



SAMOA

April 2020

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

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

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

The documents listed below will be released.

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

*Also included in the Staff Report.

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

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: <http://www.imf.org>
Price: \$18.00 per printed copy

International Monetary Fund
Washington, D.C.



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

FOR IMMEDIATE RELEASE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3/ Includes domestic and external public debt.

4/ IMF, Information Notice System.



SAMOA

April 20, 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

EXECUTIVE SUMMARY

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

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

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

Approved By
**Paul Cashin and Chad
 Steinberg**

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

CONTENTS

INTRODUCTION: MACROECONOMICS OF HEALTH	4
BACKGROUND: A SEA CHANGE IN THE GLOBAL ECONOMY	5
A. Prior to the Global Coronavirus (COVID-19) Outbreak	5
B. Post Global COVID-19 Outbreak	6
FINANCING NEEDS: PAVING THE WAY FORWARD	8
POLICY ISSUES: TURNING ADVERSITY INTO OPPORTUNITY	10
A. Health Policy: Safeguarding Human Capital	10
B. Fiscal Policy: Improving the Equity and Efficiency of Spending	10
C. Monetary and Exchange Rate Policy: Safeguarding Macroeconomic Stability	11
D. Financial Sector Policy: Maintaining Financial Soundness	12
E. Medium-term Structural Reforms: Towards Sustained, Inclusive Growth	12
MODALITIES, ACCESS, CAPACITY TO REPAY, AND SAFEGUARDS	13
RISKS	14
STAFF APPRAISAL	14
TABLES	
1. Selected Economic and Financial Indicators, 2016/17–2024/25	16
2. Balance of Payments, 2016/17–2024/25	17
3a. Summary of Budgetary Central Government Operations, 2016/17–2024/25 (In millions of tala)	18
3b. Summary of Budgetary Central Government Operations, 2016/17–2024/25 (In percent of GDP)	19

4. Monetary Developments, 2013/14–February 2020	20
5. Expected Grants to Finance the Policy Responses to COVID-19, FY2020	21
6. Financial Soundness Indicators: Banking System, 2014/15–December 2019	22
7. Indicators of Capacity to Repay the Fund, 2018/19–2029/30	23

