	9.6	10.7	10.8	10.8
Excises	5.9	6.1	5.7	5.7	4.6	6.4	6.3	6.6	6.5	6.5
Others	0.7	0.7	0.5	0.0	0.3	0.5	0.6	0.6	0.6	0.6
Taxes on international trade and	2.8	2.6	2.1	2.1	1.9	2.1	2.2	2.3	2.5	2.4
Grants	6.0	9.4	12.8	13.1	11.2	5.5	5.6	5.6	5.6	5.6
Other revenue	4.0	3.5	5.4	5.6	3.8	3.9	3.9	3.9	3.9	3.9
Total Expenditure	32.9	32.3	41.7	43.3	40.4	39.0	39.1	38.2	38.1	38.0
Expense	25.8	28.8	34.8	36.0	36.4	32.7	31.7	30.5	30.0	29.7
Compensation of employees 3/	10.3	12.0	16.2	16.6	13.6	13.0	12.4	12.3	12.2	12.2
Use of goods and services 3/	8.4	8.4	13.2	14.0	11.6	9.9	9.6	9.3	9.2	9.0
Interest	0.7	0.7	0.7	0.5	0.4	0.8	0.9	0.9	0.9	0.9
External	0.7	0.7	...	...	0.3	0.8	0.9	0.9	0.9	0.9
Domestic	0.1	0.0	...	...	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies 4/	0.2	0.2	1.4	1.4	1.4	0.9	0.8	0.2	0.2	0.2
Grants 5/ 3/	4.8	5.6	0.7	0.9	6.6	6.1	5.9	5.7	5.6	5.5
Social benefits 6/	0.9	1.1	2.0	2.0	2.0	1.2	1.2	1.1	1.1	1.1
Other expense 7/	0.5	0.7	0.6	0.6	0.8	0.8	0.8	0.8	0.8	0.8
Transactions in nonfinancial assets	7.1	3.5	6.9	7.3	4.0	6.3	7.4	7.7	8.1	8.3
Gross operating balance	9.8	9.7	4.2	3.6	0.6	-0.4	2.2	5.0	5.8	6.3
Overall balance	2.7	6.2	-2.7	-3.7	-3.4	-6.7	-5.2	-2.7	-2.2	-2.0
Overall balance excluding grants	-3.3	-3.2	-15.5	-16.8	-14.6	-12.2	-10.8	-8.3	-7.9	-7.6
Primary balance	3.5	6.9	-1.9	-3.2	-3.1	-5.9	-4.3	-1.7	-1.3	-1.1
Financing	2.7	6.2	-2.7	-3.7	-3.4	3.5	3.6	3.4	3.2	3.0
Net financial assets	0.3	4.1	-6.0	-6.0	-4.9	0.0	0.0	0.0	0.0	0.0
Domestic currency and deposits	0.3	4.1	-6.0	-6.0	-4.9	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	-2.4	-2.1	-3.3	-2.3	-1.4	-3.5	-3.6	-3.4	-3.2	-3.0
External loans	-2.0	-1.8	-3.1	-2.0	-1.2	-3.4	-3.6	-3.4	-3.2	-3.0
Disbursement	1.2	1.7	...	...	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	3.2	3.5	...	...	1.2	3.4	3.6	3.4	3.2	3.0
Domestic loans	-0.4	-0.3	-0.2	-0.2	-0.2	-0.1	-0.1	0.0	0.0	0.0
Unidentified financing gap 8/	...	...	...	...	0.0	10.2	8.8	6.1	5.4	5.0
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Nominal GDP (in millions of tala)	2,231.2	2,168.0	1,952.1	1,952.1	1,952.1	2,038.4	2,141.6	2,268.0	2,385.9	2,499.5
Total central government debt outstanding	47.4	46.7	51.0	...	49.0	54.1	56.8	56.4	56.0	55.6
Domestic debt	0.7	0.4	0.3	...	0.3	0.2	0.2	0.1	0.1	0.0
External debt	46.8	46.3	50.8	...	48.7	53.9	56.6	56.3	55.9	55.6
Stock of government deposits	9.5	12.9	...	...	9.5	9.1	8.6	8.2	7.8	7.4

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

1/ The FY2021 budget includes phase 2 of the authorities stimulus package in response to COVID-19. Staff projection includes grants of US$20 million from ADB and US$15 million from the World Bank.

2/ Includes supplementary budget 1, which reflects the freeing up of government's cash position due to the Debt Service Suspension Initiative (DSSI).

3/ Starting January 2019, the Ministry of Health finances operations of the National Health Services (previously classified as an extra budgetary unit).

4/ Primarily to subsidize the cost of production for public corporations.

5/ Grants paid to extra budgetary units of the central government.

6/ To meet the direct cost of social assistance related spending that are not covered by a social security fund or provident fund.

7/ Includes current and capital transfers to meet the cost of operation for state owned enterprises, which are not part of subsidies.

8/ Assumed to be externally financed at concessional borrowing terms.

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Table 4. Samoa: Monetary Developments, 2014/15 – November 2020

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020 (Nov.)
	(In millions of Tala; end of period)						
Depository Corporations							
Net foreign assets	180	151	199	376	474	503	603
Gross reserves	311	256	290	399	491	594	690
Other foreign assets	149	173	175	125	163	149	159
Foreign liabilities	280	279	266	149	180	240	246
Net domestic assets	659	739	773	751	767	725	689
Net credit to central government	-116	-133	-171	-197	-212	-280	-321
Net credit to public nonfinancial corporations	36	37	15	12	10	9	8
Credit to private sector	827	933	998	1,015	1,077	1,139	1,168
Other items (net)	-89	-98	-69	-78	-107	-143	-166
Broad money	836	895	965	1,124	1,236	1,225	1,292
Narrow money	356	394	406	499	566	517	537
Currency outside banks	49	61	67	75	98	98	108
Transferable deposits	307	333	338	424	469	419	429
Other deposits	480	501	560	625	670	709	755
Central Bank							
Net foreign assets	243	195	236	346	449	496	594
Gross reserves	311	256	290	399	491	594	690
Other foreign assets	12	14	15	15	18	16	15
Foreign liabilities	80	75	69	68	60	113	111
Net domestic assets	19	20	20	-25	-41	-59	-93
Net credit to central government	-88	-103	-125	-142	-151	-191	-221
Net credit to financial corporations	102	130	139	116	114	137	128
Other items (net)	4	-6	6	1	-4	-5	0
Monetary Base	262	216	257	320	408	437	501
Currency in circulation	76	83	90	102	124	132	146
Other liabilities to deposit money banks	186	133	167	219	283	306	355
Other Depository Corporations							
Net foreign assets	-63	-45	-37	30	25	7	9
Foreign assets	137	159	160	111	145	134	144
Foreign liabilities	200	204	197	80	120	127	135
Net domestic assets	853	880	937	1,022	1,118	1,123	1,179
Net credit to central government	-28	-30	-46	-55	-62	-89	-100
Net credit to public nonfinancial corporations	36	37	15	12	10	9	8
Credit to private sector	820	934	1,017	1,010	1,073	1,136	1,164
Net credit to financial corporation	220	135	163	264	334	314	364
Other items (net)	-195	-196	-212	-209	-237	-246	-257
Deposits	787	834	898	1,049	1,139	1,127	1,184
Transferable deposits	307	333	338	424	469	419	429
Other deposits	480	501	560	625	670	709	755
	(In percent, unless otherwise indicated)						
Money velocity 1/	2.3	2.3	2.2	1.9	1.8	1.8	1.5
Money multiplier 2/	3.2	4.1	3.8	3.5	3.0	2.8	2.6
Private credit/GDP 3/	43.3	44.7	47.3	48.1	48.3	52.5	59.8
Private credit/deposits 3/	105.1	112.0	111.1	96.7	94.5	101.0	98.6
Annual broad money growth	0.6	7.1	7.8	16.5	9.9	-0.9	7.1
Annual reserve money growth	18.2	-17.6	18.8	24.9	27.2	7.3	20.4
Annual private credit growth 3/	10.6	12.8	6.9	1.6	6.1	5.8	1.8
Lending rate 4/	9.6	9.0	8.6	9.0	9.0	8.6	8.7
Deposit rate 4/	2.4	2.3	2.7	2.7	2.8	2.7	2.6

Sources: Central Bank of Samoa; and IMF staff estimates and projections.

1/ Ratio of GDP to broad money.

2/ Ratio of broad money to monetary base.

3/ Includes commercial bank credit only.

4/ Weighted average.

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Table 5. Samoa: Financial Soundness Indicators, 2014/15 – September 2020

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Sep. 2020
Capital Adequacy							
Regulatory Capital to Risk-Weighted Assets, Ratio	27.1	24.5	25.1	27.3	27.5	28.7	29.4
Regulatory Tier 1 Capital to Risk-Weighted Assets, Ratio	22.9	19.9	20.4	22.7	22.4	24.5	24.2
Non-performing Loans Net of Provisions to Capital, Ratio	...	9.0	4.5	2.8	2.3	-1.7	-2.2
Capital to Assets, Ratio	15.9	16.2	15.8	16.7	16.3	15.2	15.1
Asset Quality							
Non-performing Loans to Total Gross Loans, Ratio	7.1	5.2	4.1	4.3	3.9	2.9	2.9
Provisions to non-performing loans	50.8	64.4	77.9	85.1	86.9	113.5	118.5
Large Exposures to Capital, Ratio	...	98.2	106.4	68.5	51.6	49.2	55.1
Earnings and Profitability							
Return on Assets, Ratio 1/	1.8	8.5	4.2	3.1	3.9	2.4	2.5
Return on Equity, Ratio 1/	11.0	52.5	25.9	18.9	23.9	14.6	14.9
Liquidity Ratios							
Liquid Assets to Total Assets (Liquid Asset Ratio), Ratio	14.5	8.1	9.7	13.8	16.3	16.4	17.8
Liquid Assets to Short Term Liabilities, Ratio	...	23.3	25.5	30.3	33.4	34.6	38.4
Total loans to total domestic deposits	116.0	130.6	117.9	108.9	100.2	85.6	82.1
Sensitivity to Market Risk							
Net Open Position in Foreign Exchange to Capital, Ratio	12.8	8.1	28.4	25.1	19.4	23.8	6.2
Distribution of Total Loans							
Sectoral Distribution of Total Loans: General Government, Ratio	...	1.5	1.1	0.9	0.5	1.2	0.7
Sectoral Distribution of Total Loans: Nonfinancial Corporations , Ratio	...	62.1	57.2	53.8	54.6	55.9	58.3
Sectoral Distribution of Total Loans: Nonresidents, Ratio	...	0.1	4.3	0.2	0.1	0.0	0.0
Sectoral Distribution of Total Loans: Other Domestic Sectors, Ratio	...	35.3	36.0	41.2	40.9	40.2	39.4
Sectoral Distribution of Total Loans: Other Financial Corporations , Ratio	...	1.1	1.4	4.0	3.9	2.6	1.6
Foreign-Currency-Denominated Loans to Total Loans, Ratio	...	13.2	13.8	4.1	3.6	4.2	4.1
Commercial Real Estate Loans to Total Loans, Ratio	...	42.9	35.5	35.9	33.0	45.0	44.5
Residential Real Estate Loans to Total Loans, Ratio	...	29.3	33.6	37.8	40.3	41.2	41.7
Other Indicators							
Assets to Total Financial System Assets, Ratio	44.8	46.3	55.5	44.9	42.8	42.8	54.6
Assets to Gross Domestic Product (GDP), Ratio	...	43.8	46.8	49.4	48.3	81.6	87.1

Sources: Central Bank of Samoa; Financial Soundness Indicators database; and IMF staff calculations.
1/ Change in methodology in 2015/16.

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Table 6. Samoa: COVID-19 Stimulus Measures and Implementation Status

Stimulus Measures	COVID Phase 1	COVID Phase 2	Implementation Status 1/
	Millions of Tala (SAT)		
Health Sector (percent of total)	**31%**	**4%**	
• Preparedness, prevention, isolation facility, quarantine, medical, testing, tracing, reporting.	20.3		Ongoing
• Frontline workers risk benefits, and construction and upgrade of rural hospitals.		3.5	Pending - preparing cabinet submissions for risk benefits and finalizing the tendering process for hospital upgrade
Education (percent of total)	**0.0%**	**4.4%**	
• Increase in the One Government Grants to schools		3.6	Pending - consultations in progress
Businesses (percent of total)	**33.7%**	**16.3%**	
• Guarantee for small businesses (SAT355K X 3 months)	1.1		Completed
• Expansion of Code 121 to apply duty free to all equipment and inputs required for agriculture and fishery (Revenue foregone)	0.3		Completed
• Interest relief by Development Bank of Samoa (2 months)	1.9		Completed
• Capital injection to Samoa Airways 2/	1.0		Completed
• Rent relief by SEOs	1.5		Completed
• Tourism sector: moratorium on pensions by the Samoa National Provident Fund (6 months)	2.6		Completed
• On-lending (revenues to state foregone - 7 sene)	4.9		Completed
• Daily fixed rate reduction of electricity use by hotels by Electric Power Corporation	0.3		Completed
• Lease suspension	0.4		Completed
• A 20% discount on wharfage fee (3 months)	0.4		Completed
• License refund for Stevedoring (3 months)	0.0		Completed
• Moratorium on insurance premium payments (Tourism: 6 months; Others: 2 months) 2/	1.0		Completed
• Setting up the Commercial Arm of the Scientific Research Organization of Samoa	2.5		Completed
• Registration fees waiver for buses and taxis by the Land Transportation Authority (foregone revenue)	2.1		Completed
• Lower duties for specific food items (foregone revenue)	2.4	1.0	Completed
• Agriculture Stimulus		2.0	Initiated
• Credit facility at the Development Bank of Samoa for specific sectors, focused primarily on COVID-19 recovery		4.0	Pending (submission made to Cabinet)
• Assistance to Talofa Airways		0.2	Completed
• Extension of free rent by Accident Compensation Corporation and Samoa Land Corporation (3 months)		1.2	Completed
• Interest relief (two percent per annum) for household loans with commercial banks (3 months)		3.9	Completed
• Interest relief by South Pacific Business Development		0.1	Completed
• Increase provision for the "Ie Samoa Show" (women's committees of each village to assist their families)		0.4	Completed
• Partial insurance compensation to Samoa primary exporters		0.9	Pending
• Licensing fees for domestic fishing vessels waived for 2020 beginning May 2020		0.0	Initiated

1/ A "Completed" status implies a completion of the given activity, for which the actual amount spent may vary from the budget.
2/ Provided by the Samoa's Accident Compensation Corporation.

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Table 6. Samoa: COVID-19 Stimulus Measures and Implementation Status (concluded)

Stimulus Measures	COVID Phase 1	COVID Phase 2	Implementation Status 1/
	Millions of Tala (SAT)		
Households (percent of total)	**31%**	**75%**	
• Interest relief (two percent per annum) for household loans with commercial banks (3 months)	2.4		Completed
• Utility rate reduction (water and electricity)	2.3	5.4	Completed
• Electricity usage charge reduction for household (Revenue foregone by Electric Power Corporation)	2.4		Completed
• Moratorium on loan repayments by the Samoa Housing Corporation (3 months)	3.1		Completed
• A 50% reduction in loan interest rates (6 months)	1.5		Completed
• Loan repayment refund by the Samoa National Provident Fund	5.5		Completed
• Special pension one-off	3.0	1.1	Completed
• Assistance to households - $50 per person		12.1	Completed
• Unemployment subsidy		2.0	Initiated
• Pension to increase by SAT15 to 160 per month for senior citizens		2.7	Initiated
• Shelter financing assistance for vulnerable families		1.0	Completed
• Short-term paid training for the hospitality sector		1.0	Completed
• Assistance to vulnerable group and community outreach		1.8	Partially completed
• Samoa Housing Corporation assistance (to cover stimulus from Phase 1)		0.3	Completed
• Dividend payouts by the Samoa National Provident Fund		35.0	Completed
Food Security (percent of total)	**1.5%**	**0.0%**	
• Awareness, livestock, crops	1.0		Completed
Multisectoral (percent of total)	**1.5%**	**0.0%**	
• Secure safety of all communities	1.0		Negated due to no need
• Facilitate education through online learning to limit disruptions 2/	0.5		Ongoing
• Ensure business continuity with use of ICT technology.	0.5		Negated due to no need
• Community Outreach 2/	0.5		Ongoing
Total (millions of Tala)	**66.3**	**83.1**	
Total (percent of GDP)	**3.1**	**4.2**	

Sources: Authorities response to the 2021 Article IV questionnaire; Government of Samoa, "COVID19 Response Plan - Phase 1," Progress Report (December 2020); and IMF staff estimates.
1/ A "Completed" status implies a completion of the given activity, for which the actual amount spent may vary from the budget.
2/ Provided by the Samoa's Accident Compensation Corporation.

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Table 7. Samoa: Integration Matrix of Surveillance Issues and Capacity Building

Surveillance Issues	IMF			World Bank		Asian Development Bank	
	Past	2020 1/	Planned/ ongoing	Past	Planned/ ongoing	Past	Planned/ ongoing
Fiscal Sector							
Public Financial Management	✓	✓	✓	✓	✓	✓	✓
Expenditure framework	✓			✓	✓		✓
Revenue framework	✓	✓	✓	✓	✓		✓
Macro-Financial Issues							
Financial supervision and regulation	✓	✓	✓	✓		✓	✓
Financial market development	✓	✓	✓	✓	✓	✓	✓
Correspondent Banking Relationships	✓	✓	✓				✓
Macro-structural issues							
Infrastructure				✓	✓	✓	✓
Private sector development				✓	✓	✓	✓
Governance issues				✓	✓	✓	✓
Poverty/Gender/ Inequality				✓	✓	✓	✓
Climate change			✓	✓	✓	✓	✓
Natural Disaster Management				✓	✓	✓	✓
Financial inclusion						✓	✓
Statistics							
Data Enhancement	✓	✓	✓			✓	

Sources: IMF; World Bank; Asian Development Bank (ADB).

1/ IMF fiscal year.

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Annex I. Risk Assessment Matrix[1]

Source of Risks	Relative Likelihood	Expected Impact	Policy Recommendations
Domestic risks			
Higher frequency and severity of natural disasters including related to climate change	**High:** On average, Samoa has been hit by a major natural disaster once every five years.	**High:** Natural disasters cause widespread damage to infrastructure and agriculture, resulting in increased public debt and trade disruptions, while raising domestic commodity prices.	Build fiscal and external buffers; increase resilience to natural disasters by implementing policies under the Strategy for the Development of Samoa.
Loss of Correspondent Banking Relationships (CBRs)	**High:** The tight global regulatory landscape could result in increased pressures on CBRs. Banks face exorbitant penalty over breaching anti-money laundering laws, which could limit correspondent banking services.	**High:** Closure of correspondent bank accounts held by MTOs and the Samoan local banks could limit flows of USD (dominant currency), hamper economic activities (including remittance flows), reduce international reserves, and create foreign exchange (FX) mismatches.	Increase reserve coverage; reduce FX mismatch risks; strengthen the AML/CFT regime in line with APG/ FATF recommendations; enhance customer identification facilities (by leveraging the Office of Electoral Commission (OEC) database to help AML/CFT compliance by MTOs.
External risks			
Unexpected shift in the Covid-19 pandemic: Prolonged pandemic	**Medium:** The disease proves harder to eradicate (e.g., due to new virus strains, short effectiveness of vaccines, or widespread unwillingness to take them), requiring costly containment efforts and prompting persistent behavioral changes rendering many activities unviable.	**High:** Longer containment and uncertainty about the intensity and duration of the outbreak adversely impact economic activity and prompt costly reallocation of resources. With limited fiscal and external buffers, policy support is insufficient.	Contain the virus spread with effective measures; seek early procurement and distribution of vaccines; continue fiscal stimulus with better targeting; keep supportive monetary and financial policy measures, while maintaining financial stability; and seek concessional loans and grants for BOP and budget support.
Widespread social discontent and political instability	**Medium:** Social tensions erupt as the pandemic and inadequate policy response cause socio-economic hardship or due to unequal access to vaccines.	**High**: Beyond immediate economic disruption and adverse confidence effects, the resulting pollical polarization and instability complicate implementation of policy needed for a sustained economic recovery.	Continue to support most vulnerable households and businesses by targeted fiscal and financial measures; ramp up efforts to attain SDGs with structural reforms and support by the international community.
Accelerating de-globalization	**Medium:** Despite renewed efforts to reach multilateral solutions to existing tensions, geopolitical competition leads to further fragmentation.	**Medium/High:** Reshoring and less trade reduces potential growth and lead to a sharp decline in exports, tourism earnings, and remittances, worsening the current account balance and reducing fiscal revenues.	Improve business environment and connectivity to create a conducive environment for private sector development; improve financial inclusion to help cushion the most vulnerable against negative shocks; explore opportunities for broadening export base.
Intensified geopolitical tensions and security risks	**High:** (Geo)political tensions in selected countries/regions cause economic/political disruption, disorderly migration, higher volatility in commodity prices, and lower confidence.	**Medium:** Increased geopolitical and security risks could further dampen tourism, adversely affecting the current account.	Implement fiscal stimulus consistent with available space to help lift aggregate demand; further reduce or postpone non-essential spending; and seek concessional external assistance.
Oversupply and volatility in the oil market	**Medium:** Higher supply (due to, e.g., OPEC+ disagreements) and lower demand lead to renewed weakness in energy prices. Uncertainty leads to bouts of volatility.	**Medium:** Sharp swings in inflation could cause a slowdown in lending activity and output. Higher uncertainty in commodity prices would make management of FX reserves more difficult.	Improve FX liquidity forecasting; diversify the export base; expand efforts to deepen and develop the financial sector, and improve monetary transmission.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability of 30 percent or more). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authors. Non-mutually exclusive risks may interact and materialize jointly.

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Annex II. Augmenting Fiscal Policy Based on Institutional Capacity

Under-execution of capital expenditure budget (CAPEX) resulted in a sizable fiscal surplus in FY2020 (ended in June 2020). Identifying bottlenecks and resolving the underlying issues will take some time. In the meantime, the authorities can extend stimulus measures under expense categories, which they have better execution control. To help finance the measures, the government needs to prioritize spending within the categories as well as CAPEX based on their urgency. The authorities need to commit to gradual withdrawal and medium-term consolidation to bring the overall deficit to their target of 2 percent of GDP towards the end of the medium term. The active scenario, entailing augmented fiscal policy above, will bring the trajectory of public debt-to-GDP ratio downward to ensure debt sustainability and limit scarring effects of the pandemic.