ANNEX

I. Risk Assessment Matrix	24
---------------------------	----

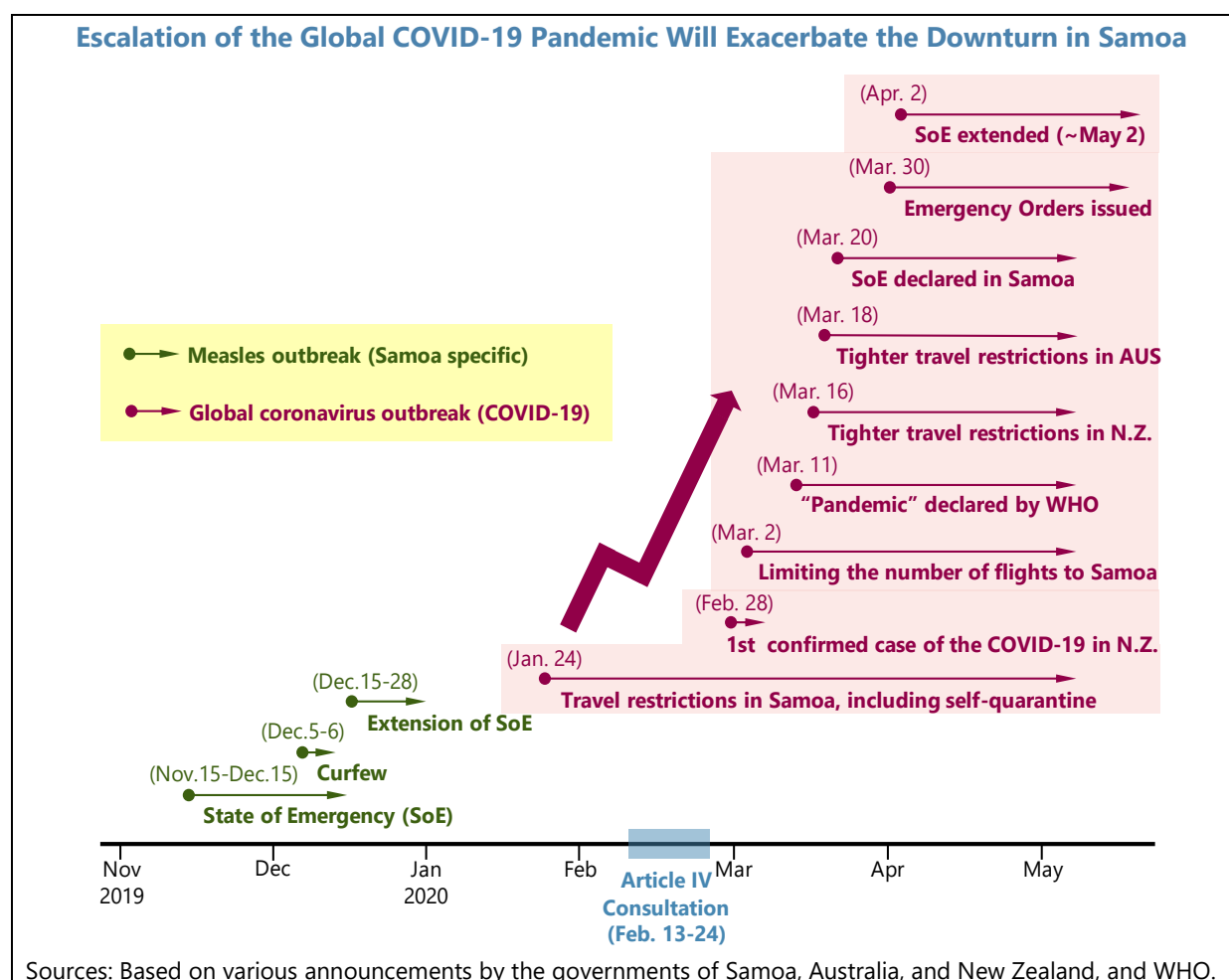
APPENDIX

I. Letter of Intent	26
---------------------	----

INTRODUCTION: MACROECONOMICS OF HEALTH

1. **The impact of the global COVID-19 pandemic on economic activity has triggered the urgent balance of payment (BOP) needs in Samoa.** The Samoan and other governments' travel restrictions to contain the pandemic, their impact on the global economy, as well as the heightened global risk aversion to flying are expected to dramatically cut tourism receipts for the FY2020 season by around 10.6 percent of GDP relative to pre-pandemic projections. In addition, the measures (e.g., social distancing) taken under a State of Emergency and related uncertainty are also affecting economic activity although no confirmed cases are yet reported in Samoa as of April 15, 2020. The impact of the shocks on the balance of payments, offset in part by lower global fuel prices and associated lower imports from the fall in tourism and construction, is substantive, and subject to further downside risks. A BOP financing gap is now estimated to amount to US\$34.1 million.