A. Baseline Assumptions

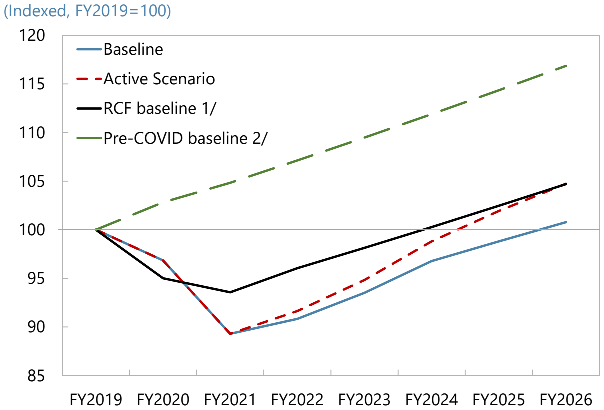
1. **The staff baseline incorporates the medium-term revenue projection that gradually improves tax yields with the pace of the underlying economic recovery.** Revenue excluding grants is projected to reach the pre-COVID level in share of GDP at around 30 percent by end-FY2025, including through:

- **Direct tax revenue:** Staff projects income tax revenue will gradually recover over the medium term, and reach the pre-COVID level (6 percent of GDP) by FY2026.

- **Indirect tax revenue:** The indirect taxation revenue, including through value added goods and services tax (VAGST) and excises, will improve over time with the phased rollout of the web-based Tax Invoice Monitoring System (TIMS) at businesses. The first phase started in July 2020, and is expected to take a couple of years to complete the installation. TIMS is expected to lower the cost of tax collection and auditing, thereby raising the yields from the indirect taxation. Staff projects the improved tax compliance will add 1 percentage point of GDP in net over the medium term, reaching around 18 percent of GDP by FY2026 compared with 17 percent of GDP in FY2019.[1]

Real GDP, FY2019–FY2026

(Indexed, FY2019=100)



Sources: Samoan authorities; and IMF staff calculations.

1/ The staff's baseline projection in April 2020, used for the 2020 staff report of the Rapid Credit Facility (RCF).

2/ The staff's baseline projection in January 2020, reflected in the World Economic Outlook Update, prior to the COVID-19 pandemic.

[1] The Pacific Agreement on Closer Economic Relations (PACER) Plus, a regional trade agreement signed by Australia, New Zealand, and nine Pacific island countries, came into force on December 13, 2020. Based on the technical assistance (TA) mission by the IMF Fiscal Affairs Department (FAD) in January 2020, the PACER Plus will lead to loss in tax revenues, amounting to 0.1-0.2 percentage point of GDP each year during FY2022-FY2026.

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2. Projection of grant receipts over the medium term remains conservative at their historical norm prior to the pandemic, and is linked to the projection of CAPEX. While it is difficult to ascertain the value of actual receipts of grants in-kind, the staff projection of around 5.5 percent of GDP (compared with 11 percent of GDP assumed by the authorities) includes both cash and in-kind, and approximates the pre-COVID outturns in the absence of natural disasters.

3. Expense under the baseline is anchored by the staff projection of headline inflation, and assumes no additional stimulus measures beyond the FY2021 budget. The authorities need to avoid raising expense permanently with the use of foreign grants that are subject to future volatility. The strategy will minimize risks to higher structural deficits over the longer term.

- **Compensation of employees:** The projection assumes the government to contain the overall increase in the public sector wage bill by CPI inflation over the medium term, which still allows the public sector to employ necessary staff. This follows the recent public sector wage increases, approved by Parliament in 2018, including through a three-phased salary increase for all public servants, members of the judiciary, and members of parliamentarians (MPs).[2] It is projected to come down gradually in percent of GDP over the medium term, reaching the pre-COVID level of around 12 percent in FY2026.

- **Use of goods and services:** Staff similarly assumes the expense to grow with CPI inflation, starting from FY2022. It is projected to come down gradually in percent of GDP over the medium term, reaching the pre-COVID level of 8.5 percent in FY2026. Prioritization is assumed, while securing an adequate budget for maintaining existing infrastructure.

- **Grants:** Spending includes compensation of employees and use of good and services for 12 extra budgetary units of the central government, and is projected to increase in a pace commensurate with the underlying inflation.

4. Staff's CAPEX projection in the near term reflects capacity constraints confronted by the authorities to implement development projects. The pandemic exposed the authorities to challenges of executing CAPEX, with prolonged border closure and severe, frequent rains. Since the country relies on foreign labor to implement development projects, the pandemic created significant delays. The baseline projection assumes increases in CAPEX in FY2022 and beyond, based on the assumption of border reopening in FY2022.

5. The baseline projection shows the deficit reaching 3.4 percent of GDP in FY2021, followed by 6.7 percent in FY2022, before gradually declining to 2.0 percent in FY2026. The size of the deficit toward the end of the medium term is projected to reach the authorities' deficit target of 2 percent of GDP. Inflation-linked spending and improved tax compliance supported by

[2] The first phase was implemented in January 2019 with a five percent increase for all principal officers and lower level public servants, followed by the second phase in January 2020 which implemented a three percent salary increase for department chief executives as well as some members of the judiciary. The last phase was slated for January 2021, set to raise the salary of top government officials by two percent, but has been called off.

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the underlying economic recovery over the medium term will help gradually bring the overall deficit to the target under the staff baseline.

B. Active Scenario - Assumptions

6. The active scenario incorporates revenue mobilization by the authorities when an economic recovery is well underway, starting from FY2024. Policy options based on FAD TA (2020) could yield additional tax revenues of around 2.0 percent of GDP over the medium term, including through:

- **Excise:** Raising excises on alcohol and tobacco, as well as products containing high salt, fat, and sugar to promote health. The World Bank is in discussion with the authorities to conduct a study before raising excises on the latter to reduce prevalence of the non-communicable disease. Staff projects the net yield of 0.2 percent of GDP initially (FY2024), rising to 0.4-0.6 percent thereafter.

- **Valued-added Goods and Services Tax (VAGST):** Broadening the tax base by removing a zero rate on consumption of water and electricity, with concessions applied to the usage by low income households. Samoa Electric Power Corporation started rolling out a "Smart Meter" project, which will provide ease of access for the user to purchase electricity and see their consumption level. The net gain in tax revenue is estimated at 0.1 percent of GDP initially (FY2024), rising to 0.3-0.4 percent thereafter.

7. Staff recommends extensions of supportive measures, starting from FY2021, with gradual withdrawal in a pace commensurate with the economy's recovery. The measures encompass:

- **Social benefits:** The active scenario raises the spending on social benefits to 2.5 percent of GDP (an increase by 0.5 percent of GDP relative to the baseline) in FY2021, and assumes a gradual decline to 1.1 percent of GDP in FY2025, the size equivalent to the pre-COVID. The extensions cover, for example, (a) cost of unemployment benefits, shelter financing assistance, utility rate reductions for households with targeting; (b) support for the tourism-related sectors, wage subsidies, and training for reskilling/upskilling to promote non-tourism sectors for job creation/mobility; (c) interest relief for households and businesses with targeting.

- **Budget support to SOEs:** Some of the measures in response to the COVID-19 have been financed by SOEs (including public financial institutions (PFIs)). A decision by the commercial banks to cap the deposit rate at 3 percent, starting December 2020 for 12 months, will reduce interest income earned by SOEs, and adversely affect their cash flows. Since they provide economic and financial support, including through free rent for businesses and assistance to the severely battered tourism sector, the government needs to provide adequate support to the SOEs, well balanced with the overall objective of enhancing their governance and productivity. Staff projection assumes additional support of 0.3-1.0 percent of GDP, starting in FY2021 but gradually withdrawn by FY2025.

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8. Prioritizing CAPEX in the near term is assumed to create a room to finance extensions of the supportive measures above. Staff projection assumes implementation of most viable development projects in the near term, conducive to job creation across the country. Savings generated by selectively delaying some development projects can help finance social benefits and budget support to SOEs.

9. CAPEX can be ramped up in a measured way towards the end of the medium term to compensate programmed delays from earlier to support sustained economic recoveries. The authorities need to address underlying bottlenecks of CAPEX under-execution in FY2019–FY2020. In the near term, the authorities focus on efforts to improve public financial management and procurement efficiency (Box 1). Over the medium term, the government can effectively raise the CAPEX beyond the level assumed under the baseline to stimulate the economy. The development strategy needs to address adequate financing through grants and concessional loans, while increasing resilience to climate change and ensuring debt sustainability.

Box 1. PMF Reforms to Support Execution of Fiscal Policies

Based on the findings by the 2019 Public Expenditure Financial Accountability (PEFA) assessment (Nevis et al, 2019), the PFM reforms need to focus on:

- *Improving budget reliability, predictability, and execution controls, with enhancing cash management and forecasting.* Credibility of revenue projection needs to be enhanced. Improving physical and financial execution of development projects requires immediate attention. The budget must reflect timely assessment of implementation delays with corrective actions to improve its predictability and execution controls.
- *Seeking to improve procurement efficiency based on the new Procurement Manual.* Greater attention is needed on governance and transparency over procurement contracts, with the ongoing practice of reporting beneficial ownership information and ex-post audit.
- *Strengthening SOEs' performance.* Monitoring contingent liabilities of SOEs and analyzing their fiscal risks remain critical for effective PFM. Providing adequate budget support to SOEs (in particular, those providing direct assistance to households and businesses) will help manage their cashflows and reduce financial risks. Such assistance must be well balanced with the overall objective of enhancing governance and transparency of SOEs, and their performance, in line with the Joint Action Management Plan.

10. Staff projects economic growth to pick up under the active scenario, resulting from the fiscal multiplier effects, combined with structural reforms. Staff assumes a fiscal multiplier of around 0.4-0.6 with additional spending envisaged under the active scenario. Efforts by the authorities to improve monetary transmission and financial inclusion will promote credit intermediation, SME growth for job creation, and raise exports growth. The active scenario is projected to yield 0.5-0.9 ppt of additional growth annually over the medium term.

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C. Comparison of the Baseline and the Active Scenario

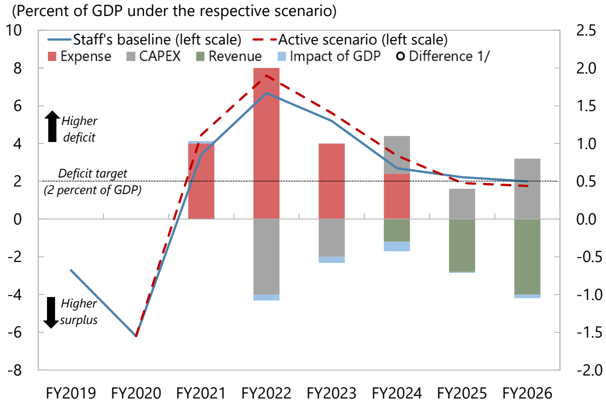
11. Staff project economic growth to pick up under the active scenario, resulting from the fiscal multiplier effects, combined with structural reforms. Staff assumes a fiscal multiplier of around 0.4-0.6 with additional spending envisaged under the active scenario. Efforts by the authorities to improve monetary transmission and financial inclusion will promote credit intermediation, SME growth for job creation**.**

12. The overall deficit under the active scenario is projected to be higher than the baseline in the near term, but lower towards the end of the medium term (Table 1). Fiscal consolidation, underpinned by revenue mobilization and expenditure prioritization with better targeting, can provide additional support to the vulnerable households and businesses in the near term, fortify the inclusive economic recovery over the medium term, and ensure debt sustainability at the same time. The underlying fiscal deficit is projected to reach the authorities' deficit target (i.e., 2 percent of GDP) by FY2025 under the active scenario. Public debt-to-GDP ratio under the active scenario will converge to the baseline by end-FY2026, and is projected to gradually fall thereafter in the absence of natural disasters.

The active scenario can provide additional support to the economy, and bend the public debt trajectory downward over the medium term.

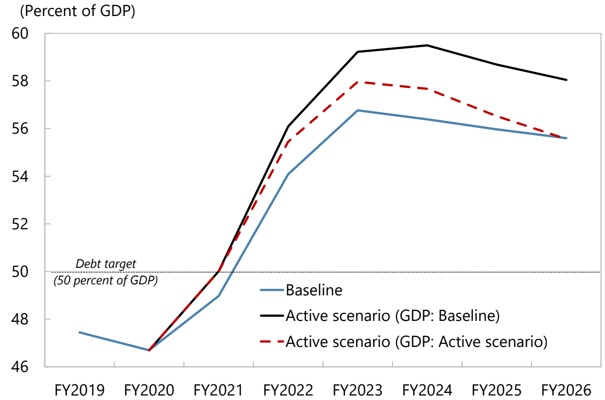
Fiscal Deficits: Factors Contributing to the Difference

(Percent of GDP under the respective scenario)



Public Debt, FY2019–FY2026

(Percent of GDP)



Sources: Authorities' data; and IMF staff calculations.

1/ The active scenario minus the baseline projection.

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Table 1. Samoa: Fiscal Sector–Baseline and Active Scenario
(Percent of GDP 1/)

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Revenue								
(A) Baseline								
Total revenue	35.7	38.5	37.0	32.3	33.9	35.5	35.9	36.0
o/w Tax revenue	25.7	25.7	22.0	22.9	24.4	25.9	26.3	26.4
(B) Active scenario								
Gains from additional measures:								
Tax revenue	...	...	0.0	0.0	0.0	0.3	0.7	1.0
Broadening VAGST base 2/	...	...	0.0	0.0	0.0	0.1	0.3	0.4
Increasing excises 3/	...	...	0.0	0.0	0.0	0.2	0.4	0.6
Total Revenue	...	...	37.0	32.3	33.9	35.8	36.6	37.0
Expenditure								
(A) Baseline								
Expense	25.8	28.8	36.4	32.7	31.7	30.5	30.0	29.7
Transactions in nonfinancial assets (CAPEX)	7.1	3.5	4.0	6.3	7.4	7.7	8.1	8.3
(B) Active scenario								
Expense: Additional measures:	...	...	1.0	2.0	1.0	0.6	0.0	0.0
Social benefits 4/	...	...	0.5	1.0	0.5	0.3	0.0	0.0
Other expense 5/	...	...	0.5	1.0	0.5	0.3	0.0	0.0
Budget support to SOEs (transfers)	...	...	0.5	1.0	0.5	0.3	0.0	0.0
Expense	...	...	37.4	34.7	32.7	31.1	30.0	29.7
CAPEX: Prioritization 6/	...	...	0.0	-1.0	-0.5	0.5	0.4	0.8
Transactions in nonfinancial assets (incl. CAPEX)	...	...	4.0	5.3	6.9	8.2	8.5	9.1
Overall Balance								
(A) Baseline	2.7	6.2	-3.4	-6.7	-5.2	-2.7	-2.2	-2.0
(B) Active scenario 7/	...	...	-4.5	-7.6	-5.6	-3.4	-1.9	-1.8
Miscellaneous								
Public debt								
(A) Baseline	47.4	46.7	49.0	54.1	56.8	56.4	56.0	55.6
(B) Active scenario 7/	...	...	50.0	55.4	58.0	57.7	56.5	55.6
Real GDP growth								
(A) Baseline	3.6	-3.2	-7.8	1.7	3.0	3.5	2.5	2.1
(B) Active scenario 8/	...	...	-7.8	2.6	3.5	4.2	3.2	2.8
Inflation								
(A) Baseline	2.2	1.5	-2.5	2.7	2.1	2.4	2.6	2.6
(B) Active scenario	...	...	-2.5	3.0	2.6	2.7	2.8	2.8

Sources: Authorities' data; and IMF staff calculations.
1/ Based on the nominal GDP in the baseline for comparison.
2/ Applies to consumption of water and electricity, with concessions given to the usage by low income households.
3/ Include consumption of alcohol, tobacco, and products containing high fat, salt, and sugar to promote health.
4/ Include cost of unemployment benefits, shelter financing assistance, wage subsidies, interest relief, and others.
5/ Includes direct and indirect financial support to SOEs, of which indirect support will be used to provide free rent to businesses and utility rate reductions.
6/ Given low execution capacity, the active scenario assumes lower CAPEX in the near term to help finance expense, and higher CAPEX over the medium term, relative to the staff's baseline projection.
in line with the authorities' improved capacity to promote an economic recovery.
7/ Based on nominal GDP under the active scenario.
8/ Staff assumes the multipliers of 0.6 for expense and 0.4 for capital expenditure. For the latter, the multiplier effect is limited since projects would require a relatively large share of foreign consultation and imports.

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Annex III. Promoting Efficiency in Financial Markets for an Inclusive, Sustained Recovery[1]

Despite the prolonged period of accommodative monetary policies by the Central Bank of Samoa (CBS), lending rates remain high and credit provision by commercial banks to private sector has been limited due to demand and supply constraints and structural impediments in financial markets. Against this backdrop, public financial institutions (PFIs) and other non-bank financial institutions cater to niche markets, contributing to improving financial inclusion. However, the active participation of PFIs may dampen effective allocation of financial resources and increase fiscal risks. Weak regulatory framework for microlenders and credit unions could increase financial vulnerability. Continued efforts to enhance financial inclusion, strengthen regulatory and supervisory frameworks and reform PFIs can help create a level playing field for an inclusive and sustained economic recovery.

1. **Bank credit to private sector in Samoa is low, compared to other Pacific Island Countries (PICs).** Despite accommodative monetary policy and ample liquidity in the banking sector, credit growth of commercial banks has been modest, averaging 4.1 percent in real term during FY2010-FY2019. Credit cycles follow business cycles closely with a 3-4 quarter lag,[2] and the credit-to-GDP ratio increased from 38 percent in FY2010 to 48 percent during the last decade with stagnant economic growth compared to the decade earlier.

2. **High lending rates along with other demand factors restrain credit growth.** Although the CBS has kept its policy rate low at around 17 basis points, lending rates remain high at 9.0 percent, albeit declined by 3.2 percentage points during FY2010-FY2019. A weak transmission channel in credit market has kept their spread as high as 8.8 percent. In addition, commercially viable projects are scarce, given the high interest rates, and loans to private sector are highly concentrated. About a half of commercial bank loan is provided to relatively large corporates in construction and trade-related sectors which have access to trade credit facility, with acceptable collaterals. Loans to individuals by commercial banks have recently picked up to around 25 percent of total commercial bank lending but remain low.

3. **Limited competition among commercial banks and availability of borrowers' credit information have further restrained commercial banks from actively lending to individuals and businesses.** Interest rate differentials (lending minus deposit) in Samoa have been high, resulting from limited competition among banks in lending to private sector, hampering the effectiveness of monetary policy transmission through a credit channel (Yang et al. 2016). Other supply-side factors hinder provision of credit to private sector, including individuals and a number of micro-, small and medium-sized enterprises (MSMEs) that hold a large share of the country's overall employment. Limited capacity in implementing good accounting practices and corporate

[1] Prepared by Seohyun Lee (APD).

[2] Serial correlation between credit growth and real GDP growth is highest (0.72) when pairing credit growth (t) with GDP growth (t+3). Sample period is 2010Q1-2019Q2.

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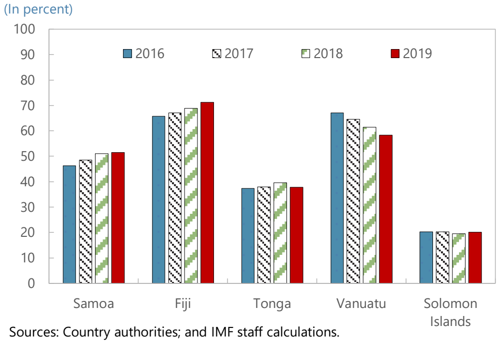
governance, and the absence of a national credit bureau or registry make it difficult to assess creditworthiness of enterprises, which leads to information asymmetry (Armstrong et al, 2010).

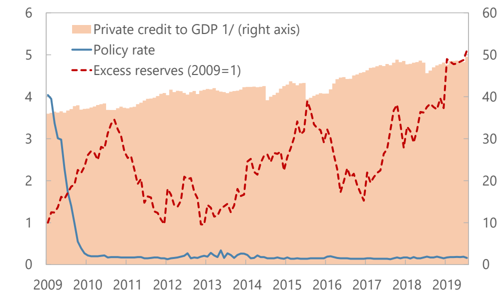
Commercial Bank Credit and Financial Conditions

Commercial bank credit to GDP
(In percent)



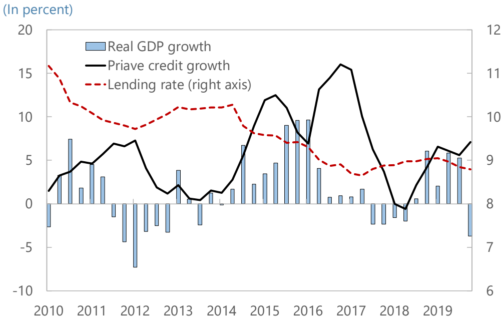
Sources: Country authorities; and IMF staff calculations.

Policy rate, excess reserves and private credit
(In percent)



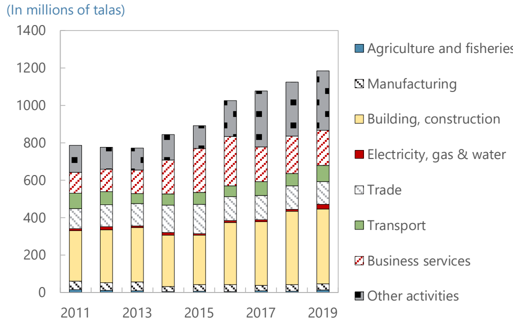
Sources: Samoan authorities; and IMF staff calculations.
1/ Commercial bank credit to private sector.

Credit growth, GDP growth and lending rate
(In percent)



Sources: Samoan authorities; and IMF staff calculations.

Commercial bank credit to private sector
(In millions of talas)



Sources: Samoan authorities; and IMF staff calculations.

4. **Complicated land ownership structure and limited availability of agricultural insurance amplify supply constraints of bank credits.** Approximately 80 percent of land in Samoa is customary land with collective ownership and banks often do not accept leases on such land as collateral for loans (IMF 2019). Given frequent natural disasters, risks against climate change are not easily insurable in a small economy like Samoa, and farmers continue to face large uncertainty of income. Commercial banks require a proof of insurance to borrowers, which raises a hurdle for farmers and MSMEs to access to bank credits.

5. **The landscape of commercial bank businesses allocates financing of niche markets to PFIs and other non-bank financial institutions.** There are four PFIs in Samoa, including Samoa National Provident Fund (SNPF), Development Bank of Samoa (DBS), Samoa Housing Corporation (SHC), and Unit Trust of Samoa (UTOS), of which three (SNPF, DBS, SHC) are under the CBS supervision. UTOS falls under the auspices of Ministry of Finance and monitored by Ministry of Public Enterprises. PFIs engage in policy lending to MSMEs, State-owned Enterprises (SOEs) and low-income households (Box 1). Their balance sheets have grown rapidly over time, increased from total private credit to GDP ratio of 20 percent in FY2012 to 31 percent in FY2019 Balance sheets of

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credit unions and microlenders, on the other hand, remain small with a total lending value amounting to less than 1 percent of GDP. Since bank branches in Samoa are concentrated in urban areas and their total number is relatively small compared to other PICs, credit unions and microlenders cater to those who live in rural areas, contributing to financial inclusion.

Box 1. Mandates of Public Financial Institutions (PFIs)

Reforming PFIs—one of the key recommendations of the 2015 Financial Sector Assessment (FSAP) Program—remains a high priority to reduce financial sector vulnerabilities. It is essential to understand their mandates and maintain transparency in their operations.

Samoa National Provident Fund (SNPF) was established in 1972 as a compulsory retirement savings scheme in which a minimum 8 percent contribution is paid by employees and employers. The SNPF concentrates on loans to its members (both employees and employers) who can use their contributions as collateral at market interest rates. In addition, it offers commercial and community loans to MSMEs and other PFIs.

Development Bank of Samoa (DBS) was established in 1974 to provide development assistance to agriculture projects. Over the years, the DBS has grown and diversified its mandate to cover various development priorities of the country. It provides concessional finance—the CBS manages a credit line facility (CLF) for DBS to on-lend—to businesses and individuals hit by natural disasters, and to those in agriculture, fishing, tourism, commerce, and service industry. DBS also operates in microlending, including a pilot microcredit project for women and youth to deepen financial inclusion.

Samoa Housing Corporation (SHC) was established in 1989 to improve housing and living conditions of lower income persons and families by providing mortgage or other securities to assist them build a home. It also administers housing for rent for the public.

Unit Trust of Samoa (UTOS) was established in 2010 as an investment vehicle for local Samoans and Samoan businesses, and those based overseas.

6. **While PFIs serve the country based on their mandates, including objectives of financial inclusion, their operations may lead to distortions in the credit market.** Policy lending by PFIs contributed to rapid growth in their balance sheets under implicit and explicit government guarantees. The size of the SNPF's liabilities continues to grow with accumulation of mandatory employment-based contributions in pension funds.[3] DBS lends actively to a large number of individuals and MSMEs with its priority over small-size loans (below WST250,000).[4] Although most PFIs activities aim to achieve the specific socio-economic objectives, PFI reforms remain a high priority. The operational linkage between commercial banks, and PFIs/SOEs influences the level of

[3] Under the Samoa National Provident Fund Amendment Act 2010, the mandatory scheme requires a minimum of 8% of gross income paid by the employee with a matching 8% paid by the employer. SNPF provides personal loans to its members against the collateral of up to 50 percent of total contributions. Therefore, the increase in the minimum contribution rate leads to providing more room for contributors to borrow.

[4] While the number of borrowers categorized as MSMEs is 98 percent of total number of borrowers with DBS, the value of loans to MSMEs account for 18 percent of total loan portfolio as of Dec 2019. According to ADB (2019), DBS loan portfolio towards large corporate clients—mostly in tourism sector—is approximately 82 percent of total loan value in 2017.

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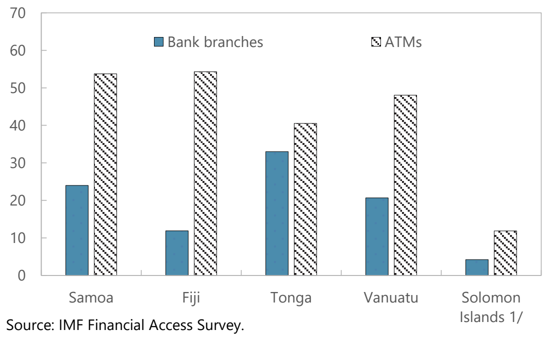
lending rates and the interest rate differentials (Yang et al. 2016).[5] For instance, to keep their long-term sustainability, the SNPF must meet a target level of return from its investment portfolio, including deposits at commercial banks. While competition among commercial banks to attract deposits from the PFIs/SOEs kept deposit rates high, banks were approached by SNPF at times to offer a high rate of return on deposits. It is also important to address a potential conflict of interest when the SNPF engages in quasi-fiscal operations. At the same time, government directed lending and concessional financing made available to PFIs for on-lending dampen effective allocation of financial resources and increase fiscal risks (IMF 2018). The active participation of PFIs in financial market may crowd out loans to private sector otherwise extended by commercial banks.

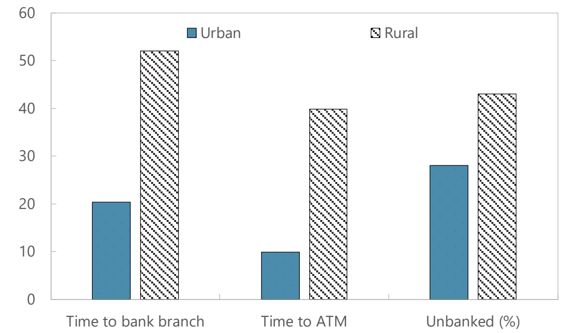
Financial Inclusion and Loan Provision to Private Sector

Outreach: number of branches and ATMs
(As of 2018, per 100,000 adults)



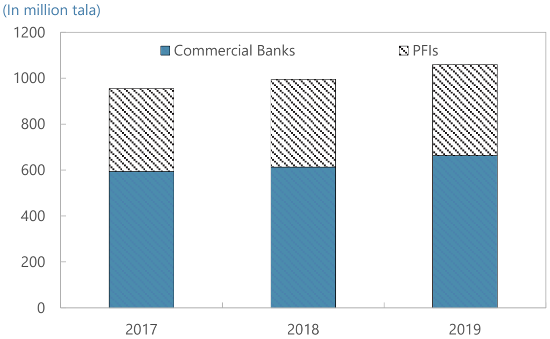
Source: IMF Financial Access Survey.
1/ Data for Solomon Islands is as of 2017.

Urban-Rural Gap in Financial Inclusion
(Minutes, In percent)



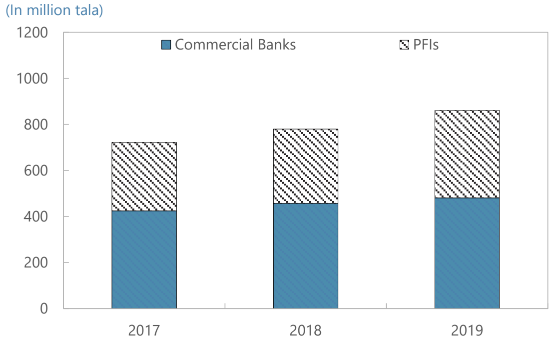
Sources: Central Bank of Samoa, Financial Services Demand Side Survey (2015).

Loans to business 1/
(In million tala)



Sources: Samoan authorities; and IMF staff calculations.
1/ End of calendar year.

Loans to households 1/
(In million tala)



Sources: Samoan authorities; and IMF staff calculations.
1/ End of calendar year.

[5] Other studies (e.g., Tennant and Folawewo (2009), Crowley (2007)) show that higher spreads were associated with higher public sector borrowing or greater public ownership of banks.

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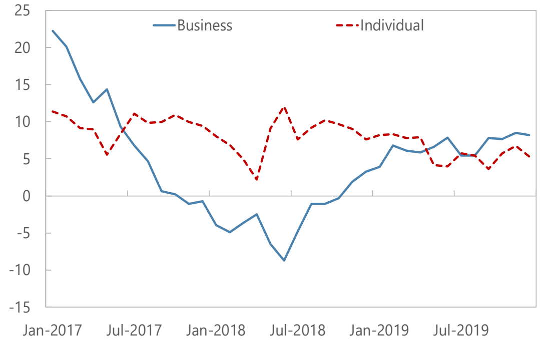
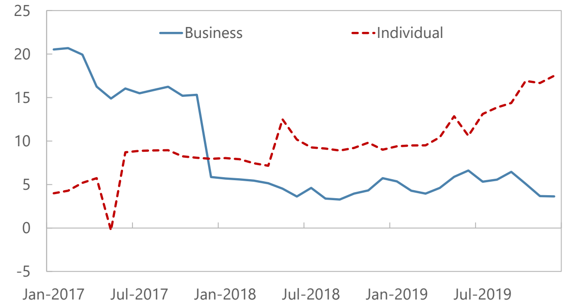
Credit to Private Sector by Types of Financial Institutions

Credit to private sector: commercial banks
(In percent, y/y)



Sources: Samoan authorities; and IMF staff calculations.

Credit to private sector: PFIs [1/]
(In percent, y/y)



Sources: Samoan authorities; and IMF staff calculations.
1/ Growth rates are adjusted to consider data gap due to the inclusion of the SHC data from 2018 October.

7. **Microlenders and credit unions serve a wider segment of the population although their lending share is in its infancy.** South Pacific Business Development (SPBD) is the only licensed microfinance institution offering deposit and lending services, focusing on microlending to women with relatively high interest rates ranging 10-24 percent. There are more than 13 credit unions and credit cooperatives licensed by the Ministry of Commerce, Industry and Labor (MCIL). Samoa Teachers Credit Union—one of the large credit union—lends to its members at 12 percent interest rate and the loan amount is about WST6.3 million in FY2018. Loans can be extended to its members up to the amount of their shares plus 80 percent. As of 2018, outstanding loans of credit unions and deposit-taking microfinance institutions amount to 1.6 percent of commercial bank loans. The number of borrowers from credit unions and microlenders is about 48 percent of the number of borrowers from commercial banks.[6] Draft legislation for regulating microfinance institutions, credit unions, and money lenders is expected to be prepared by the CBS during 2021. Establishing a regulatory framework for microlenders requires more attention as household indebtedness increases with unlicensed institutions. The limited capacity of the MCIL to analyze financial statements and compile financial soundness indicators should be also addressed.

8. **Improving credit access and promoting efficiency in credit markets are needed for financial inclusion and sustained economic growth.** Drivers of economic growth are narrow-based in Samoa. The economy is highly dependent on tourism, overseas remittances and aid from development partners. It faces a high probability of natural disaster, and is vulnerable to external shocks. Improving credit access can help stimulate investment, create jobs, and generate consumption for economic growth. Key recommendations include:

[6] IMF Financial Access Survey (FAS).

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- **Continuing to implement financial inclusion reforms**, including through re-establishing a credit bureau to facilitate credit risk assessments, and enhancing bankruptcy laws (e.g. introducing a cost-effective insolvency regime), while improving financial literacy.

- **Strengthening regulatory and supervisory frameworks** to better monitor activities of credit unions, microlenders, and other informal lending arrangements.

- **Mitigating credit risks to natural disasters** by making disaster risk insurance available to farmers, or developing financial products that would address the risks.

- **Facilitating the use of customary land leases as collateral** by reforming legislation to promote the economic use of such land while protecting communal ownership.

9. Continued efforts by the authorities to implement the key recommendations of the 2015 FSAP can further leverage economic growth. A sound financial system is needed to facilitate efficient credit market operations. Improving the regulatory framework for microlenders and credit unions can enhance financial inclusion. Reforming mandates of PFIs for defined policy objectives based on cost-benefit assessments can help create a level playing field for healthy competition among the commercial banks. This entails enhancing the transparency and governance of the PFIs and unwinding of CBS lending to DBS and SHC, which lead to improving financial stability and containing the fiscal risks from contingent liabilities.

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Annex IV. External Sector Assessment[1]

Based on preliminary data and EBA-lite model results, Samoa's external position in FY2020 is assessed as moderately stronger than fundamentals and desirable policy settings compared to the "in line with fundamentals" assessment in FY2019.[2] Staff's analysis points to a current account gap of 1.6 percent of GDP, reflecting impacts of the domestic measles outbreaks and the global COVID-19 pandemic.[3] Samoa's current level of foreign exchange reserves is adequate according to the Assessing Reserve Adequacy (ARA) metric for credit-constrained economies but is expected to fall to the lower bound of the desirable range over the medium term when Samoa's vulnerability to natural disasters is considered. Reserve adequacy was met in FY2020 as a result of a deep recession with sizable import compression, driven by a delayed recovery in the tourism sector and under-execution of the capital budget. The economic fallout of the COVID-19 pandemic is expected to linger, and leave devastating economic impacts particularly on the tourism sector, thereby affecting the external assessment for a prolonged period. To navigate the economy to a durable economic recovery under unprecedented uncertainty, additional external buffers would be called for over the medium term.

1. **The results of the asessment are heavily influenced by the impacts of the domestic measles' outbreak in late 2019 and the global COVID-19 pandemic that followed.** The two consecutive shocks devastated the Samoan economy, with a record decline in real GDP, despite favorable impacts of the Pacific Games at the beginning of the FY2020 (covering July 2019 through June 2020).

2. **A sizable current account (CA) surplus was recorded for two consecutive years but driven by different sets of factors.**

- Over the past five years (FY2015 to FY2019), the CA averaged a deficit of 1.0 percent of GDP, despite a sizable surplus (3.0 percent of GDP) in FY2019. The FY2019 surplus was primarily driven by strong growth in fish and nonu juice exports, a significant increase in tourism earnings supported by increases in available flights, and buoyant remittance inflows.

- In FY2020, the CA recorded a surplus of 1.2 percent of GDP in FY2020, reflecting the economic fallout of the domestic measles outbreak and the global COVID-19 pandemic. The health shocks created ripple effects throughout the economy, and Samoa experienced substantial import compression and received sizable foreign grants (around 5.5 percent of GDP), amid resilient remittance inflows supported by fiscal stimulus measures of Samoa's trading partners (Australia, New Zealand, United States). The import compression was driven by the collapse of the tourism

[1] Prepared by Reshika Singh (APD).

[2] The assessment is highly uncertain given the data is still preliminary for FY2020 and the impact of the COVID-19 crisis, and a complete analysis will be provided in the 2021 External Sector Report.

[3] The cyclically-adjusted current account balance (and the gap) could be smaller than estimated due to the inability to quantify some of the COVID-19-related impacts.

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sector, under-execution of CAPEX, and weak domestic demand as Samoa is highly dependent on imports.

- In FY2021, the CA is expected to deteriorate significantly, resulting from a delayed tourism recovery and a reduction in remittance inflows (as wage subsidies and other unemployment support will be scaled down in partner countries). The impact is only partially offset by softening imports as a result of a deep economic recession in FY2021. Over the medium term, the CA deficit is expected to gradually narrow to about 2.0 percent of GDP in the baseline scenario supported by recovery in tourism receipts, remittance inflows, and export earnings (under the assumption of no natural disasters).

- The capital account surplus in FY2020 was driven by official transfer inflows to assist Samoa's efforts to cope with the measles outbreak of late 2019 and the COVID-19 pandemic. Over the medium-term, the inflows are expected to normalize to historical levels.

3. The EBA-Lite current account approach assesses Samoa's external position in FY2020 as moderately stronger than fundamentals. Staff estimates show a current account gap of 1.6 percent of GDP based on a multilaterally-consistent CA norm of a 0.5 percent of GDP surplus, assessed against a cyclically-adjusted current account of 2.1 percent of GDP. The moderately stronger external position is predominantly driven by a policy gap of 5.6 percent of GDP, with the fiscal surplus (6.2 percent of GDP) in FY2020 being the highest contributor to the policy gap. The key driver of the large fiscal surplus was the under-execution of CAPEX – outturn of 1.7 percent of GDP compared to 8.9 percent of GDP in the revised budget.

Text table. Samoa: Results from EBA-lite models, 2020
(in percent of GDP, unless otherwise indicated)

	CA model	REER model	ES model
CA-Actual	**1.2**		
Cyclical Contributions (from model)	-0.9		
Additional temporary/statistical factors	0.0		
Adjusted CA	**2.1**		
CA Norm (from model) 1/	**0.5**		
Adjustments to the norm	0.0		
Adjusted CA Norm	**0.5**		
CA Gap	**1.6**	**NA**	**NA**
o/w Policy gap	5.6		
Elasticity	-0.29		
REER Gap (in percent)	**-5.4**	**NA**	**NA**

Source: IMF staff estimates.
1/ Cyclically adjusted, including multilateral consistency adjustments.

4. Data gaps and quality considerations hamper the application of the external sustainability and the Index Real Effective Exchange Rate (IREER) approach to assess the external position. The external sustainability approach requires International Investment Position (IIP) data, which the authorities currently do not publish.[4] The IREER approach has only limited usefulness for Samoa given the limited quality and unavailability of reliable longer time series data required for the model. Moreover, current transfers, as the main contributors to the current account, are less sensitive to exchange rate developments. Remittances are the major component of current transfers, amounting to around 26 percent of GDP in FY2020 compared to 21 percent of GDP on average between FY2015-19.

[4] The authorities successfully disseminated initial estimates of the IIP to the Statistics Department in 2020, and are working on further improvements.

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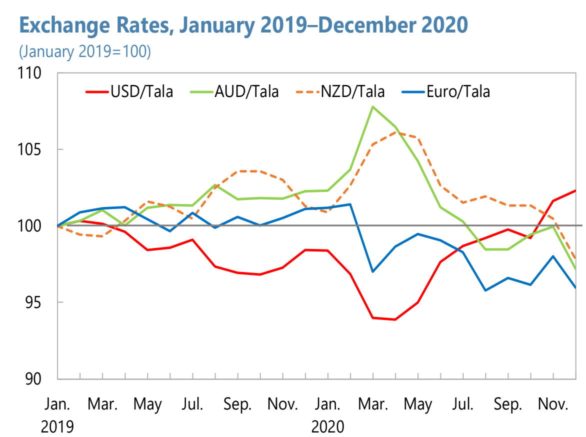
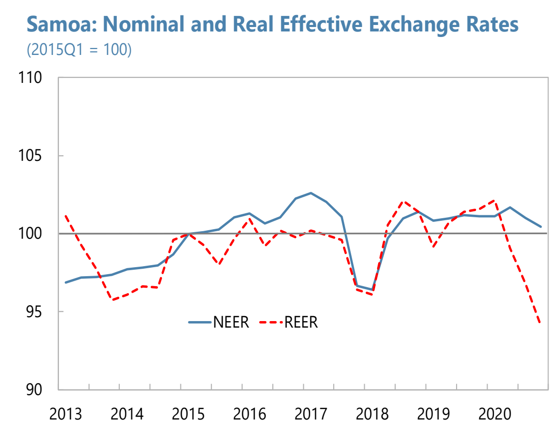
5. The exchange rate assessment indicates that the REER is slightly undervalued. The exchange arrangement in Samoa is a conventional peg against a basket of trade-weighted currencies, comprising the Australian dollar (AUD), the New Zealand dollar (NZD), the U.S. dollar (USD), and the Euro (EUR). On an annual basis, the Samoan Tala depreciated against the Australian dollar and the Euro but appreciated against the N.Z. dollar in FY2020. The Tala generally depreciated against the U.S. dollar (a dominant currency in Samoa) for most of FY2020 with the depreciation more pronounced by the end March 2020, reflecting a flight to safe haven assets (pushing up global demand for the dollar) during heightened market uncertainty. Nonetheless, with the border closure, collapse of the tourism sector, and muted imports, demand for the U.S. dollar in Samoa fell, resulting in the appreciation of the Tala towards the end of the last quarter of FY2020, and continuing through the first quarter of FY2021. Overall, the Tala noted a marginal appreciation against the U.S. dollar. The REER generally remained stable over the past few years. Nonetheless, the REER marginally declined in FY2020, and the result from the EBA-Lite current account approach indicates a REER gap of -5.9 percent (based on elasticity of -0.3). The REER continued to decline in more recent months reflecting the continuous negative inflation in Samoa relative to trading partners.





Sources: IMF, International Financial Statistics; and Staff calculations.

6. Reserve coverage in FY2020, reflecting the economic fallout of the shocks, is adequate but temporary, and a BOP financing gap will re-emerge in FY2022 and beyond.

- Reserves rose from 5.4 months of import cover at the end of the FY2019 to 7.0 months in FY2020, [5] reflecting the improvement in current account surplus, driven by the economic fallout of the domestic measles outbreak and the global COVID-19 pandemic. However, staff consider the high level of reserves in FY2020 as temporary, and project reserves to drop to 6.5 months at the end of FY2021 and fall below 5.0 months of imports during FY2022-FY2024. Over the

[5] To better reflect reserves coverage, staff computed the stock of reserves in FY2020 against imports in FY2019 (to discount temporary import compression in FY2020-21). The revised reserves coverage based on this methodology is 6.3 months.

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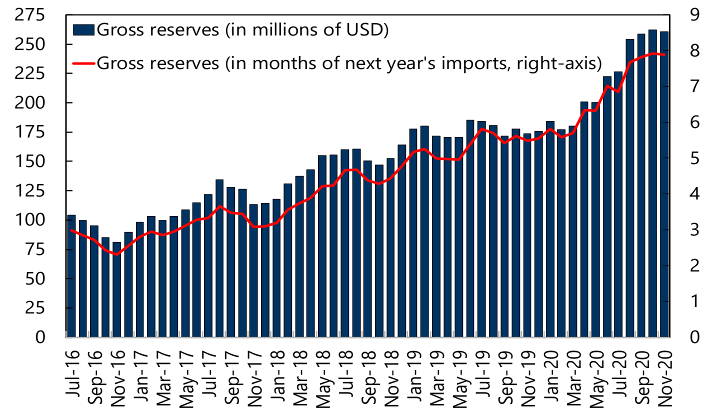
medium term, staff projects the coverage will fall to around 4 months, given the projected path of the CA balance in the baseline (average of -5.0 percent of GDP from FY2021-26 compared to 1.2 percent of GDP in FY2020). The deficit is expected to gradually close towards the end of the medium-term, with a recovery in the tourism sector and a pickup in remittances, more than offsetting a pick-up in import demand, amid expected normalization in foreign grants.