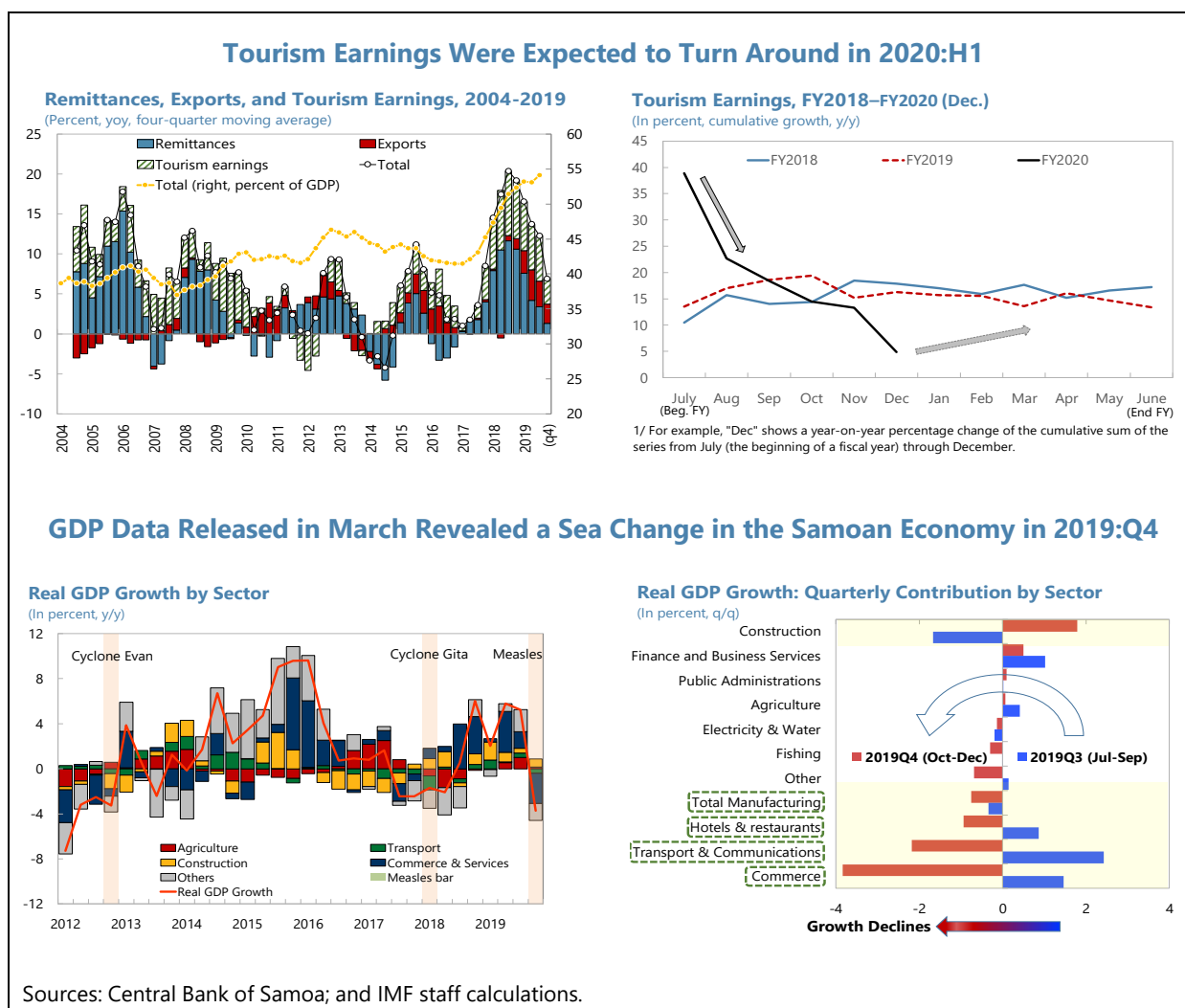
2. **The authorities have requested Fund assistance under the Rapid Credit Facility (RCF) to address the urgent BOP needs posed by the COVID-19 pandemic.** The financing provided by the Fund is expected to catalyze support from other development partners (details below) through additional grants and concessional loans.