- Reserves coverage of 7.0 months in FY2020 is considered adequate according to the ARA metric for credit constrained economies. The assessment remains the same even when Samoa's vulnerability to natural disasters is considered. When the ARA metric for credit-constrained economies is applied to Samoa, the result suggests an optimal level of reserves falls between 2.8 to 4.6 months of imports, depending on the assumed opportunity cost of holding reserves.[6] Once natural disaster vulnerability is incorporated into the assessment,[7] the optimal reserves range moves up to between 4.1 to 6.4 months of imports.

Samoa: Gross Reserves



Sources: Central Bank of Samoa; IFS; and IMF Staff calculations.

- Staff projects the economy to bottom in FY2021, and a gradual economic recovery commencing FY2022. The baseline assumes the border to reopen by end-FY2022 (ending June 2022). The growth recovery will translate into additional import demand, and lower reserve coverage over the medium term. Further shocks to remittances—could put added pressure on reserves, requiring a higher buffer of at least 5 months of prospective imports.

[6] Reserve adequacy is highly sensitive to the assumed opportunity cost of holding reserves. For example, if the opportunity cost is assumed at 4 percent, the adequate level of reserves coverage is 6.4 months of imports and once the opportunity cost is increased to 6.2 percent, the adequate level of reserve coverage falls to 4.1 months.

[7] Assuming a higher probability of a large shock event (70 percent) compared to the sample average (50 percent).

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Annex V. Key 2015 FSAP Recommendations

Recommendation	Actions Taken
Overarching issues	
Improve the quality and coverage of data. CBS to collect granular data on banks, PFIs, insurers, and other financial intermediaries for prudential and financial stability analysis.	Still work in progress. FSIs are now been produced for the commercial banks and other financial institutions in line with IMF requirements. Banks and nonbanks (including insurance companies) send their reports regularly. CBS started to collect monthly credit data (by type of borrowers) from Samoa Housing Corporation (SHC), starting October 2018. To further improve data quality, internal capacity constraints need to be resolved.
Upgrade the regulatory and supervisory frameworks to modern standards, including amending the Financial Institutions Act and Central Bank Act to support corrective actions and resolution.	The CBS Act 1984 was replaced by CBS Act 2015. With technical assistance (TA), the CBS has put together a draft amendment to the 1996 Financial Institutions Act (FIA), which incorporates corrective actions and resolution options, governor's discretion etc. The amendments with newly revised prudential guidelines have been finalized, and came into effect in January 2021.
CBS should raise capacity and hire additional staff for financial oversight, and over time assume supervision and regulation of all financial intermediaries.	The number of staff has gradually increased. Additional staff joined the supervision department, but capacity and cost remain a challenge. The CBS plans to hire additional staff as it plans to bring credit unions, microfinance institutions, and money lenders under the CBS oversight.
Banking supervision and regulation	
Conduct regular on-site inspections, and in-depth assessments of financial statements (including asset quality reviews, of potentially vulnerable banks).	The CBS conducted regular on-site inspections of financial institutions, including commercial banks and PFIs (SNPF, DBS, UTOS). In depth off-site surveillance of financial statements is also conducted on a monthly and quarterly basis, and the CBS liaise closely with the industry when needed.
Upgrade supervisory guidance to banks, especially regarding risk management and NPL write-offs.	The authorities issued draft prudential standards which were reviewed by industry representatives for consultation in early 2019. The CBS received comments from commercial banks, and incorporated them in the finalized version of prudential guidelines to be implemented in January 2021.
PFIs - supervision and regulation	
CBS to produce periodic financial soundness indicators for PFIs and ensure proper IFRS accounting, especially for loan classification, NPLs, and provisioning.	Publication of FSIs is mandatory for all PFIs. The CBS produces quarterly reports based on consolidated FSIs for all PFIs, analyzes for assessment.
CBS to issue and upgrade prudential regulations for PFIs.	The CBS issued the prudential regulations

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Recommendation	Actions Taken
	for insurance companies and SHC in 2020. The prudential regulations for the SNPF, UTOS, and DBS will be revised in 2021.
CBS to start on-site inspections of PFIs.	On-site inspections of the SNPF, DBS, and UTOS are scheduled every two years. The last inspections were undertaken in 2018. On-site inspections of insurance sector started in April 2019.
Off shore bank regulation and supervision	
Enhance operational independence of Samoa International Finance Authority (SIFA) to supervise international banks and remove potential for conflict between SIFA's promotional and supervisory roles.	In October 2016, the SIFA created a separate division, Invest Samoa, focusing solely on promotion. In December 2020, the Cabinet approved of establishing a separate company solely responsible for promotion and marketing, which will allow the SIFA to focus on its supervisory role.
PFIs – governance	
Government to reform mandates and governance of PFIs for defined policy objectives based on cost-benefit assessments, and to ensure efficient operations.	The Ministry for Public Enterprises signed off on the Director's Handbook in December 2018. The Compensation Review for Public Body Boards is expected to be submitted to Cabinet by the end of March 2019. Amendments to the Public Bodies Act and the Recruitment and Selection Guidelines and Performance Management Framework for CEOs of Public Body is in progress. Both are expected to be submitted to Parliament for approval by June 2019. There have been no reforms to the mandates of PFIs.
Crisis preparedness	
Adopt a full set of enforcement and resolution instruments.	Amendments to the 1996 FIA will be approved by Parliament in 2021. Resolution and enforcement have been priority areas and relevant provisions have been drafted.
Create an appropriate scheme and operational framework for Emergency Liquidity Assistance.	The authorities are developing a Disaster Risk Financing Strategy, which would identify and quantify all resources available to respond to natural disasters, including domestic contingencies, regional catastrophe risk insurance policies, and credit lines with international financial institutions. The draft document is expected to be finalized, pending the review of terms and conditions of World Bank and ADB emergency funding facilities.
Systemic financial stability	
CBS and Ministry of Finance to create financial stability and contingency planning committees.	The financial stability committee has been created but only one meeting has taken place. Regular meetings are contingent on additional stress test results.
CBS to analyze systemic risks, including stress testing and macro-financial mapping.	A preliminary and unofficial stress testing exercise was conducted in-house by CBS staff during 2018.

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Recommendation	Actions Taken
	Staff understands that the most recent stress test revealed that the banking sector is vulnerable to natural disasters and changes in tourism receipts. The authorities explored stress test templates of regional peers but have yet to begin using them. Macro-financial mapping has not been undertaken thus far.
Central bank policies and operations	
CBS to unwind lending to Development Bank of Samoa (DBS) and Samoa Housing Corporation (SHC).	The authorities approved a credit line facility (CLF) to the DBS in the amount of 10 million tala in May 2018 in the aftermath of cyclone Gita. The DBS extended only 5 million tala to SMEs in the agriculture and other small business services sectors. The remaining 5 million tala has been fully disbursed in June 2019. The authorities explained that the CLF is only extended in the event of natural disasters that affect economic development, and there has been no new CLF to DBS and SHC since May 2018.
Access to finance	
Focus on indirect measures to enhance access to finance, including credit bureau, economic use of customary land, and complete setting up a personal property registry.	The ADB diagnostic assessment for establishment of a credit bureau was completed in November 2018. The ADB resumed its workplan for implementation of the credit bureau system. It will continue to provide the authorities with TA in drafting necessary legislation and amendments to existing acts for the setup. Draft bill is expected by April 2021.
Insurance	
CBS to develop insurance supervisory strategy and capacity building plans.	The CBS has an integrated, risk-based system of supervision using both off-site monitoring and on-site inspections, and made progress in several areas: - Issued eight Insurance Supervision Prudential Standards (ISPS); - Continued bilateral discussions on financial performance, reporting, and other pertaining issues; - Commenced enforcement of revised report forms in September 2018; - Compiled reports for the insurance industry that are linked to the CBS annual reports; and - Conducted several on-site inspections, including ones in May and July 2019 for the first time, and the first round of full scope on-site inspections to all general insurers. PFTC TA missions, helping the authorities amend the 2007 Insurance Act, took place in 2019. The authorities require additional TA to train their staff to carry out supervisory roles. Staff uses the e-learning platform,

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Recommendation	Actions Taken
	provided by the Financial Stability Institute of the Bank of International Settlement (BIS).
Payment system and financial market infrastructure	
CBS to implement the new National Payment Systems.	The CBS has completed the World Bank procurement process in January 2019 with a plan to upgrade the national payment system and financial market infrastructure. Establishing Automatic Transfer System (ATS) and Central Securities Depository (CSD) is in pipeline. The CBS is introducing an electronic settlement system for improving market operations of CBS and government securities. The hardware and software for the system have been received and installed at the CBS. Installation for participant is uncertain, and staff training has been delayed during the COVID-19 pandemic as the critical part of training needs to be done in person.

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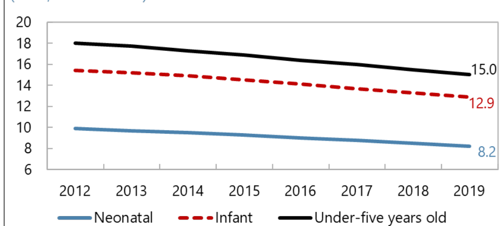
Annex VI. Structural Reforms to Support an Inclusive Economic Recovery and Achieve SDGs in the Post-Pandemic Future[1]

Prior to the pandemic, Samoa has taken several initiatives to boost potential growth as part of the Strategy for the Development of Samoa (SDS), which identified policies aligned to the expected outcomes of the sustainable development goals (SDGs). In the aftermath of the pandemic, Samoa faces growing challenges, with the need to support an economic recovery, while working toward achieving long-term inclusive, green, sustainable growth. The country needs to push through structural reforms to tackle longstanding bottlenecks, sustain the economic recovery, and unlock sustainable growth.

Challenges Prior to COVID-19

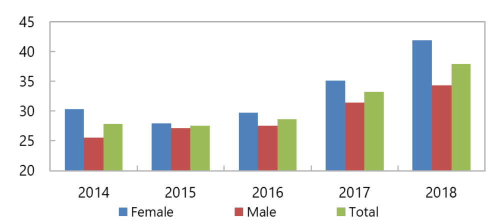
1. Samoa has pushed through structural reforms and made a great stride toward achieving SDGs (Table 1). The country has been able to leverage international cooperation to implement a number of reforms with visible achievements, including improvements in access to basic sanitation, drinking water, and early childhood and primary education. Samoa is one of the first Pacific countries to liberalize its telecommunications market in 2005. Following market liberalization, the usage of mobile networks has nearly tripled, and internet access has increased as the Tui-Samoa submarine cable between Apia, Samoa and Suva, Fiji, established in 2018, helped expand internet services.

Samoa: Mortality rates
(Per 1,000 live births)



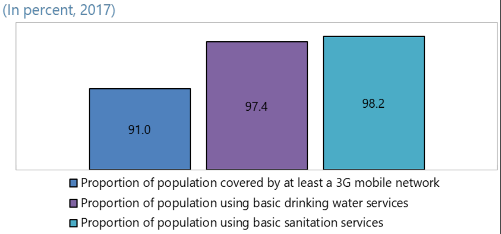
Source: United Nations - SDG Database; and IMF staff calculations.

Samoa: Access to early childhood and primary education
(Participation rate in organized learning, in percent)



Source: United Nations - SDG Database; and IMF staff calculations.

Samoa: Selected SDGs indicators
(In percent, 2017)



Source: United Nations - SDG Database; and IMF staff claculations.

2. However, frequent natural disasters and structural issues hindered progress in other areas. Climate resilience, food insecurity, the low accumulation of human capital, and education quality also remain areas of concern.[2] Separately, limited credit access and other impediments to credit intermediation hindered investment growth in the private sector and promotion of MSMEs (**Annex III**). Participation of women and the youth in the formal labor market remains limited, thereby leading them to seek employment in the informal sector, and exposing the least educated and trained to high vulnerability to poverty.

[1] Daniela Alcantara (SEC).

[2] For example, only 45 and 22.5 percent of children age 7-14 completed three foundational reading tasks and four foundational number tasks, respectively (SBS and UNICEF, 2019).

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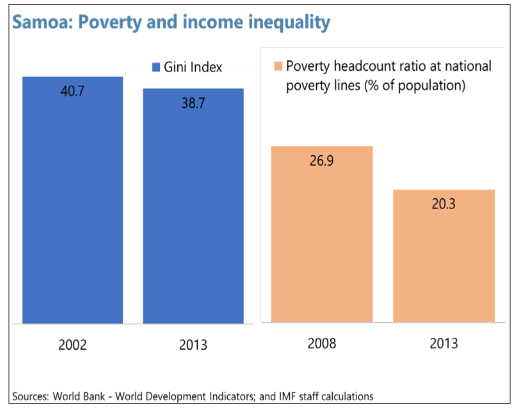
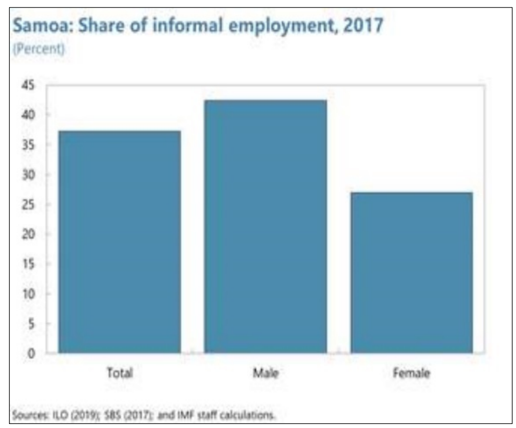
Challenges After the Pandemic

3. The prolonged pandemic has exposed pre-existing vulnerabilities and created setbacks to hard-won gains. The compounding impacts of the measle outbreak and the pandemic have delayed execution of the structural agenda. The country has prioritized necessary measures to protect its citizens from the virus, strengthen the health care system, and provide economic support for households and businesses. While the measures have successfully kept the country free of the virus, the border closure and social restrictions under the State of Emergency have disrupted economic activities and taken a socioeconomic toll. A number of families have lost their income source, or experienced declines in household income. Adversary impacts of the pandemic may have pushed them to seek employment in the informal sector that gives less earnings, creating setbacks to the reform efforts made by the authorities to create jobs in the formal sector. The lingering effects of the pandemic, if not addressed properly, could increase the risk of the vulnerable households falling into poverty and offset the achievements made by the authorities to attain the SDGs.





Policy Discussions

The crisis underscored the need for greater policy efforts to tackle longstanding structural issues to support recovery and foster development. Some key areas include measures to support job creation and participation of women and the youth in the formal labor market, help the most vulnerable cope with adversity, enhance climate-resilience, and build capacity to support evidence-based policies.

4. Promoting agriculture and fishery with resilience to climate could help support the economic recovery and food security (Box 1).[3] Prior to the pandemic, several initiatives have been taken to support agriculture and fishery, with the aim to strengthening food production and food security. Since the onset of the pandemic, the authorities have implemented stimulus measures to further promote the sectors to help households who lost their jobs and turned to agriculture to make up for their income loss.[4] Besides efforts to enhance productivity, facilitating market access

[3] Most households in Samoa engage in agriculture as a secondary source of food or income. In 2015, 97 percent of households grew crops—17 percent of reported growing crops as the main source of income, and 54 percent engaged in mainly subsistence agriculture. Separately, 21 percent of households engaged in fishing, with 70 percent reporting home consumption as the main purpose for fishing.

[4] Including the Samoa Agriculture Competitiveness Enhancement Project (SACEP), Samoa-China Agricultural Technical Aid Project (SCATAP), and the Samoa Agriculture and Fisheries Productivity and Marketing Project (SAFPROM).

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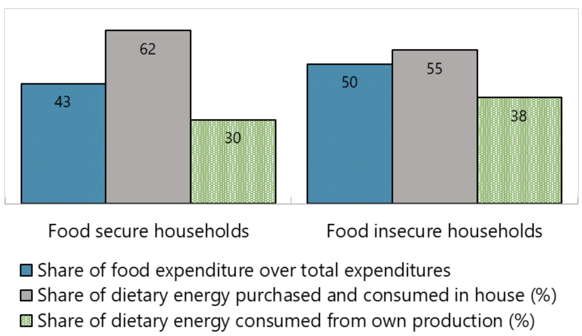
and providing business assistance to food producers will support income generation. Policy measures should also consider Samoa's cultural and historical heritage (i.e. the communal ties to land tenure), environmental sustainability, and climate-resilience to crops and agricultural infrastructure.

Box 1. Ensure Food Security – A Perennial Concern

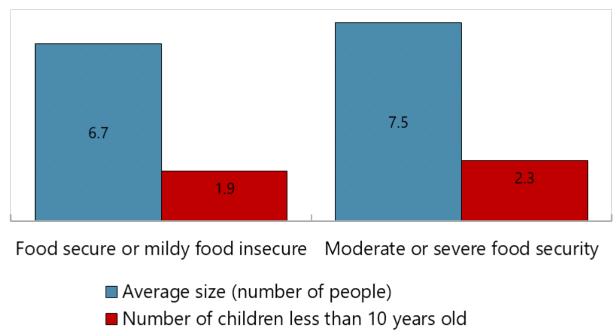
The recent pandemic exacerbated concerns of food insecurity. Food insecure households tend to be poorer, and rely more on own food production (Troubat et al., 2020). Strengthening agriculture and fishery could positively impact on growth, and access to safe and nutritious food, supporting SDGs (No. 2). Nevertheless, poverty in rural areas should be closely monitored. Measures to increase climate resilience (e.g. adequate insurance coverage) are needed to help protect vulnerable households.

Samoa: Food expenditure and sources of food



Source: Troubat, N., Faaola, E. and Aliyeva, R. 2020; and IMF staff calculations.

Samoa: Demographics of food insecure households



Source: Troubat, N., Faaola, E. and Aliyeva, R. 2020; and IMF staff calculations.

5. **Upskilling and reskilling of the labor force would foster participation of women and the youth in the formal sector, and underpin a sustained economic recovery (Box 2).** As part of the stimulus package to mitigate the socioeconomic effects of the pandemic, Samoa introduced a guarantee scheme to foster retention of workers in the tourism sector, and provided training to tourism sector workers. However, more efforts are needed to promote transitions from informal to formal-sector jobs, particularly for the youth and female. Measures to facilitate re-training and upskilling workers would support resumption of activities in the tourism sector, following the reopening of the border. Facilitating knowledge transfers and providing vocational training could help address skill mismatch, enhance labor mobility, and support economic diversification. Enhancing education quality, digital literacy, and ICT infrastructure will be conducive to growth, which will all lend support to SDGs (No. 1, 2, 4, 5, 8).

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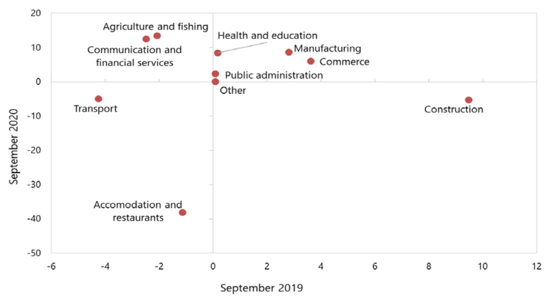
Box 2. Address Informality and High Unemployment in the Labor Market

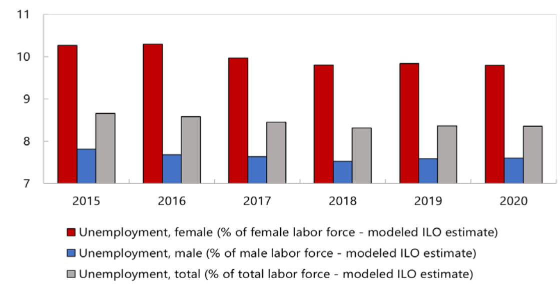
The pandemic had hit hard the tourism-related sectors. Formal employment has decreased by 0.3 percent in the September quarter of 2020, driven by job losses in accommodation and restaurants, commerce, and transport. A survey by the International Labor Organization (ILO) showed 56 percent of the workers indicated reduction in income up to 50 percent.[1] Nonetheless, the final figures of the impact of the pandemic on the tourism sector for the FY2021 are likely to be higher. The pandemic shock has worsened Samoa's long-term challenges of high levels of informality and gender disparities in employment, leaving limited options for the young generations.

Samoa: Employment by sector
(Percent change over the same period in the previous year)



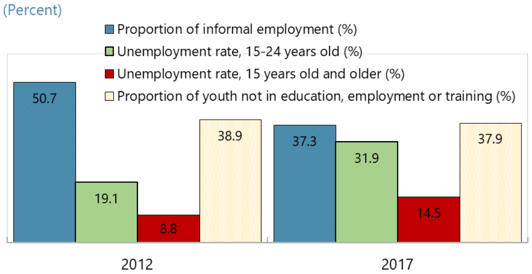
Source: Samoa Bureau of Statistics; and IMF staff calculations.

Samoa: Unemployment
(Percent)



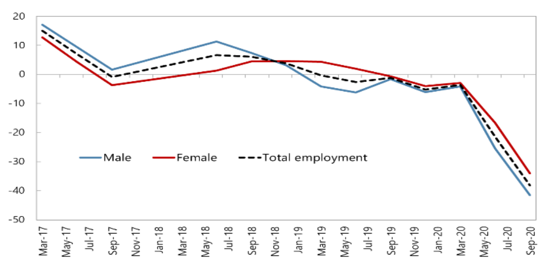
Sources World Bank - World Development Indicators; and IMF staff calculations

Samoa: Youth participation in the labor market
(Percent)



Source: United Nations - SDG Database; and IMF staff calculations.

Samoa: Employment in accomodation and restaurants
(Percent change over the same period of the previous year)



Source: Samoa Bureau of Statistics; and IMF staff calculations.

[1] The Rapid Assessment Survey (RAS) was conducted between May and July 2020, with a focus on enterprises that were heavily impacted by the State of Emergency measures (ILO. 2020).

6. **Supporting financial inclusion, with promotion of MSMEs, would also help foster job creation and recovery (Box 3).** Lack of adequate financial access, financial literacy, and entrepreneurship skills are some of the pre-existing challenges faced by MSMEs. Although Samoa has implemented supportive policies to help enterprises weather the pandemic shock, longer-term measures are still needed to steer the course for private sector development and economic diversification, while monitoring bankruptcy and loan repayment difficulties confronted by MSMEs in the near term. Going forward, fostering development of MSMEs requires advancing the NFIS, with due consideration of challenges faced by women entrepreneurs.[5] These efforts would address multiple SDGs (No. 1, 2, 8, 10).