BACKGROUND: A SEA CHANGE IN THE GLOBAL ECONOMY

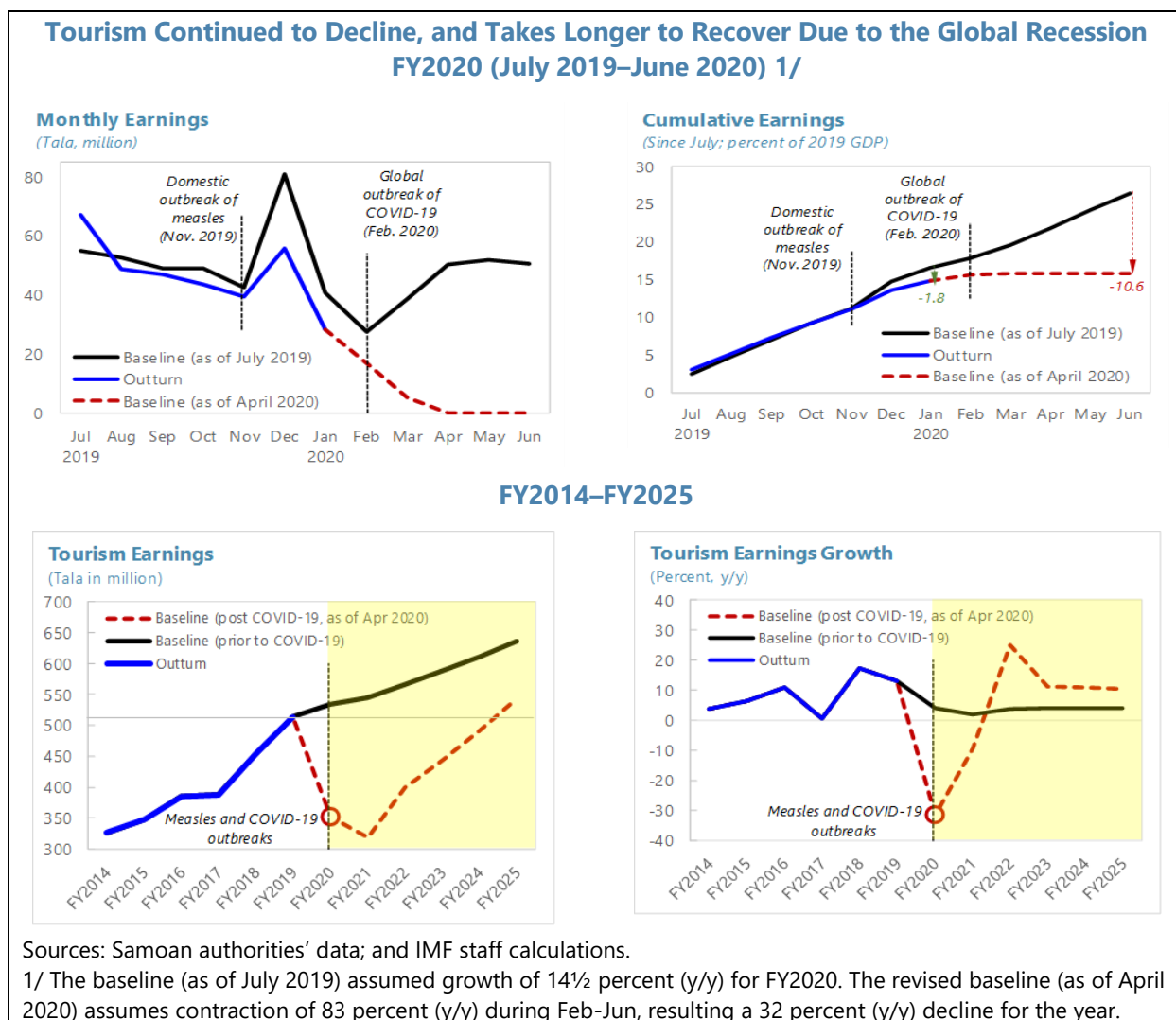
A. Prior to the Global Coronavirus (COVID-19) Outbreak

3. The Samoan economy continued to grow strongly in 2019:Q3, experienced a setback from the measles outbreak of late-2019, and was expected to rebound in 2020:H1, supported by tourism. Growth momentum continued through the Pacific Games (PG) in July 2019. Following strong growth, 4½ percent (y/y), in 2019:Q3, a measles outbreak struck the economy in 2019:Q4. The authorities declared the State of Emergency in late November and extended it through end-December. With support from the international community, the authorities successfully contained the outbreak. However, tourism and its related sectors suffered with a severe contraction in December. Nonetheless, it was expected that growth in tourism receipts would rebound with a number of international and regional events expected to be held in Samoa during 2020H1.



4. Samoa experienced a sea change in 2019:Q4 as preliminary GDP data indicated that quarterly real GDP growth plunged by 6.4 percent (q/q), a record decline over the last decade. The data (released in the second half of March) reflects how the measles outbreak adversely affected tourism and its related sectors more broadly. The commerce sector alone, which accounts for nearly one third of the economy, declined by a record magnitude of 8.2 percent (y/y) in 2019:Q4. Compared to the historical average of sectoral growth (about 2½ percent), the commerce sector contracted by SAT18.3 million (3½ percent of FY2019 real GDP) in the last quarter of 2019. The decline in tourism earnings through January 2020 was larger than declines registered following three past episodes of natural disasters over the last two decades. Compared to the earnings expected prior to the outbreaks of the measles and COVID-19, the total decline during November-January period was 1.8 percent of 2019 GDP, led by substantial declines in inbound tourists from New Zealand, Australia, and American Samoa.

B. Post Global COVID-19 Outbreak



5. Pronounced downside risks started materializing in March 2020, with rapid global developments of COVID-19 pandemic and associated travel restrictions. Samoa was among the first countries in the world to start requiring 14-day self-quarantine for travelers from COVID-19 affected economies, and implemented other travel restrictions. Because of the measles outbreak of late-2019, the authorities were ready to take immediate, bold actions to prevent the virus from entering the country. Following confirmation of the first COVID-19 case in New Zealand, the Samoan authorities took immediate action by restricting the number of flights to Apia by more than a half. The supply-side restrictions, as well as tighter travel restrictions imposed by Australia, New Zealand, and U.S., will further exacerbate the local downturns. The pronounced risk, emphasized during the February 2020 Article IV mission, has materialized into the baseline, and will adversely affect tourism and cause prolonged economic disruptions at least through end-FY2020.

Text Table 1. Baseline: 2020 Article IV Consultation and Post COVID-19 Scenario 1/

	Est.	Projections								
	FY2019	FY2020			FY2021			FY2022		
		Pre- COVID19	Post- COVID19	diff.	Pre- COVID19	Post- COVID19	diff.	Pre- COVID19	Post- COVID19	diff.
		(Percent of GDP)								
Real Sector:										
Real GDP growth	3.5	3.0	-5.0	-8.0	2.5	-1.5	-4.0	2.2	2.7	0.5
CPI inflation (avg.)	2.2	2.4	2.8	0.4	2.2	2.5	0.3	2.6	2.2	-0.4
Central Government Operations:										
Revenue and grants ^{2/}	33.9	31.5	28.4	-3.1	30.8	25.5	-5.3	30.9	28.1	-2.8
Of which: grants ^{2/}	4.2	3.8	6.9	3.1	3.6	5.3	1.7	3.6	4.8	1.2
Expenditure ^{2/}	31.2	33.1	35.7	2.6	33.2	35.4	2.2	33.5	35.8	2.3
Of which: Expense	25.9	25.7	30.3	4.6	25.7	28.2	2.5	25.7	28.4	2.7
Of which: Net acquisition of non-financial assets	5.3	7.4	5.4	-2.0	7.5	7.1	-0.4	7.8	7.4	-0.4
Overall fiscal balance	2.7	-1.6	-7.3	-5.7	-2.3	-9.8	-7.5	-2.6	-7.8	-5.2
Public debt	47.6	43.1	52.9	9.8	43.8	62.8	19.0	44.8	68.0	23.2
Balance of Payments:										
Current account balance	2.3	-0.7	-7.1	-6.3	-1.2	-7.0	-5.8	-1.3	-2.6	-1.4
Merchandise exports	5.9	5.7	5.4	-0.3	5.5	5.5	-0.1	5.4	5.4	0.1
Merchandise imports ^{2/}	41.1	41.1	42.2	1.1	41.2	41.4	0.3	40.8	39.9	-0.9
Services (net)	20.5	17.9	11.8	-6.2	17.5	11.5	-6.1	17.3	14.1	-3.2
Gross official reserves (in millions of U.S. dollar) ^{2/ 3/}	192.8	191.9	182.4	-9.5	190.7	137.9	-52.8	188.6	151.5	-37.1
(In months of next year's imports of GNFS)	5.1	4.7	5.0	0.3	4.5	3.8	-0.7	4.2	3.9	-0.3

Sources: Authorities' data; and IMF staff estimates and projections.

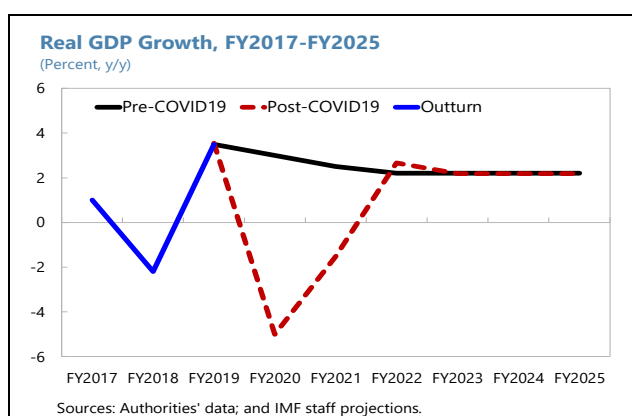
1/ The 2020 Article IV consultation mission took place during February 13-24, just before the global outbreak of COVID-19.