[5] According to a research by the United Nations, women in Samoa are actively involved in finance-related activities (40 percent of women are banked, compared to 38 percent of men), but may face more barriers in securing collateral form commercial finance (UNESCAP, 2020).

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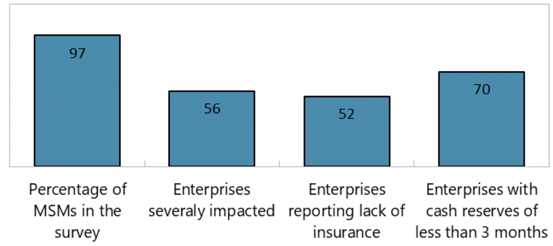
Box 3. Promote Micro, Small and Medium-sized Enterprises

Samoa: Impact of COVID-19 on enterprises
(In percent of total enterprises surveyed)



Source: ILO (2020); and IMF staff calculations.

MSMEs were heavily hit by the crisis, with the majority of enterprises registering income and job losses. Based on a survey of 119 enterprises (of which 59 percent were "micro" and 34 percent were "small"), the ILO RAS[1] found that businesses have been facing declining sales and cash flow since the onset of the pandemic. The majority of enterprises were not insured, had adequate cash flow for only up to three months, laid-off or reduced working hours for employees, and postponed investment plans. The impacts might be even higher, when informal MSMEs are considered as they usually outnumber formal MSMEs in developing countries (IFC, 2011). In Samoa, small and medium enterprises comprise the majority of enterprises (88 percent of all businesses and 75 percent of private sector employment, UNESCAP, 2020).

[1] The Rapid Assessment Survey (RAS) was conducted between May and July 2020, with a focus on enterprises impacted by the State of Emergency measures (ILO. 2020).

7. Strengthening Samoa's social protection framework would help mitigate the impact of the pandemic on the most vulnerable. Although there are some social protection schemes in place, Samoa lacks an integrated social protection framework. Without a well-targeted social protection scheme, informal workers are particularly exposed to hardships. With the help of the United Nations, Samoa will establish a social protection floor. In addition, the digital national ID project could promote efficient public services, help better target social protection policies, and support SDGs (No. 1, 5, 10).[6]

8. A multi-pronged strategy for enhancing resilience to climate change remains crucial. Samoa is highly susceptible to climate change risks, with significant socioeconomic costs. Strengthening resilience to extreme weather events and climate change remain a priority, including upgrading physical infrastructure, strengthening emergency response, and mainstreaming climate resilience into all sector plans, in line with the National Disaster Management Plan 2017-2020. Monitoring effectiveness and implementation of adaptation plans will be key to increasing climate-resilience. These efforts require more granular data to access economic costs of natural disasters. The strategy will underpin the global effort to green recovery and resilience to climate change, complement the recent progress made by the Samoan authorities[7], and lend support to achieving SDGs with international support (No. 13, 14, 15).

9. Resuming policies to support economic recovery and unlock sustainable growth will also require adequate capacity building. Samoa has continued to build institutional capacity

[6] International experiences indicate the possible use to emergency cash transfer for vulnerable groups and fast enroll of beneficiaries in social programs (IMF. 2020).

[7] Recent measures taken include the establishment of the National Emergency Operation Centre in October 2020 for emergency operations, and a planned rollout of the Self-Insurance Scheme in 2021, which will supply insurance to government buildings against natural disasters, including schools and hospitals.

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through technical assistance provided by the international community. To further leverage these efforts, it is crucial to also focus on statistical capacity, which requires granular, quality, and timely data, as well as information sharing across agencies. Gaining better understanding of the progress made on SDGs, evaluating policy's effectiveness, and identifying emerging issues will lead to agile policymaking. The authorities need to ensure their policies are transparent, appropriately prioritized, as well as evidence-based to support SDGs (No. 17).

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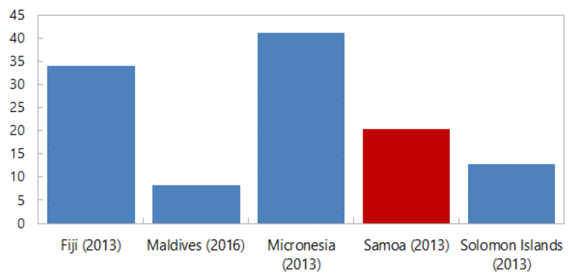
Figure 1. Samoa: Selected Sustainable Development Goals (SDGs)

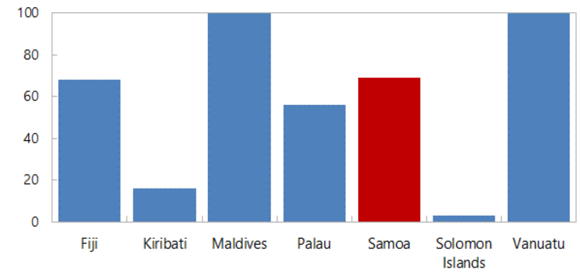
The number of people in hardship was low in 2013, but is expected to increase due to the impact of the pandemic…

Proportion of population below the national poverty line
(Percent)



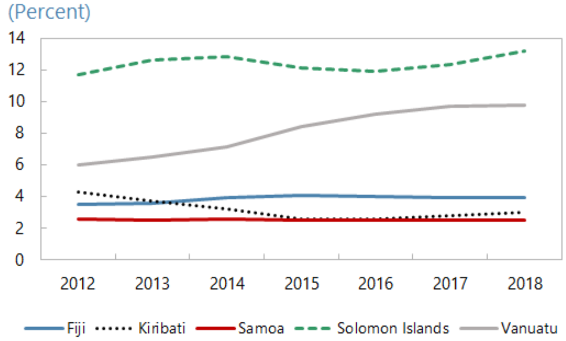
…but coverage of social assistance is limited.

Proportion of poor population receiving social assistance cash benefit, 2019
(Percent)



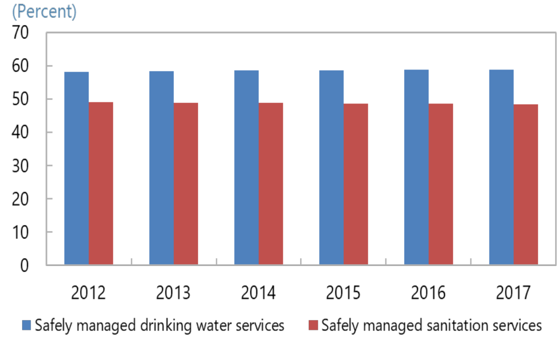
The prevalence of undernourishment has remained low, but food security remains a concern…

Prevalence of undernourishment
(Percent)



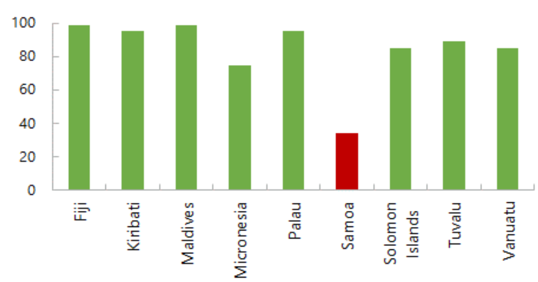
…additional efforts are needed to improve access to safely managed drinking water and sanitation service.

Samoa - Access to clean water and sanitation
(Percent)



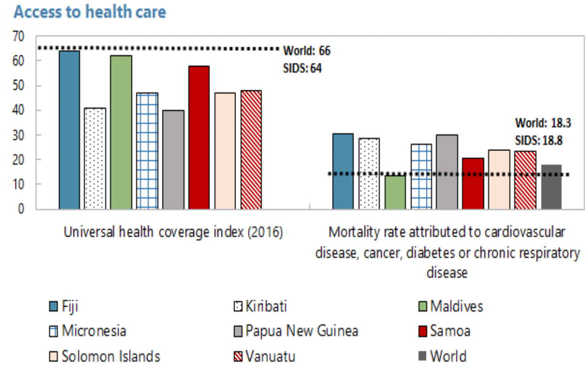
Coverage of the required vaccination (DTP3) remains low…

Proportion of the target population with access to 3 doses of diphtheria-tetanus-pertussis (DTP3), 2018
(Percent)



…and access to health care is below the world average.

Access to health care



Sources: United Nations - Global SDG Indicators Database; UN 2020 The Sustainable Development Foals Report; and IMF staff calculations.

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Table 1. SDGs Identified in the 2016/17–2019/20 Strategy for the Development of Samoa

Priority Areas	Key Outcomes	Corresponding SDGs	
1. Economic	1. Macroeconomic resilience increased and sustained	1. No Poverty	8. Decent Work & Economic Growth
		17. Partnership for the Goals	
	2. Agriculture and fisheries productivity increased	2. Zero Hunger	
	3. Exports products increased	9. Industry, Innovation, and Infrastructure	
	4. Tourism development and performance improved	8. Decent Work & Economic Growth	
	5. Participation of private sector in development enhanced	12. Responsible Consumption and Production	
2. Social	6. A healthy Samoa and well-being promoted	3. Good Health and Well-being	
	7. Quality education and training improved	4. Quality Education	
	8. Social institutions strengthened	5. Gender Equality	10. Reduced Inequalities
		16. Peace, Justice, and Strong Institutions	
3. Infrastructure	9. Access to clean water and sanitation sustained	6. Clean Water and Sanitation	
	10. Transport systems and networks improved	9. Industry, Innovation, and Infrastructure	11. Sustainable Cities and Communities
	11. Improved and affordable country wide ICT connectivity	9. Industry, Innovation, and Infrastructure	
	12. Quality energy supply	7. Affordable and clean energy	
4. Environment	13. Environmental resilience improved	14. Life Below Water	15. Life on Land
	14. Climate and disaster resilience	13. Climate Action	

Source: Strategy for the Sustainable Development of Samoa (SDS).

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United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), 2020, "Micro, Small and Medium-sized Enterprises' Access to Finance in Samoa – COVID-19 Supplementary Report and Recommendations." United Nations. (https://www.unescap.org/resources/msmes-access-finance-samoa-covid-19-supplementary-report-and-recommendations).

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INTERNATIONAL MONETARY FUND

SAMOA

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

March 2, 2021

Prepared By

Asia and Pacific Department
(In consultation with other departments)

CONTENTS

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FUND RELATIONS

(As of December 31, 2020)

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	2.72	24.51

Outstanding Purchases and Loans

	SDR Million	Percent Quota
RCF Loans	19.10	117.90

Latest Financial Arrangements

Type	Approval Date	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
Stand-by	7/9/1984	7/8/1985	3.38	3.38
Stand-by	6/27/1983	6/26/1984	3.38	3.38
Stand-by	8/17/1979	8/16/1980	0.75	0.00

Outright Loans

Type	Date of Commitment	Date Drawn	Amount Approved (SDR million)	Amount Drawn (SDR million)
RCF	4/24/2020	4/28/2020	16.20	16.20
RCF	5/15/2013	5/24/2013	5.80	5.80

Overdue Obligations and Projected Payments to Fund[1]

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

	Forthcoming				
	2021	**2022**	**2023**	**2024**	**2025**
Principal	1.16	1.16	0.58		1.62
Charges/interest	0.01	0.01	0.01	0.01	0.01
Total	**1.17**	**1.17**	**0.59**	**0.01**	**1.63**

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

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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 ±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. Samoa has accepted the obligations of Article VIII, Sections 2,3, and 4 and maintains an exchange system free of restrictions on the making and payments for current international transactions and multiple currency practices.

Article IV Consultations

Samoa is on a 12-month consultation cycle. The 2020 Article IV consultation discussions took place in Apia, Samoa during February 12-25, 2020, but the consultation was not concluded by the Executive Board due to the COVID-19 pandemic. The 2019 consultation was concluded by the Executive Board on May 8, 2019 (IMF Country Report No. 19/138).

Safeguards Assessments

An update safeguards assessment mission is scheduled for March 2021. The previous update 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 needed 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 addition, the financial statements (FS) and the management letter are made available timely within three months of the FY year-end and the FS are also published. However, the CBS should take further steps to enhance oversight of audit functions.

AML/CFT

Samoa's AML/CFT regime was assessed in 2015 by the Asia Pacific Group on Money Laundering (APG) under the revised 2012 FATF standard. In the mutual evaluation report (MER), the APG found significant shortcomings in Samoa's AML/CFT regime, rating it low or moderately effective in 10 out of the 11 immediate outcomes on effectiveness, and non-compliant or partially compliant in 23 of the 40 technical recommendations. Following the APG assessment, the authorities developed the 2016-2020 national AML/CFT strategy, and are making progress towards its implementation. Further amendments to the Money Laundering Prevention Act were passed in 2018, while the Trustee Companies Amendment Act and Foundations Amendment Act were enacted in 2019. In its 2020 follow-up report, Samoa reported on its continuing work to rectify deficiencies in the MER, and remains under the APG's enhanced follow-up process, with its next report due in June 2021. The CBS has been coordinating with an AML consultant to prepare the APG follow-up assessment.

Technical Assistance

The Pacific Financial Technical Assistance Centre (PFTAC) has provided assistance on public financial management (PFM), macroeconomic programing and analysis, revenue administration, and financial

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sector supervision (see table). From Headquarters, STA has provided help with government finance statistics and balance of payments statistics in collaboration with experts in PFTAC and the Capacity Development Office of Thailand (CDOT); FAD with tax administration and revenue mobilization to address Pacer Plus; MCM with insurance regulatory reforms and cyber risk regulation. Samoa is an IMF pilot on Correspondent Banking Relationships (CBR), on which it has received technical assistance from LEG and MCM in 2017 and follow-up assistance from LEG during the 2019 Article IV mission. APD also organized High-level Conference with Pacific Islands with Pacific Island Forum Secretariat to discuss the challenges during the COVID-19 crisis and how the international financial institutions can assist in the recovery during the Annual Meeting in October 2020.

FY 2020	National Accounts	PFTAC
	Government Finance Statistics	PFTAC
	Strengthening External Sector Statistics compilation and dissemination	STA via CDOT
	Supporting the use of the Samoa Economic and Revenue Forecasting (SERF) Model	PFTAC
	Developing PFM roadmap	PFTAC
	Planning and reporting a risk-based procurement audit	PFTAC
	Improving financial reporting	PFTAC
	Reviewing an industry partnership strategy to improve compliance	PFTAC
	Supporting the Pacific Agreement on Closer Economic Relations Plus (PACER Plus) compensation program	PFTAC and FAD
	Reviewing progress and facilitate further improvements of on-time filing and management of outstanding tax returns	PFTAC
	Reviewing progress and facilitate further improvements of on-time payment and tax arrears	PFTAC
	Improving taxpayer services	PFTAC
	Review audit modernization plan	PFTAC
	Insurance regulatory reforms	PFTAC and MCM
FY 2021	National Accounts	PFTAC
	Government Finance Statistics	PFTAC
	External Sector Statistics	STA via CDOT
	Risk-based Internal Audit	PFTAC
	PEFA Climate Assessment	PFTAC
	Cash Management	PFTAC
	Strengthening Taxpayer Audit	PFTAC
	Revenue Administration	PFTAC
	Business Continuity Planning	PFTAC
	Revenue Compliance Improvement Strategy	PFTAC
	Territorial Tax Legislation	PFTAC and LEG
	Insurance Regulatory Reforms	PFTAC and MCM

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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, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. Ms. Leni Hunter is the current Resident Representative.

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RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

Information on the activities of other IFIs in Samoa can be found at:

- World Bank Group:
  http://projects.worldbank.org/search?lang=en&searchTerm=&countrycode_exact=WS
- Asian Development Bank:
  https://www.adb.org/countries/samoa/main
- Pacific Financial Technical Assistance Center:
  https://www.pftac.org/content/PFTAC/en1/reports11.html#tab_5

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STATISTICAL ISSUES

(As of February 2021)

I. Assessment of Data Adequacy for Surveillance
General: 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.
National Accounts: National account statistics have improved during the last three years. GDP by production is compiled quarterly, predominantly using value-added tax data. Rebased GDP at 2013 prices was published in April 2019. The estimates of GDP by expenditure at current and constant prices for 2018:Q1 to 2020:Q3 were refined during a PFTAC mission in February 2021.
Price Statistics: The CPI is compiled monthly with a less than one-month lag. The current weights are derived from the 2013-14 Household Income and Expenditure Survey (HIES), and are expected to be updated in 2021 based on the results of the 2018 HIES. A quarterly import price index with 2018 weights is also published with a lag of about six weeks.
Government Finance Statistics (GFS): Samoa compiles GFS for general government, and reports data to the IMF's annual GFS database. The latest submission includes data for FY2019. The Samoa Bureau of Statistics also compiles quarterly GFS for the budgetary central government, and the Ministry of Finance produces central government debt data. These data are disseminated through Samoa enhanced General Data Dissemination System (e-GDDS) National Summary Data Page. The authorities intend to expand the coverage for GFS and debt statistics beyond general government to include the rest of the public sector.
Monetary and Financial Statistics (MFS): 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. Samoa reports data on several indicators of the Financial Access Survey (FAS), including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).
Financial Sector Surveillance: Samoa began reporting Financial Soundness Indicators (FSIs) to the IMF in March 2016. The authorities report all 12 core and 7 encouraged FSIs for deposit takers, two FSIs for other financial corporations, and two FSIs for real estate markets, with quarterly frequency.
External sector statistics (ESS): The CBS compiles quarterly balance of payments. The Project to Improve ESS in the Asia–Pacific Region, funded by the Government of Japan and managed by the STA and the CDOT, has been successful. The source of data on exports and imports of goods has been changed to the Customs data, and the 2018 International Visitors Survey has been incorporated with the help of STA/CDOT mission. Remaining issues are being addressed. A recent remote mission conducted in January 2021 has validated selected balance of payments components affected by the pandemic and proposed some revisions, as relevant; assisted in setting up a procedure for proper recording of exceptional financing transactions; and suggested changes to institutional settings that would support ESS compilation. The mission noted that the level of detail on external debt data would need to be more granular to record below-the-line transactions, and advised on the data needs and statistical techniques for recording various debt relief transactions, including the G20 Debt Service Suspension Initiative. Also, the offshore financial and non-financial companies are not currently

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included in Samoa's balance of payments statement due to lack of detailed data. This mission discussed the forthcoming data initiative on collecting cross-border statistics on resident SPEs with the compilers. Samoa should continue developing source data mainly from non-financial corporations to help improve international investment position (IIP) data. The authorities successfully disseminated initial estimates of the IIP to the Statistics Department in 2020, and are working on further improvements. A number of institutional issues remain to be addressed, including interagency data sharing.	
II. Data Standards and Quality	
Samoa was the first country in the region to implement the enhanced General Data Dissemination System (e-GDDS) in 2017, starting to disseminate key macroeconomic and financial statistics through a web-based National Summary Data Page according to an advance release calendar.	No data module ROSC has so far been conducted in Samoa.

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Samoa – Table of Common Indicators Required for Surveillance

(As of February 2021)

	Date of latest observation	Date received	Frequency of Data[4]	Frequency of Reporting[4]	Frequency of Publication[4]
Exchange Rates	2/4/21	2/4/21	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities	12/20	1/14/21	M	M	M
Reserve/Base Money	12/20	2/4/21	M	M	M
Broad Money	12/20	2/4/21	M	M	M
Central Bank Balance Sheet	12/20	2/4/21	M	M	M
Consolidated Balance Sheet of the Banking System[1]	12/20	2/4/21	M	M	M
Interest Rates[2]	12/20	2/4/21	M	M	M
Consumer Price Index	12/20	2/4/20	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – Central Budgetary Government	2020: Q3	12/1/20	Q	Q	Q
Stocks of Central Government and Central Government-Guaranteed Debt	2020: Q3	12/1/20	Q	Q	N/A
External Current Account Balance	2020: Q3	1/11/21	Q	Q	Q
Exports and Imports of Goods and Services	2020: M10	1/11/21	M	M	M
GDP	2020: Q3	2/4/21	Q	Q	Q
Gross External Debt	2020: Q3	12/1/20	Q	Q	Q
International Investment Position (IIP)	2019: Q4	6/4/20	Q	Q	Q

[1]Data obtained directly from the Central Bank of Samoa.
[2]Officially-determined rates (yields on central bank securities) and commercial banks' deposit and lending rates.
[3]Domestic and external financing. Samoa produces quarterly data for the budgetary central government only and produces annual data for the central government.
[4]Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); Not Available (NA).

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INTERNATIONAL MONETARY FUND

SAMOA

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

March 2, 2021

Approved By
Ranil Salgado (IMF) and Marcello Estevão (IDA)

Prepared by the staffs of the International Monetary Fund (IMF) and the International Development Association (IDA)[1]

Risk of external debt distress	*High*
Overall risk of debt distress	*High*
Granularity in the risk rating	*Sustainable*
Application of judgment	*Yes. The projection horizon was extended to 20 years to capture the impact of natural disasters on debt dynamics.*

Samoa remains at high risk of external and overall debt distress, unchanged from the previous DSA published in April 2020. Consistent with the April 2020 DSA, judgement was applied to arrive at the high-risk rating, given that the mechanical external and overall risk rating from the model was assessed as moderate. To adequately capture Samoa's vulnerability to natural disasters and the effects of climate change, judgement was applied to extend the projection horizon to 20 years as opposed to the standard 10 years. This allows for the inclusion of the average long-term costs of natural disasters and climate change by incorporating their impacts on economic growth, the fiscal position, and the current account balance in the baseline scenario over the long term (FY2027-2041).[2] The combination of these two factors results in a breach of the threshold under the baseline scenario for the present value (PV) of the public debt-to-GDP ratio from 2034 onwards, as well as the PV of the external public and publicly guaranteed (PPG) debt-to-GDP ratio from 2038 onwards. The debt service-to-revenue ratio does not breach its indicative target because of the large share of concessional loans in external debt, and the temporary relief provided by the G-20 Debt Service Suspension Initiative (DSSI). A tailored natural disaster shock, similar in scale to the median impact of natural disasters in Samoa's history and assumed to strike in FY2022, leads to a further worsening of the debt dynamics. Given Samoa's vulnerability to natural disasters and external shocks, debt sustainability hinges upon the government's efforts to build fiscal and external buffers and enhance resilience. These efforts should focus on a mix of expenditure prioritization, and PFM reforms including improvements in budget planning, monitoring, and execution to help promote an inclusive economic recovery. Once the economy has recovered from the effects of COVID-19, revenue mobilization efforts should be strengthened. While domestic debt remains small, government-guaranteed debt accounted for 7.1 percent of GDP in FY2020, a reduction from FY2019.