2/ Include external financial support by multilateral and bilateral donors to support policies to address impacts of the global COVID-19 pandemic.

3/ Include the disbursement of SDR\$16.2 million (100 percent of quota) under the Rapid Credit Facility (RCF) in FY2020.

6. Staff projects growth will severely contract in FY2020, but expects the economy to bottom out during FY2021. Declines in tourism earnings by 32 percent (y/y) and remittance inflows by 9 percent in FY2020 are assumed in the baseline, which would generate knock-on effects to non-tourism sectors, and severely affect economic activity more broadly. Staff's latest projections show real GDP growth is expected to decline to -5 percent in FY2020 and -1½ percent in FY2021, notwithstanding support from the fiscal stimulus (3 percent of GDP) approved in April 2020. Growth will rise to above trend growth in FY2022, supported by the tourism sector's recovery which will likely take longer due to the severity of synchronized global economic recessions. Compared to the pre-COVID-19 baseline (discussed during the February 2020 Article IV mission), real GDP growth will be 8 and 4 percentage points lower for FY2020 and FY2021, respectively (see **Text Table 1**). Sizable losses in tax revenues are expected to deteriorate the overall fiscal balance, resulting in a deficit

of around 7¼ percent of GDP in FY2020 and 9¾ percent of GDP in FY2021. Likewise, the current account deficit is projected to widen, reaching around 7 percent of GDP in FY2020-FY2021. The rapid and sizable deterioration of the current account balance led to precipitous falls in reserve coverage and generated urgent BOP financing needs, amounting to US\$34.1 million for FY2020 alone.



FINANCING NEEDS: PAVING THE WAY FORWARD

7. **The resulting BOP financing need is assessed to be SDR 25.1 million (154¾ percent of quota), or 4.1 percent of GDP (about US\$34.1 million, see Text Table 2).** The global pandemic of COVID-19 has created material damage to the Samoan economy, which is assessed to be larger than the physical damage caused by two episodes (2009 and 2012) of natural disasters. Staff projects the current account deficit to widen to around 7 percent of GDP in FY2020-21, and gross international reserves to decline to 4.1 months and 2.8 months of import coverage in FY2020 and FY2021, respectively, if the total financing gap is left unmet. The sizable financing gap, if not addressed immediately, will cause Samoa to face severe economic disruptions, given the country's high dependence on imports. In addition, Samoa faces high vulnerability to natural disasters, and needs reserve coverage equivalent to at least 5 months of prospective imports (GNFS) based on the ARA metric.¹ With access of 100 percent of quota under the RCF, the drawdown of reserves would be limited. This assumes that Samoa finds additional sources of financing to meet the residual BOP financing gap of around US\$12 million (54¾ percent of quota).

Text Table 2. Preliminary Assessment of Balance of Payments Needs

	Est.	Projections					
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
		(Millions of U.S. dollar)					
Current account balance 1/	19.4	-58.7	-58.0	-23.0	-22.4	-20.7	-13.2
<i>(In percent of GDP)</i>	2.3	-7.1	-7.0	-2.6	-2.5	-2.2	-1.3
Capital and financial account	8.8	15.7	15.2	38.2	34.4	34.0	29.7
<i>(In percent of GDP)</i>	1.0	1.9	1.8	4.4	3.8	3.6	3.0
Overall balance (+ surplus)	1.1	-43.0	-42.8	15.2	11.9	13.4	16.5
<i>(In percent of GDP)</i>	0.1	-5.2	-5.2	1.8	1.3	1.4	1.7
Financing	1.1	-43.0	-42.8	15.2	11.9	13.4	16.5
Change in gross official reserves (+ increase)	-2.1	-10.5	-44.5	13.6	11.1	13.3	14.2
Net use of credit	-3.3	20.4	-1.7	-1.7	-0.9	-0.1	-2.3
o/w: IMF disbursements (+) 2/ (A)	0.0	22.0	0.0	0.0	0.0	0.0	0.0
o/w: Repayments to the IMF (-) 3/	-3.3	-1.6	-1.7	-1.7	-0.9	-0.1	-2.3
Financing gap (net of IMF disbursement) (B)	0.0	12.1	0.0	0.0	0.0	0.0	0.0
Total financing gap (A+B)	0.0	34.1	0.0	0.0	0.0	0.0	0.0
Gross reserves 1/ 2/	192.8	182.3	137.8	151.4	162.5	175.7	189.9
<i>(In months of prospective GNFS imports)</i>	5.1	5.0	3.8	3.9	3.9	4.0	4.2
Memorandum items:							
Nominal GDP	850.8	828.6	829.7	869.6	907.9	948.1	989.9
USD/SDR (period average)	1.4	1.4	1.4	1.4	1.4	1.4	1.4

Sources: Authorities' data; and IMF staff estimates and projections.