[1] This DSA has been prepared jointly by the IMF and World Bank, following the revised LIC-DSF Framework and Guidance Note (2017) in effect as of July 1, 2018. The Samoa Composite Indicator (CI), which is calculated based on the October 2020 WEO and the World Bank's 2019 CPIA index, is 3.22, indicating that the country's debt-carrying capacity is strong. Thresholds for debt burden indicators are those established in the revised LIC-DSF framework.

[2] Consistent with previous analysis, see footnote 7. Samoa's fiscal year runs from July 1 to June 30.

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PUBLIC DEBT COVERAGE

1. **This Debt Sustainability Analysis (DSA) covers central government and central government-guaranteed debts (Text Table 1).** Public and Publicly Guaranteed (PPG) debt accounted for 53.8 percent of GDP in FY2020, comprising central government debt (46.7 percent of GDP) and central government-guaranteed SOE debt (7.1 percent of GDP). There is no sub-national government structure in Samoa. The Central Bank of Samoa (CBS) is not allowed to contract debt on behalf of the government. The SOEs must seek government approval annually for all new loans. The authorities have begun reporting non-guaranteed SOE debt from FY2020 (estimated at around 1.1 percent of GDP in FY2020). This is not included in the debt definition but captured in the contingent liability stress test.[3] The definition of external and domestic debt is based on residency.[4] The authorities are currently working towards strengthening the monitoring and disclosing of fiscal risks with the assistance of PFTAC.

Text Table 1. Samoa: Debt Coverage

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	Not Applicable
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	
8	Non-guaranteed SOE debt	

BACKGROUND ON DEBT

2. **Central government debt (referred to as public debt from here on) was 46.7 percent of GDP in FY2020, a decline of 0.8 percentage point of GDP from FY2019.** An inadvertent tightening, driven by under execution of capital expenditure (CAPEX) due to implementation delays, led to the overall fiscal surplus of 6.2 percent of GDP in FY2020 compared to 2.7 percent of GDP in FY2019. Growth in total revenue, driven largely by an increase in grants, also contributed to the overall fiscal outcome. The surplus helped ensure timely repayments of external debt, thereby contributing to reducing the debt-to-GDP ratio.

3. **Public external debt was US$375 million (46.3 percent of GDP) at the end of FY2020, a decline of 0.4 percentage point of GDP compared to FY2019 (Text Table 2).** 54 percent of the outstanding public external debt at the end of FY2020 was from multilateral creditors, including the IDA and Asian Development Bank (AsDB), and 46 percent was from bilateral creditors (including China and Japan).

[3] The Government is strongly encouraged to report non-guaranteed SOE debt in the FY2022 budget documents and on an ongoing basis.

[4] Since all the domestic debt is in tala and all the external debt is in foreign currency, the residency-based classification is equivalent to the currency-based classification in the case of Samoa.

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Text Table 2. Samoa: Evolution of Public Debt, FY2017 – FY2020

	FY2017	FY2018	FY2019	FY2020	FY2017	FY2018	FY2019	FY2020
	In millions of SAT	In millions of SAT	In millions of SAT	In millions of SAT	In percent of external debt	In percent of external debt	In percent of external debt	In percent of external debt
Total public debt	1047.4	1113.8	1058.6	1012.3	...	...	...	...
External	1018.0	1094.3	1043.7	1004.6	100.0	100.0	100.0	100.0
Multilateral	534.5	563.0	544.3	540.6	52.5	51.5	52.2	53.8
IDA	247.2	280.8	279.4	294.9	24.3	25.7	26.8	29.4
ADB	256.1	250.6	235.5	218.3	25.2	22.9	22.6	21.7
OPEC	23.2	24.0	22.6	20.9	2.3	2.2	2.2	2.1
Other	8.0	7.6	6.8	6.5	0.8	0.7	0.7	0.6
Bilateral	483.5	531.3	499.4	463.9	47.5	48.5	47.8	46.2
Exim Bank (China)	410.0	440.1	409.5	377.3	40.3	40.2	39.2	37.6
Japan	73.5	91.2	89.9	86.7	7.2	8.3	8.6	8.6
Domestic	29.4	19.5	14.9	7.8	...	...	...	...
Memorandum items:								
Nominal GDP (millions of SAT)	2110.0	2108.3	2231.2	2168.0				
Market rate (tala/U.S. dollar, end period)	2.5	2.6	2.6	2.7				

Sources: Samoan authorities; and IMF staff estimates

4. Domestic debt has been declining gradually and remains below 1 percent of GDP (Text Table 3). All domestic public debt is issued in local currency.

Text Table 3. Samoa: Stock of Public Debt at the End of FY2020

	In millions of SAT	In millions of US dollars	As a share of total debt	In percent of GDP
Total public debt	1012.3	377.9	100.0	46.7
External	1004.6	375.0	99.2	46.3
Multilateral	540.6	201.8	53.4	24.9
IDA	294.9	110.1	29.1	13.6
ADB	218.3	81.5	21.6	10.1
OPEC	20.9	7.8	2.1	1.0
Other	6.5	2.4	0.6	0.3
Bilateral	463.9	173.2	45.8	21.4
Exim Bank (China)	377.3	140.8	37.3	17.4
Japan	86.7	32.4	8.6	4.0
Domestic	7.8	2.9	0.8	0.4
Memorandum items:				
Nominal GDP (millions of SAT)	2168.0			
Market rate (tala/U.S. dollar, end period)	2.7			

Sources: Samoan authorities; and IMF staff estimates

5. Public and publicly guaranteed (PPG) debt totaled 53.8 percent of GDP in FY2020, of which guarantees were 7.1 percent of GDP. Government-guaranteed debt declined by 0.2 percentage point of GDP to 7.1 percent of GDP. More than half of the total guaranteed debt (about 54 percent in FY2020) originated from the Central Bank of Samoa (CBS) through the Credit Line Facility (CLF) to support SOEs (mainly DBS), following the aftermath of the natural disasters and promoting inclusive economic growth in

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the targeted priority sectors.[5] Public financial institutions, including the Development Bank of Samoa (DBS)—received 96 percent of the total disbursements thus far—and the Samoa Housing Corporation (SHC), have engaged in on-lending operations, and have been making regular and timely repayments to the CBS. Including the loan through the CLF, operations by the DBS account for the largest share of government guarantees, holding around 65 percent of the total in FY2020 (Text Table 4).

Text Table 4. Breakdown of Government Guarantees

	FY2017	FY2018	FY2019	FY2020
By Creditor		In millions of Tala		
Unit Trust of Samoa	$ 10.7	$ 10.8	$ 25.619	$ 37.407
Bank of the South Pacific	$ 6.8	$ 5.1	$ 4.4	$ 4.0
Central Bank of Samoa	$ 99.1	$ 96.6	$ 95.7	$ 86.6
National Bank of Samoa	$ -	$ -	$ -	$ -
Accident Compensation Corporation	$ 17.0	$ 10.0	$ 10.0	$ 10.0
European Investment Bank	$ 16.6	$ 14.5	$ 11.3	$ 8.2
European Economic Committee	$ 0.2	$ 0.1	$ -	$ -
Samoa National Provident Fund	$ 17.6	$ 16.7	$ 15.4	$ 14.3
	$ 167.9	$ 153.9	$ 162.5	$ 160.5
By Borrower		In millions of Tala		
Samoa Shipping Services	$ 1.7	$ 1.7	$ 1.2	$ 1.1
Samoa Trust Estates Corporation	$ 4.2	$ 4.5	$ -	$ -
Samoa Housing Corporation	$ 14.2	$ 12.8	$ 11.5	$ 10.1
Polynesian Airlines/Samoa Airways	$ 6.8	$ 5.1	$ 24.3	$ 35.8
Development Bank of Samoa	$ 124.0	$ 119.9	$ 115.5	$ 103.4
Unit Trust of Samoa	$ 17.0	$ 10.0	$ 10.0	$ 10.0
Samoa Land Corporation	$ -	$ -	$ -	$ -
	$ 167.9	$ 153.9	$ 162.5	$ 160.5

Source: Authorities Data

COUNTRY CLASSIFICATION

6. **Samoa's debt-carrying capacity remains strong (Text Table 5).** The Composite Indicator (CI) index, which has been calculated based on the October 2020 WEO and the World Bank's 2019 Country Policy and Institutional Assessment (CPIA), is 3.22, indicating that the country's debt-carrying capacity remains strong in the LIC-DSA framework. The CI index was 3.29 in the April 2020 DSA.

[5] Based on the CBS Annual Report FY2018, the CBS has extended five separate CLF's since 2009, including the Tsunami CLF (2009), Cyclone Evan CLF (2013), and other CLFs to help promote inclusive economic growth in the priority sectors. The total disbursements amount to SAT 135 million, with the outstanding balance declining to SAT 96 million in FY2019 and SAT 87 million in FY2020.

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Text Table 5. Samoa: Country Policy and Institutional Assessment Rating

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.985	1.53	48%
Real growth rate (in percent)	2.719	1.522	0.04	1%
Import coverage of reserves (in percent)	4.052	35.455	1.44	45%
Import coverage of reserves^2 (in percent)	-3.990	12.571	-0.50	-16%
Remittances (in percent)	2.022	15.494	0.31	10%
World economic growth (in percent)	13.520	2.928	0.40	12%
CI Score			3.22	100%
CI rating			Strong	

7. **Based on the CI rating, Samoa's debt is assessed against a higher threshold than other PICs (Text Table 6).** The relevant indicative thresholds for countries with a strong CI rating are 55 percent for the PV of PPG external debt-to-GDP ratio, 240 percent for the PV of PPG external debt-to-exports ratio, 21 percent for the PPG external debt service-to-exports ratio, and 23 percent for the external debt service-to-revenue ratio. The benchmark for the PV of total public debt under strong capacity is 70 percent.

Text Table 6. Samoa: Debt Thresholds

Debt carrying capacity (CI classification)	PV of PPG external debt in percent of		PPG external debt service in percent of		PV of total public debt
	GDP	Exports	Exports	Revenue	GDP
Weak	30	140	10	14	35
Medium	40	180	15	18	55
Strong	55	240	21	23	70

METHODOLOGY AND ASSUMPTIONS

A. The Baseline

8. **The underlying baseline assumptions relating to the natural disaster stress test in the 2021 DSA follow the assumptions in the April 2020 DSA (Text Table 7).** They are consistent with the macroeconomic framework based on updated data provided by the authorities and estimates by staff. Given Samoa's vulnerability to natural disasters and the effects of climate change, the baseline scenario incorporates the effects of natural disasters and climate change. The medium-term (FY2021–26) is assumed to be disaster free to simplify the policy discussion of the medium-term outlook. From FY2027 onwards, the baseline is adjusted to reflect the country's historical experience and incorporates the average long-term effects of natural disasters and climate change. It lowers GDP growth by 1.3 percentage points (pp), raises the current account deficit by 3.5 pp of GDP, and increases the fiscal deficit by 3.5 pp of GDP on

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average each year during FY2027-41 vis-à-vis disaster-free projections during FY2021-26.[6] The assumptions are consistent with the findings of staff's analysis on the impact of natural disasters.[7] The discount rate used to calculate the net present value of external debt remains at 5 percent. The main assumptions are:

- **The economy is expected to severely contract in FY2021 and rebound modestly in FY2022**. Given the ongoing COVID-19 pandemic, significant declines in tourism earnings (with zero arrivals in FY2021) are assumed in the baseline, which would generate knock-on effects to non-tourism sectors and affect economic activity more broadly. In addition, floods around the time of the festive season dealt yet another blow to the economy, costing (based on the authorities' estimate) at least 1½ percent of GDP. Nonetheless, reconstruction efforts are expected to boost construction activity in the second half of FY2021. Also, resilient remittance inflows and the lifting of most social restrictions in December boosted household consumption. Moreover, a supplementary budget in December 2020 extending stimulus measures and a push by the government to fully execute its budget in FY2021 will likely promote economic activity during the second half of FY2021. Considering these developments, staff projects real GDP to decline by 7.8 percent in FY2021, rebounding to growth of 1.7 percent in FY2022, supported by tourism sector recovery and implementation of capital projects. Growth is projected to normalize at around 2.1 percent by the end of the medium term (FY2026). Real GDP growth during FY2027-31 period is lower due to the scarring effect of the pandemic. However, higher longer term growth is projected during the ensuing decade (FY2032-41), benefitting from implementation of structural reforms, including through the reform strategy of "Samoa 2040".[8] When the average impact of natural disasters is taking into account, GDP growth is lowered by 1.3 pp of GDP on average during FY2027-41.

- **Inflation is expected to remain contained.** Inflation is projected to fall to -2.5 percent in FY2021. Declines in global commodity prices and domestic utility prices (resulting from the fiscal stimulus) underpin staff's inflation projection for FY2021. Over the medium term, staff projects

[6] Calculation is done by subtracting the average of FY2027-40 from FY2026 value for each indicator (real GDP growth, current account, and fiscal balance).

[7] See Samoa Article IV consultation, 2017. The methodology used is consistent with the 2016 IMF Board Paper on "Small States' Resilience to Natural Disasters and Climate Change", which suggests that the long-term baseline macroeconomic projections for the countries highly vulnerable to natural disasters should not just be based on the outlook in non-disaster years, but should also factor in an average adverse impact from probable disasters to ensure more realistic medium-term and long-term plans and policies including focus on building resilience.

[8] "Samoa 2040: Transforming Samoa to a Higher Growth Path" is Samoa's national development agenda looking at key economic opportunities with the highest potential to achieve sustainable development by the year 2040. The document is based on seven thematic areas involving enhanced digital development, lifting tourism numbers and spending, greater labor mobility, boosting agriculture, effective investment in human capital, resilient development, and a safe and secure Samoa.

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inflation to pick up but remain below 3 percent (meeting Central Bank of Samoa's indicative target rate),[9] with commodity prices remaining soft.

- **The current account balance** recorded a surplus of 1.2 percent of GDP in FY2020 driven by import compression (from collapse of the tourism sector, under-execution of CAPEX, and weak domestic demand), resilient remittance inflows, and a large increase in foreign grants in response to the COVID-19 pandemic. Moving forward, the pandemic and its aftermath are expected to continue weighing on tourism receipts and exports, and put pressure on remittance inflows. While additional official grant receipts will help soften both external and fiscal pressures, they will likely add to imports. The current account deficit is projected to widen to 6.5 percent and 10.9 percent of GDP in FY2021 and FY2022, respectively. Nonetheless, the deficit is expected to improve gradually, reaching 2.0 percent of GDP over the medium term, supported by tourism-related recovery. The current account deficit is higher in the long-term (FY2032-2041), assuming faster import growth driven by the ramping up of public investment. Nonetheless, it is expected that exports would also pick up over the long-term horizon, helping contain the current account deficit. To account for the average impact of natural disasters, the deficit is increased by 3.5 pp of GDP on average during FY2027-41.

- **The overall fiscal balance recorded a surplus of 6.2 percent of GDP in FY2020** but is projected to turn into a sizable deficit in FY2021-22, driven by the impact of COVID-19 on the tourism sector, considerable losses in associated government revenue, and lower grants receipts. Staff projects a deficit of 3.4 and 6.7 percent of GDP in FY2021 and FY2022, respectively. The widening fiscal deficit in FY2022 reflects lower grants (FY2020-21 are one-offs due to measles and COVID-19 shock) and a recovery in CAPEX implementation (FY2020 was very low at 3.5 percent of GDP). However, it is expected to improve to 3.0 percent of GDP on average over the medium-term (FY2023-26). The fiscal deficit in the last decade of the long-term projection horizon (FY2032-41) is assumed to be slightly larger than before, reflecting the government's plan to increase public investment projects, unlocking private investment. To account for the average annual impact of natural disasters, the deficit is widened by 3.5 pp of GDP on average during FY2027-41.

Text Table 7. Samoa: Baseline Macroeconomic Assumptions

(In percent of GDP, unless otherwise noted)

	Current DSA (2021 Article IV)				Previous DSA (RCF SR)			
	FY2021-26	FY2027-31	FY2032-41	FY2027-41	FY2020-2025	FY2027-2031	FY2032-41	FY2027-41
Real GDP growth (in percent change)	0.8	0.7	1.2	1.0	2.7	0.9	0.9	0.9
Inflation (in percent change)	1.7	2.6	2.8	2.7	2.6	2.8	2.8	2.8
Current account deficit	5.0	5.5	6.2	6.0	3.8	5.0	5.0	5.0
Overal fiscal deficit	3.7	4.8	6.3	5.8	6.0	4.5	5.7	5.2

Sources: Country authorities; and staff estimates and projections.

[9] The Central Bank of Samoa (CBS) relates Samoa's inflation rate to its major trading partners' annual average inflation rate—this determines the target that the CBS seeks to maintain each year—to pursue price stability. The indicative target rate has been 3 percent in recent years.

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- **Continued eligibility for concessional borrowing from MDBs is assumed for the forecast period to finance the fiscal deficit, which is driven by the response to COVID-19 and increased infrastructure spending.** The planned new financing needs identified in the DSF are consistent with public gross financing needs in the baseline macro-economic framework. The baseline also incorporates cashflows (from delayed debt service) of around 2.3 percent of GDP[10] in FY2021 obtained in the context of the Debt Service Suspension Initiative (DSSI). All external financing is assumed to be concessional. In addition to IDA financing, 20 percent of the remaining financing need is assumed to be sourced from the AsDB while the remaining 80 percent is from other multilateral partners. The grant element of all new loans is 48 percent on average. It is assumed that borrowing from the IDA, the AsDB, and other Multilaterals is on full credit terms.[11]

9. The realism tools suggest that the macroeconomic and fiscal assumptions are reasonable.[12] Although the external and public PPG debt trajectory in the current DSA differs from the April 2020 DSA (Figure 3), this is explained by the lower debt outturn in FY2020 compared to a higher projection in the April 2020 DSA (46.8 percent of GDP compared to the projection of 55.6 percent of GDP). Most indicators underlying external debt dynamics remain broadly in line with their historical contributions except for the current account, which is highly volatile and vulnerable to external conditions. The underlying indicators for public PPG debt remain reasonable. The primary balance is projected to deteriorate between FY2021 and FY2022. The assumed revenue path discounts the collection of tax arrears in FY2020 and incorporates expected revenue losses from the impact of COVID-19 on the tourism sector amongst other things, and lower grants receipts. On the other hand, primary expenditure is projected to increase, driven mainly by capital projects including disaster-resilient infrastructure spending that supports growth. Staff real GDP growth projection during FY2021-22 is lower than the growth path projected by the realism tool, which is based on the fiscal adjustment[13] and a typical fiscal multiplier in a LIC (about 0.4).[14] Staff baseline projection is based on a prolonged impact of the COVID-19 pandemic (continues in FY2021 with a gradual recovery commencing FY2022). CAPEX implementation reflects border closures, local weather conditions, and a limited implementation capacity, thereby having contributed to under-execution of public investment projects (lower than budgeted) for the second consecutive year in FY2020, but it is expected to pick up gradually over the coming years (Figure 4).

[10] This includes savings from DSSI extension. The savings without the extension was around half of the total savings.

[11] With respect to projected new borrowing from the IDA and AsDB, DSAs always assume terms that would prevail if the country was at low risk of debt distress, independent of current actual terms (which can change on a year to year basis). This is done to avoid a circular situation where the assumption that future commitments will be on grant terms would yield actual commitments on credit terms.

[12] The negative residuals in FY2021 are associated with the liquidation of assets to cover financing needs. The authorities FY2021 Budget and staff projections assume no borrowing in FY2021 and the entire financing requirement is met by a drawdown of cash deposits (accumulated from the surpluses in FY2019 and FY2020).

[13] Fiscal adjustment of -10.1 percent (-3.9 in FY2021 minus 6.2 in FY2020) in FY2021 and -1.4 percent (-5.4 in FY2022 minus -3.9 in FY2021) in FY2022.

[14] Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries (February 2018).

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B. Standard Stress Test

10. There are six standardized stress tests in the DSF, each applied to both the external and the public DSA. These standard stress tests capture shocks to real GDP growth, the primary fiscal balance, exports, other flows (includes official and private transfers and FDI), exchange rate depreciation, and a combination of these shocks. In standardized stress tests, a variable is subject to a shock, and the post-shock values of the stressed variables are set to the baseline projection minus one standard deviation. However, if the historical average is lower than the baseline projection, then the post-shock values are instead set to the historical average minus one standard deviation.[15]

C. Tailored Stress Tests

Natural Disaster Stress Test (a medium-term scenario)

11. Given the severity and frequency of natural disasters in Samoa, a tailored stress test for a natural disaster shock in the medium term was also conducted to assess debt sustainability. Samoa is subject to a standard natural disaster shock which implies a one-off shock to public debt. This shock was proxied by the median size of damages caused by natural disasters in the past (equal to 21 percent of GDP) and adversely impacts GDP and exports growth in the second year of the projection period (FY2022 for this DSA). Based on staff research,[16] the default setting (10 percent of GDP increase in debt stock, 1.5 percent decline in real GDP growth, and 3 percent decline in exports growth) was modified so that the stress test captures Samoa-specific factors. The tailored stress test increases the public debt-to-GDP ratio by 21 percent in FY2022 – it assumes a natural disaster occurs in FY2022 and that new debt is contracted to finance damages, which are assumed to be in line with the median impact[17] of natural disaster in Samoa's history (the highest in the sample of 12 Pacific island countries using data from 1980-2016). Real GDP and exports growth decline by 3 percent and 6 percent in FY2022, respectively. Staff research also highlights that although the probability that at least one disaster occurs in a given year is relatively low compared to the sample, the probability per year for Samoa being exposed to a severe natural disaster is second highest in the sample.

Contingent Liability Stress Test

12. The stress test, capturing combined contingent liabilities, accounts for implicit liabilities and a potential financial market shock (Text Table 8). A contingent liability stress test reflects the likely consequences of a contingent liability shock on the debt path. The test incorporates contingent liabilities

[15] See 2018 Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries.

[16] Detail in the IMF Working Paper 18/108, "The Economic Impact of Natural Disasters in Pacific Island Countries" (https://www.imf.org/en/Publications/WP/Issues/2018/05/10/The-Economic-Impact-of-Natural-Disasters-in-Pacific-Island-Countries-Adaptation-and-45826).

[17] The maximum damage Samoa has suffered from natural disasters is 161.8 percent of GDP while average damage amounted to 47.7 percent of GDP (Lee et al, 2018).

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amounting to 7 percent of GDP, which comprises 2 percent of GDP of non-guaranteed SOE debt and 5 percent of GDP of financial market shock.

Text Table 8. Samoa: Combined Contingent Liability Shock

1	The country's coverage of public debt	The central government plus social security, government-guaranteed debt	
		Default	Used for the analysis
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.0
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0
4	PPP	35 percent of PPP stock	0.0
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0
	Total (2+3+4+5) (in percent of GDP)		7.0

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

DEBT SUSTAINABILITY

13. Samoa's mechanical risk rating is moderate for both external and overall debt. Judgement was applied to arrive at a high risk of debt distress by extending the projection horizon beyond ten years given there is a high probability of a large and protracted breach of the threshold under the baseline scenario over the long-run due to Samoa's exposure to frequent natural disasters and the effects of climate change.[18]

External Debt Sustainability Analysis

14. Under the baseline scenario, Samoa's external debt path is projected to breach the indicative threshold in the late 2030s (Figure 1).[19] The PV of the external debt-to-GDP ratio is expected to increase gradually from 37 percent of GDP in 2021 to 41 percent in 2030, and to reach 64 percent in 2041, on account of increased external borrowing to meet the fiscal financing need and finance new planned infrastructure projects as well as reconstruction projects resulting from future natural disasters. The PV of the external debt-to-GDP ratio breaches the indicative threshold of 55 percent of GDP in 2038 and remains above the threshold for the rest of the projection period (through 2041). Given a large share of concessional loans in external debt, the debt service-to-revenue ratio does not breach the indicative threshold.

[18] Paragraph 87 of the LIC DSF Staff Guidance Note (2018).
[19] The rating and application of judgement is in line with paragraph 87 of the LIC DSF Guidance Note (2018), which states that in exceptional circumstances, threshold breaches in years 11-20 may provide a rationale to change the risk rating. It is possible to consider a change in rating when (i) breaches are expected to be large, persistent, and thus resulting in significant differences relative to historical averages; and (ii) occur with a high probability despite occurring in the distant future. Such a situation could arise from trends that are not easily influenced by policy interventions, such as climate change (as in Samoa's case).

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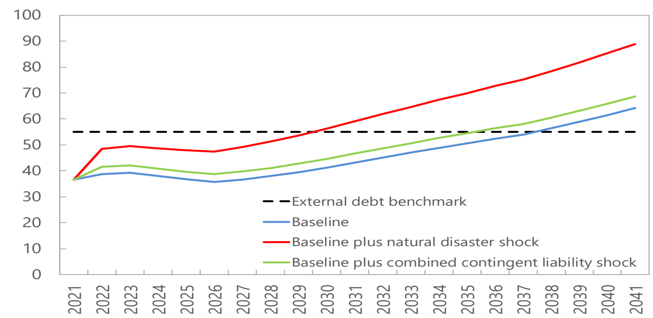
15. Stress tests confirm the vulnerability of external debt dynamics to shocks particularly exports, natural disasters, and contingent liabilities (Text Figure 1). All standard stress tests breach the threshold for the PV of external debt-GDP-ratio, with the exports shock causing the earliest breach (commencing 2032). This is a result of the lower base for exports (goods and services) in FY2021, reflecting the impact of COVID-19 on tourism earnings. For the tailored shocks, a natural disaster has the largest negative impact on the debt trajectory, causing a protracted breach to the PV of external debt-to-GDP ratio commencing in FY2030 (Figure 1). A tailored contingent liability shock breaches the PV of external debt-to-GDP ratio threshold from 2036 (Table 3).

Text Figure 1. Samoa: PV of External Debt-to-GDP Ratio
(Percent of GDP)

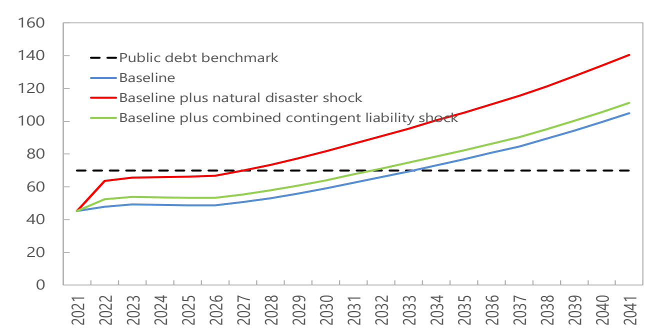


Source: IMF staff estimates

Public Sector Debt Sustainability Analysis

16. Total public sector debt closely follows external debt dynamics (Text Figure 2). Under the baseline scenario, the PV of public debt-to-GDP ratio breaches the benchmark in 2034 (Table 4). Most standard stress tests cause a breach to the benchmark level of the PV of public debt-to-GDP ratio, but the real GDP stress test causes an earlier breach in 2026. In addition, the natural disaster and contingent liability shocks result in threshold breaches in 2028 and 2032, respectively (Figure 2).

Text Figure 2. Samoa: PV of External Debt-to-GDP Ratio
(Percent of GDP)



Source: IMF staff estimates

RISK RATING AND VULNERABILITIES

17. Samoa's overall public debt situation remains fragile given its vulnerability to natural disasters and external shocks. PPG debt is expected to grow over the medium term. The debt-to-GDP ratio declined in FY2020, supported by a positive overall fiscal balance, which is considered temporary by staff given it is a byproduct of CAPEX under-execution and elevated grants from development partners. However, from FY2021, it is expected to increase, driven by a widening primary deficit, reflecting the impact of the COVID-19 pandemic. Samoa's overall public debt breaches the indicative threshold when the average annual impact of natural disasters is reflected in the long-term baseline

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projections of GDP growth, the current account, and the fiscal balance. Also, a tailored natural disaster stress test results in a threshold breach earlier in the projection period.

18. Samoa remains at high-risk of debt distress. The PV of the external debt-to-GDP ratio and the PV of the public-debt-to-GDP ratio breach their indicative debt benchmark under the baseline scenario in 2038 and 2034, respectively. Another occurrence of a major natural disaster, external shock to exports, or a materialization of an implicit guarantees shock could substantially worsen the debt dynamics. In addition, applying a natural disaster stress test results in a protracted breach of the PV of public-debt-to-GDP ratio as early as 2028.

19. Samoa's debt sustainability hinges upon government efforts to build fiscal and external buffers and enhance resilience over the medium term. To meet the financing needs projected in staff baseline scenario, the authorities need to determine an appropriate financing mix, considering the importance of preserving their cash deposits for future "rainy days" and securing adequate financing on highly concessional terms. With the debt-to-GDP ratio breaching the authorities target of 50 percent of GDP by the end of the medium-term in the baseline scenario, additional budget support grants, revenue mobilization, spending prioritization, and PFM reforms are essential to ensure debt sustainability and pave the road for an inclusive economic recovery.

20. Well-timed, targeted, and temporary fiscal stimulus measures, if planned and executed properly, can help moderate the economic fallout of the COVID-19 pandemic. This would require running modest deficit levels with growth-promoting fiscal measures in the near term. Although growth promoting, inclusive policies (encompassing structural reforms) could raise public debt in the near term, they will help raise growth and fiscal revenues, building fiscal buffers and bringing the public debt trajectory downward over the medium term, improving long-term sustainability. Further support from the international community to help finance the deficit with the use of budget support grants and concessional loans will prove crucial in building adequate buffers and maintaining debt sustainability. It is critical for the authorities to make efforts to widen the coverage of the public-sector debt data by producing and disseminating aggregate data for extra-budgetary units, social security funds, and public corporations.

Authorities Views

21. The authorities agreed with staff's recommendation to remain sufficiently accommodative in the near term and showed strong commitment for medium-term consolidation to ensure debt sustainability. They plan to maintain an expansionary fiscal stance in the near term by extending temporary stimulus measures with better targeting and gradual withdrawal that will help stimulate the economy and ensure an inclusive, durable recovery. While an expansionary fiscal policy may breach the authorities' fiscal deficit target of 2 percent of GDP in the near term, they remain committed to fiscal consolidation over the medium term. The authorities agreed with staff's assessment that Samoa's debt is sustainable but remains at high risk of debt distress, given the country's high vulnerability to natural disasters.

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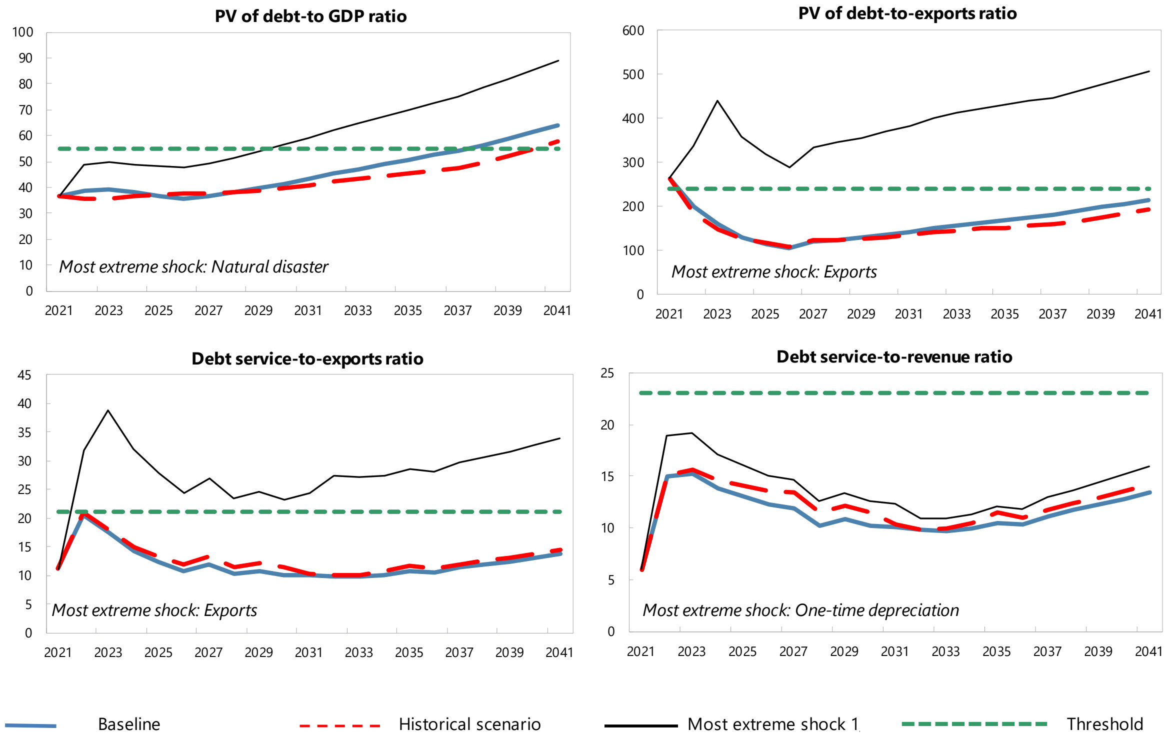
Figure 1. Samoa: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2021-41 1/



Customization of Default Settings	Size	Interactions
Standardized Tests	Yes	
Tailored Stress		
Combined CL	No	
Natural disaster	Yes	Yes
Commodity price 2/	n.a.	n.a.
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.1%	1.1%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	30	30
Avg. grace period	8	8

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2031. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

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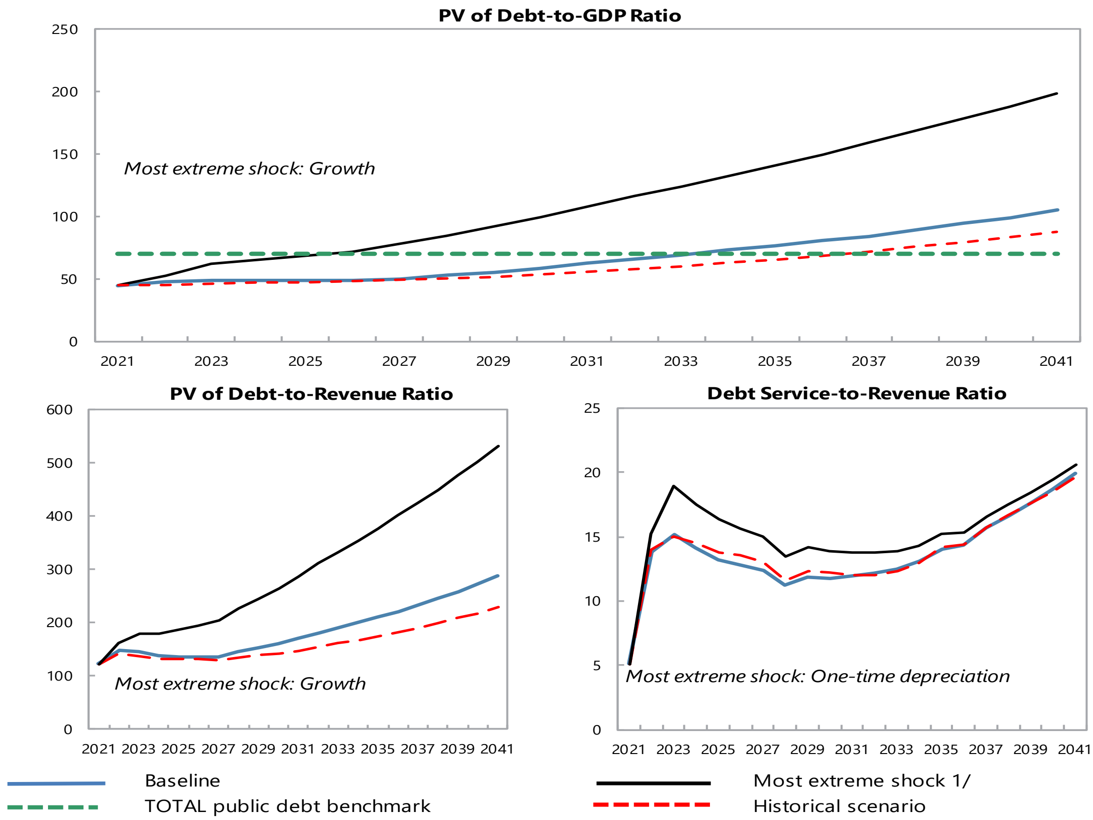
Figure 2. Samoa: Indicators of Public Debt under Alternative Scenarios, 2021-41 1/



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	73%	73%
Domestic medium and long-term	25%	25%
Domestic short-term	1%	1%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.1%	1.1%
Avg. maturity (incl. grace period)	30	30
Avg. grace period	8	8
Domestic MLT debt		
Avg. real interest rate on new borrowing	8.6%	8.6%
Avg. maturity (incl. grace period)	40	40
Avg. grace period	30	30
Domestic short-term debt		
Avg. real interest rate	-2.1%	-2.1%

Sources: Country authorities; and staff estimates and projections.

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2031. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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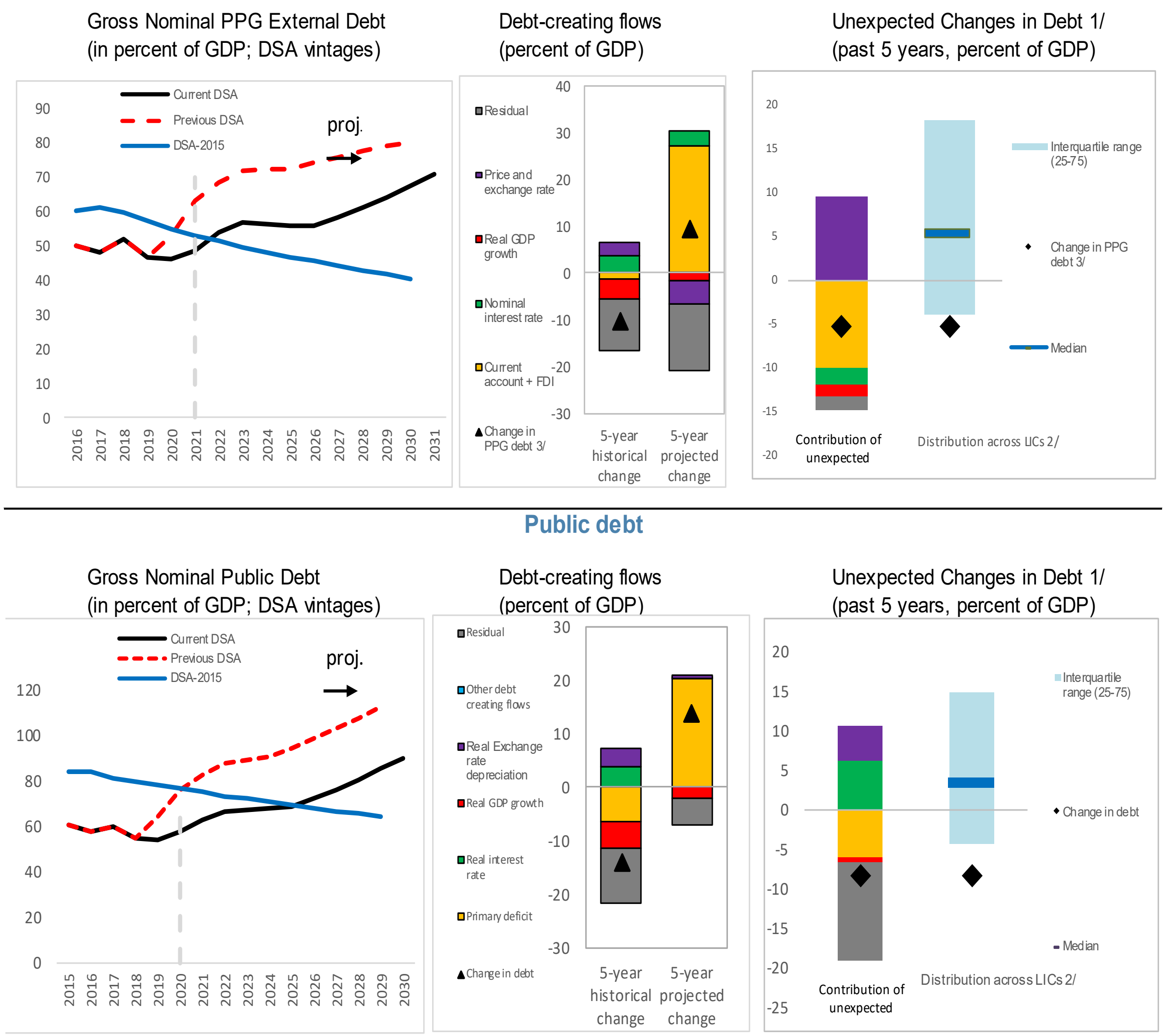
Figure 3. Samoa: Drivers of Debt Dynamics – Baseline Scenario



Sources:Country authorities; and staff estimates and projections

1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

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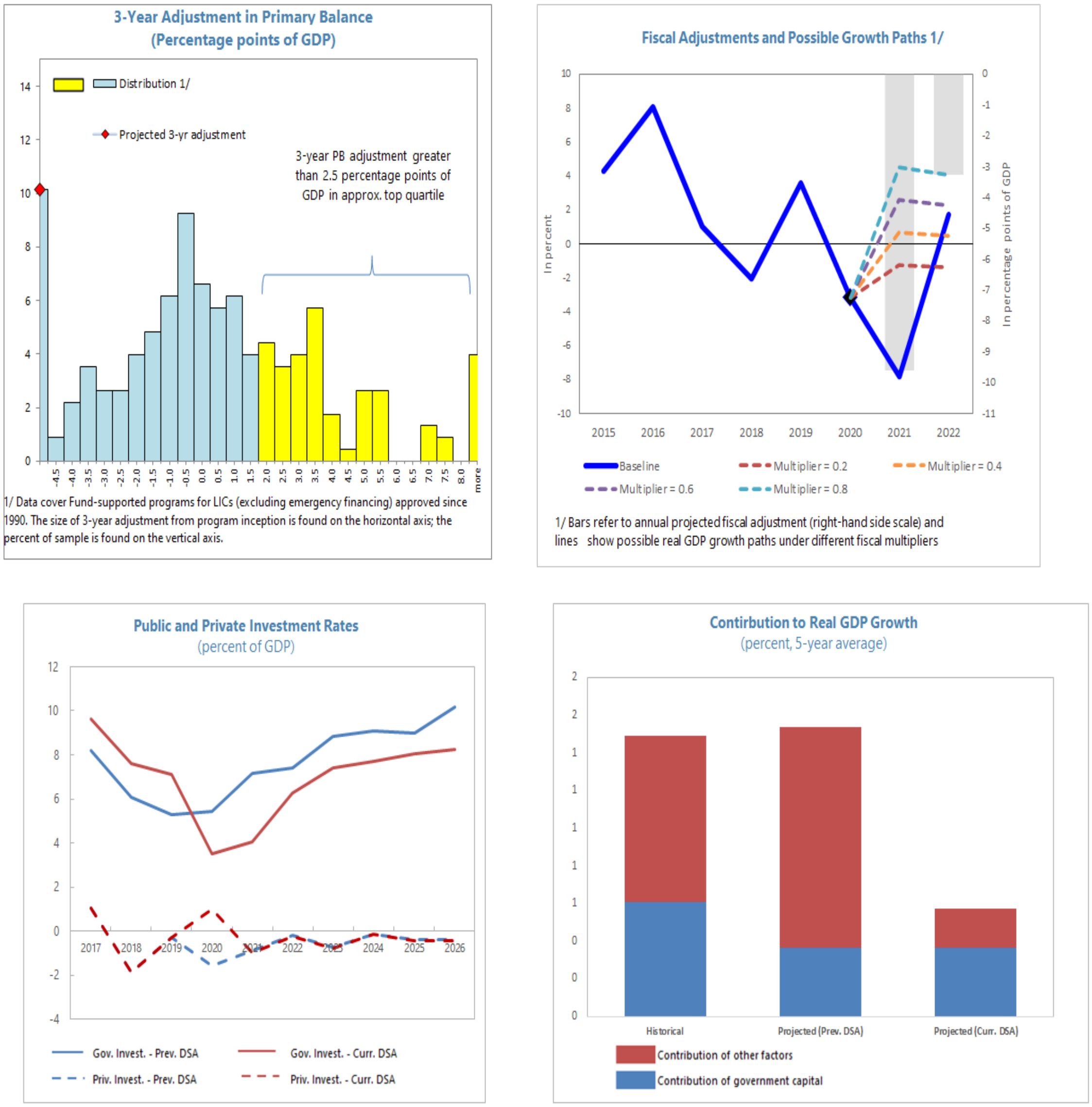
Figure 4. Samoa: Realism Tools



Sources: Country authorities; and staff estimates and projections.

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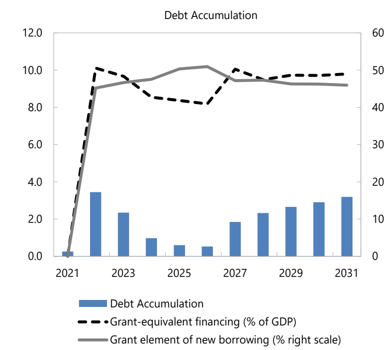
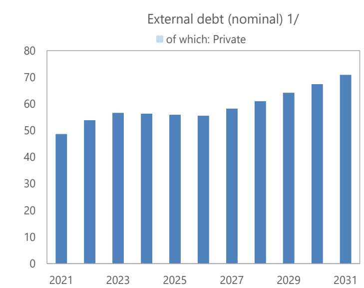
Table 1. Samoa: External Debt Sustainability Framework, Baseline Scenario, 2018-41

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
External debt (nominal) 1/	51.9	46.8	46.3	48.7	53.9	56.6	56.3	55.9	55.6	70.9	102.7	**50.0**	**59.0**
of which: public and publicly guaranteed (PPG)	51.9	46.8	46.3	48.7	53.9	56.6	56.3	55.9	55.6	70.9	102.7	**50.0**	**59.0**
Change in external debt	3.7	-5.1	-0.4	2.3	5.2	2.7	-0.3	-0.4	-0.3	3.5	3.9		
Identified net debt-creating flows	0.8	-3.7	0.7	11.3	10.3	4.8	1.2	1.1	1.3	5.5	5.5	**3.3**	**5.2**
Non-interest current account deficit	-1.6	-3.7	-1.8	6.2	10.2	4.7	2.2	1.2	1.3	4.8	5.2	**2.5**	**4.6**
Deficit in balance of goods and services	16.0	14.0	19.4	36.7	31.6	26.3	22.7	22.8	22.5	26.0	26.7	**20.8**	**26.6**
Exports	34.2	37.7	31.9	13.9	19.4	24.5	29.2	31.9	34.6	30.6	29.9		
Imports	50.2	51.7	51.3	50.6	51.0	50.8	51.9	54.8	57.0	56.5	56.5		
Net current transfers (negative = inflow)	-20.4	-21.3	-23.5	-32.5	-22.7	-22.8	-21.9	-23.0	-22.9	-22.9	-22.9	**-21.0**	**-23.7**
of which: official	-0.5	-0.7	-0.4	-6.6	-1.3	-1.3	-1.3	-1.2	-1.2	-1.2	-1.2		
Other current account flows (negative = net inflow)	2.8	3.5	2.3	2.0	1.3	1.3	1.3	1.5	1.8	1.8	1.4	**2.6**	**1.6**
Net FDI (negative = inflow)	1.9	0.3	-1.0	1.0	0.2	0.8	0.1	0.4	0.4	0.4	0.4	**1.0**	**0.5**
Endogenous debt dynamics 2/	0.4	-0.3	3.5	4.2	-0.1	-0.8	-1.1	-0.6	-0.4	0.3	-0.1		
Contribution from nominal interest rate	0.7	0.7	0.7	0.3	0.7	0.8	0.8	0.7	0.7	0.7	1.0		
Contribution from real GDP growth	1.0	-1.8	1.6	3.9	-0.8	-1.5	-1.9	-1.3	-1.1	-0.5	-1.1		
Contribution from price and exchange rate changes	-1.3	0.9	1.3	...	...	...	...	...	...	...	...		
Residual 3/	2.9	-1.4	-1.1	-9.0	-5.1	-2.0	-1.5	-1.5	-1.7	-2.0	-1.6	**-2.8**	**-3.0**
of which: exceptional financing	0.0	0.0	0.0	-2.3	0.0	0.0	0.1	0.1	0.1	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	34.0	36.7	38.8	39.2	38.0	36.8	35.8	43.2	64.2		
PV of PPG external debt-to-exports ratio	...	...	106.8	263.6	199.4	160.1	130.2	115.3	103.6	141.5	214.9		
PPG debt service-to-exports ratio	8.7	7.9	10.9	11.2	20.6	17.6	14.1	12.3	10.7	10.0	13.7		
PPG debt service-to-revenue ratio	10.7	10.1	12.0	6.0	15.0	15.2	13.8	13.0	12.2	10.1	13.4		
Gross external financing need (Million of U.S. dollars)	27.4	-3.4	5.3	65.4	112.5	80.1	55.4	50.7	51.5	89.7	148.6		
Key macroeconomic assumptions													
Real GDP growth (in percent)	-2.1	3.6	-3.2	-7.8	1.7	3.0	3.5	2.5	2.1	0.7	1.2	**1.1**	**0.8**
GDP deflator in US dollar terms (change in percent)	2.7	-1.7	-2.6	1.4	1.7	1.9	2.1	2.3	2.2	2.1	2.8	**0.9**	**2.0**
Effective interest rate (percent) 4/	1.5	1.3	1.3	0.7	1.4	1.5	1.4	1.4	1.3	1.1	1.1	**1.4**	**1.2**
Growth of exports of G&S (US dollar terms, in percent)	9.0	12.4	-20.3	-59.2	44.6	32.1	25.9	14.7	12.9	2.8	4.0	**3.6**	**6.6**
Growth of imports of G&S (US dollar terms, in percent)	7.1	4.9	-6.5	-7.8	4.4	4.4	8.1	10.6	8.6	2.8	4.0	**2.0**	**3.7**
Grant element of new public sector borrowing (in percent)	...	...	...	...	45.2	46.6	47.5	50.3	50.9	45.9	42.8	**...**	**47.4**
Government revenues (excluding grants, in percent of GDP)	27.7	29.7	29.1	25.8	26.8	28.3	29.8	30.2	30.3	30.3	30.3	**26.4**	**29.4**
Aid flows (in Million of US dollars) 5/	78.0	185.0	278.5	84.0	78.9	81.7	76.8	82.0	84.0	107.7	154.3		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	...	10.1	9.7	8.5	8.4	8.2	9.8	10.7	**...**	**9.4**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	...	64.5	67.3	72.8	75.7	76.9	70.2	63.4	**...**	**71.5**
Nominal GDP (Million of US dollars)	837	852	804	752	777	815	862	904	943	1,081	1,532		
Nominal dollar GDP growth	0.6	1.8	-5.7	-6.5	3.4	4.9	5.7	4.9	4.4	2.8	4.0	**2.0**	**2.8**
Memorandum items:													
PV of external debt 7/	...	...	34.0	36.7	38.8	39.2	38.0	36.8	35.8	43.2	64.2		
In percent of exports	...	...	106.8	263.6	199.4	160.1	130.2	115.3	103.6	141.5	214.9		
Total external debt service-to-exports ratio	8.7	7.9	10.9	11.2	20.6	17.6	14.1	12.3	10.7	10.0	13.7		
PV of PPG external debt (in Million of US dollars)			273.6	275.6	301.5	319.7	327.7	332.8	337.6	467.0	982.9		
(PVt-PVt-1)/GDPt-1 (in percent)				0.3	3.4	2.3	1.0	0.6	0.5	3.2	5.2		
Non-interest current account deficit that stabilizes debt ratio	-5.2	1.4	-1.4	3.9	5.0	2.0	2.5	1.6	1.7	1.3	1.3		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

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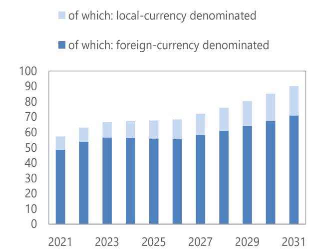
Table 2. Samoa: Public Sector Debt Sustainability Framework, Baseline Scenario, 2018-41

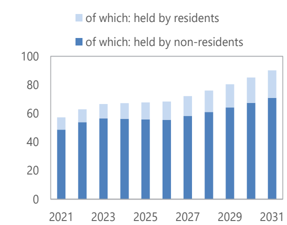
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
Public sector debt 1/	60.1	54.7	53.8	57.3	63.0	66.6	67.2	67.7	68.3	90.1	143.5	58.9	72.2
of which: external debt	51.9	46.8	46.3	48.7	53.9	56.6	56.3	55.9	55.6	70.9	102.7	50.0	59.0
Change in public sector debt	2.5	-5.4	-1.0	3.5	5.7	3.7	0.6	0.5	0.6	5.0	6.7		
Identified debt-creating flows	3.5	-3.7	-2.1	7.8	5.6	3.7	0.7	0.7	0.8	5.1	9.4	2.0	3.8
Primary deficit	-0.1	-2.7	-6.2	3.4	6.7	5.2	2.7	2.2	2.0	5.5	7.8	2.0	4.2
Revenue and grants	32.1	35.7	38.5	37.0	32.3	33.9	35.5	35.9	36.0	36.6	36.4	30.8	35.8
of which: grants	4.4	6.0	9.4	11.2	5.5	5.6	5.6	5.6	5.6	6.3	6.1		
Primary (noninterest) expenditure	32.1	32.9	32.3	40.4	39.0	39.1	38.2	38.1	38.0	42.1	44.2	32.8	40.0
Automatic debt dynamics	3.6	-1.0	4.1	4.4	-1.1	-1.5	-2.0	-1.6	-1.2	-0.4	1.6		
Contribution from interest rate/growth differential	1.9	-1.7	2.3	4.4	-1.1	-1.5	-2.0	-1.6	-1.2	-0.4	1.6		
of which: contribution from average real interest rate	0.7	0.3	0.5	-0.2	-0.1	0.3	0.3	0.1	0.2	0.2	3.2		
of which: contribution from real GDP growth	1.2	-2.1	1.8	4.5	-1.0	-1.8	-2.2	-1.6	-1.4	-0.6	-1.6		
Contribution from real exchange rate depreciation	1.7	0.7	1.9	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	-1.0	-1.7	1.1	-4.3	0.1	0.0	-0.1	-0.2	-0.1	-0.1	-2.7	-0.8	-0.4
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	41.2	45.3	47.9	49.2	49.0	48.6	48.6	62.4	105.0		
PV of public debt-to-revenue and grants ratio	...	...	107.1	122.4	148.2	145.2	137.9	135.6	135.1	170.6	288.5		
Debt service-to-revenue and grants ratio 3/	18.9	13.8	16.0	5.1	13.8	15.2	14.2	13.2	12.8	11.9	19.9		
Gross financing need 4/	6.0	2.2	-0.1	5.3	11.1	10.3	7.7	7.0	6.6	9.8	15.0		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	-2.1	3.6	-3.2	-7.8	1.7	3.0	3.5	2.5	2.1	0.7	1.2	1.1	0.8
Average nominal interest rate on external debt (in percent)	1.5	1.3	1.3	0.7	1.4	1.5	1.4	1.4	1.3	1.1	1.1	1.4	1.2
Average real interest rate on domestic debt (in percent)	9.4	10.2	11.8	5.6	1.2	5.6	5.4	3.7	4.4	4.5	5.6	4.9	4.3
Real exchange rate depreciation (in percent, + indicates depreciation)	3.4	1.4	3.9	...	...	...	...	...	...	...	...	0.7	...
Inflation rate (GDP deflator, in percent)	2.0	2.2	0.3	-2.3	2.7	2.0	2.3	2.6	2.6	2.6	2.8	1.5	2.1
Growth of real primary spending (deflated by GDP deflator, in percent)	-4.4	6.5	-5.1	15.4	-1.9	3.3	1.0	2.3	1.8	1.4	1.6	2.3	3.3
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-2.6	2.7	-5.2	-0.1	1.0	1.5	2.1	1.7	1.4	0.5	1.1	-1.7	0.9
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, government-guaranteed debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

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Table 3. Samoa: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2021-41

(In Percent)

	Projections 1/																				
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
PV of debt-to GDP ratio																					
Baseline	37	39	39	38	37	36	37	38	40	41	43	45	47	49	51	52	54	56	59	61	64
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2021-2031 2/	37	36	36	36	37	38	38	38	39	39	41	42	43	44	45	46	47	50	52	55	58
B. Bound Tests																					
B1. Real GDP growth	37	42	46	45	43	42	43	45	46	48	51	53	55	57	59	62	63	66	69	72	75
B2. Primary balance	37	40	43	41	40	39	40	42	43	45	47	49	51	53	55	57	58	61	63	66	68
B3. Exports	37	43	50	49	48	47	48	49	51	53	55	56	58	59	60	61	63	64	66	68	71
B4. Other flows 3/	37	42	46	45	43	42	43	45	46	48	50	52	53	55	56	57	59	61	63	65	68
B5. Depreciation	37	49	44	43	41	40	41	43	45	47	49	52	54	57	59	62	64	68	71	74	78
B6. Combination of B1-B5	37	45	49	48	47	46	47	48	50	52	54	56	57	59	61	62	64	66	69	71	74
C. Tailored Tests																					
C1. Combined contingent liabilities	37	42	42	41	40	39	40	41	43	45	47	49	51	53	54	56	58	61	63	66	69
C2. Natural disaster	37	48	50	49	48	48	49	51	54	56	59	62	65	67	70	73	75	78	82	85	89
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55
PV of debt-to-exports ratio																					
Baseline	264	199	160	130	115	104	120	124	129	135	141	151	157	164	169	175	181	189	197	206	215
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2021-2031 2/	264	183	146	125	116	109	123	124	126	129	134	141	145	149	152	155	158	166	174	183	193
B. Bound Tests																					
B1. Real GDP growth	264	199	160	130	115	104	120	124	129	135	141	151	157	164	169	175	181	189	197	206	215
B2. Primary balance	264	208	174	142	126	114	132	137	142	148	155	165	171	178	183	190	195	203	211	220	229
B3. Exports	264	336	440	360	320	289	335	345	357	370	383	402	412	422	430	439	448	461	475	490	506
B4. Other flows 3/	264	217	187	153	136	122	142	146	152	158	164	173	178	183	188	193	197	204	211	219	227
B5. Depreciation	264	199	143	116	103	92	107	111	116	121	128	138	145	152	158	165	171	180	189	198	208
B6. Combination of B1-B5	264	330	183	293	260	235	272	280	291	302	314	332	342	353	362	372	381	395	409	424	440
C. Tailored Tests																					
C1. Combined contingent liabilities	264	214	172	140	124	112	130	135	140	146	153	163	170	177	182	189	195	203	212	221	230
C2. Natural disaster	264	252	205	169	152	139	163	170	178	186	196	210	219	229	237	246	255	266	278	289	301
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240
Debt service-to-exports ratio																					
Baseline	11	21	18	14	12	11	12	10	11	10	10	10	10	10	11	10	11	12	12	13	14
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2021-2031 2/	11	21	18	15	13	12	13	11	12	11	10	10	10	11	12	11	12	13	13	14	14
B. Bound Tests																					
B1. Real GDP growth	11	21	18	14	12	11	12	10	11	10	10	10	10	10	11	10	11	12	12	13	14
B2. Primary balance	11	21	18	14	13	11	12	10	11	10	11	11	11	11	12	11	12	13	13	14	15
B3. Exports	11	32	39	32	28	24	27	23	24	23	24	27	27	27	29	28	30	31	32	33	34
B4. Other flows 3/	11	21	18	15	13	11	12	11	11	11	11	12	12	12	12	12	13	13	14	14	15
B5. Depreciation	11	21	18	14	12	11	12	10	11	10	10	9	9	9	10	10	10	11	12	12	13
B6. Combination of B1-B5	11	30	35	28	25	22	24	21	22	20	22	22	22	22	24	23	25	26	27	28	29
C. Tailored Tests																					
C1. Combined contingent liabilities	11	21	18	14	12	11	12	10	11	10	10	10	10	10	11	11	12	12	13	13	14
C2. Natural disaster	11	22	19	15	13	12	13	11	12	11	11	11	11	11	12	12	13	13	14	15	15
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21
Debt service-to-revenue ratio																					
Baseline	6	15	15	14	13	12	12	10	11	10	10	10	10	10	11	10	11	12	12	13	13
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2021-2031 2/	6	15	16	15	14	14	13	12	12	11	10	10	10	10	11	11	12	12	13	14	14
B. Bound Tests																					
B1. Real GDP growth	6	16	18	16	15	14	14	12	13	12	12	11	11	12	12	12	13	14	14	15	16
B2. Primary balance	6	15	15	14	13	12	12	10	11	10	11	11	11	11	11	11	12	13	13	14	14
B3. Exports	6	15	16	15	14	13	13	11	12	11	12	13	13	13	13	13	14	14	15	15	16
B4. Other flows 3/	6	15	15	14	13	13	12	11	11	11	11	11	11	12	12	12	13	13	14	14	15
B5. Depreciation	6	19	19	17	16	15	15	13	13	13	12	11	11	11	12	12	13	14	14	15	16
B6. Combination of B1-B5	6	16	17	16	15	14	13	12	12	12	13	12	12	12	13	13	14	14	15	15	16
C. Tailored Tests																					
C1. Combined contingent liabilities	6	15	15	14	13	12	12	10	11	10	10	10	10	10	11	11	11	12	12	13	14
C2. Natural disaster	6	15	16	14	14	13	13	11	11	11	11	11	10	11	11	11	12	13	13	14	14
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

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Table 4. Samoa: Sensitivity Analysis for Key Indicators of Public Debt, 2021-41

	Projections 1/																				
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
PV of Debt-to-GDP Ratio																					
Baseline	45	48	49	49	49	49	51	53	56	59	62	66	69	**73**	**77**	**81**	**85**	**89**	**94**	**100**	**105**
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2021-2031 2/	45	46	46	47	48	48	49	51	52	54	56	58	60	63	66	69	**72**	**76**	**79**	**83**	**88**
B. Bound Tests																					
B1. Real GDP growth	45	53	62	66	69	**72**	**78**	**85**	**92**	**100**	**108**	**116**	**125**	**133**	**141**	**150**	**159**	**168**	**178**	**188**	**199**
B2. Primary balance	45	51	55	54	54	54	56	59	62	65	69	**72**	**76**	**80**	**83**	**87**	**91**	**96**	**101**	**106**	**112**
B3. Exports	45	51	60	59	59	59	61	64	67	70	**73**	**76**	**79**	**82**	**86**	**89**	**92**	**96**	**101**	**106**	**111**
B4. Other flows 3/	45	51	56	56	55	55	57	60	63	66	69	**72**	**76**	**79**	**82**	**86**	**89**	**94**	**98**	**103**	**108**
B5. Depreciation	45	55	53	50	48	45	45	45	45	46	47	48	49	51	53	55	57	59	62	65	68
B6. Combination of B1-B5	45	51	54	54	54	55	58	61	64	68	**72**	**76**	**81**	**85**	**89**	**94**	**99**	**104**	**110**	**116**	**122**
C. Tailored Tests																					
C1. Combined contingent liabilities	45	52	54	54	53	53	55	58	61	64	68	**71**	**75**	**79**	**82**	**86**	**90**	**95**	**100**	**106**	**111**
C2. Natural disaster	45	64	66	66	66	67	70	**73**	**77**	**82**	**86**	**91**	**96**	**100**	**105**	**110**	**115**	**121**	**127**	**134**	**140**
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70
PV of Debt-to-Revenue Ratio																					
Baseline	122	148	145	138	136	135	136	145	152	161	171	181	191	201	211	222	232	245	259	274	288
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2021-2031 2/	122	141	136	131	131	132	130	135	139	143	148	155	161	168	175	182	190	199	208	218	229
B. Bound Tests																					
B1. Real GDP growth	122	161	179	180	186	195	205	226	245	265	287	311	332	355	378	401	424	450	476	503	531
B2. Primary balance	122	157	161	153	151	151	152	161	169	178	188	198	208	219	229	240	251	264	278	292	307
B3. Exports	122	159	177	167	164	164	165	174	182	191	200	209	218	226	235	244	253	265	277	290	304
B4. Other flows 3/	122	159	165	157	154	153	154	163	171	180	189	199	207	217	226	236	245	258	270	284	298
B5. Depreciation	122	174	159	144	134	127	122	124	125	127	130	134	138	143	147	153	158	165	173	182	191
B6. Combination of B1-B5	122	157	158	151	150	151	153	164	173	184	195	207	219	231	243	255	268	283	299	315	332
C. Tailored Tests																					
C1. Combined contingent liabilities	122	162	159	151	148	148	149	158	166	175	185	196	206	216	226	237	248	262	275	290	305
C2. Natural disaster	122	196	192	185	183	185	188	200	210	222	235	248	261	275	288	302	316	332	349	366	384
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio																					
Baseline	5	14	15	14	13	13	12	11	12	12	12	12	12	13	14	14	16	17	18	19	20
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2021-2031 2/	5	14	15	14	14	14	13	12	12	12	12	12	12	13	14	14	16	17	18	19	20
B. Bound Tests																					
B1. Real GDP growth	5	15	18	17	16	16	16	16	17	17	18	19	20	22	24	25	28	30	32	34	36
B2. Primary balance	5	14	16	15	14	14	13	12	13	13	13	14	14	15	16	16	17	18	19	20	22
B3. Exports	5	14	15	15	14	13	13	12	12	12	13	14	15	15	16	16	18	19	19	20	22
B4. Other flows 3/	5	14	15	15	14	13	13	12	12	12	13	14	14	14	15	16	17	18	19	20	21
B5. Depreciation	5	15	19	18	16	16	15	13	14	14	14	14	14	14	15	15	17	18	18	19	21
B6. Combination of B1-B5	5	14	16	15	14	14	13	13	13	13	14	14	15	15	16	17	18	20	21	22	23
C. Tailored Tests																					
C1. Combined contingent liabilities	5	14	16	15	14	13	13	12	13	12	13	13	13	14	15	15	16	17	18	19	21
C2. Natural disaster	5	14	19	17	16	15	15	14	15	15	15	15	16	16	18	18	19	20	22	23	24
C3. Commodity price	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

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