1/ Include external financial assistance by multilateral and bilateral donors to support policies to address impacts of the global COVID-19 pandemic.

2/ Include SDR\$16.2 million (100 percent of quota) under the Rapid Credit Facility (RCF) in FY2020.

3/ Include the outstanding credit under the RCF, approved in 2013.

¹ The ARA metric gives adequacy of reserve coverage to be in a range of 4.1-6.2 months of prospective imports (including goods and nonfactor services, GNFS) when Samoa's high vulnerability to natural disasters is considered.

8. The fiscal impact of COVID-19 will also be significant, though it is subject to high uncertainty. The Government of Samoa put together the second supplementary budget (approved on April 7), which incorporates an economic stimulus package in response to the impact of COVID-19. Based on the authorities' calculations, the stimulus package (estimated to cost about 3 percent of GDP) is expected to increase the overall deficit (see **Text Table 3**). The authorities' latest growth projection is -1.6 percent for FY2020 including the effects of the stimulus package (-2.2 percent growth without the package). Staff projects the fiscal deficit to widen to around 7½ percent of GDP. The main sources of uncertainty come from:

- **Revenue:** Staff envisages a significant slowdown in economic activity during 2020H1 (second half of FY2020) and projects revenue performance to deteriorate. The receipt of external project grants is projected to underperform based on past experience with natural disasters.
- **External grants:** The stimulus package includes budget support and program funds from multilateral donors (the World Bank and the Asian Development Bank) and official bilateral donors (New Zealand and Japan), amounting to SAT40¾ million or 1.9 percent of GDP (**Table 5**).
- **Expenditure:** Staff projects that the government will fully execute planned current spending. In contrast, budget execution of capital spending remains highly uncertain. The outturn data from the past capital spending suggests that its execution rate is likely to be both low and lumpy.
- **Financing:** During the financial year (July/June), the government can tap into its overdraft account at commercial banks with a low rate of interest. Staff anticipates a sizable revenue contraction due to COVID-19 will exacerbate the government cash flow when line ministries rush to spend their appropriated budget toward the end of financial year (i.e. June 2020). While large uncertainty exists on the size of the overall deficit, the authorities will need to prepare in advance for how best to finance the government deficit when it becomes exceptionally large.

	FY2019	FY2020						Diff. (B) – (A)
		Budget 1/				Outturn Jul. – Dec.	(B) IMF Proj.	
		Original	Supp. 1	Supp. 2	(A) Revised			
<i>(Percent of GDP)</i>								
Total Revenue	33.9	34.6	1.0	1.7	37.3	16.7	28.4	-8.9
Revenue (excluding grants)	29.7	26.4	0.7	-0.2	26.8	15.4	21.5	-5.3
Tax revenue	25.7	21.9	0.1	-0.6	21.4	13.9	19.0	-2.4
Grants 2/	4.2	8.3	0.4	1.9	10.5	1.2	6.9	-3.6
Other revenue	4.0	4.5	0.6	0.4	5.4	1.5	2.5	-3.0
Total Expenditure	31.2	35.9	1.0	2.0	39.0	14.9	35.7	-3.3
Expense	25.9	27.8	0.7	1.6	30.1	13.4	30.3	0.1
Transactions in nonfinancial assets	5.3	8.1	0.3	0.4	8.8	1.5	5.4	-3.4
Overall balance	2.7	-1.3	0.0	-0.4	-1.7	1.7	-7.3	-5.6
Overall balance (excluding grants)	-1.5	-9.6	-0.4	-2.2	-12.2	0.5	-14.2	-2.0
Primary balance	3.5	-0.5	0.0	-0.4	-0.8	2.1	-6.5	-5.6

Sources: Authorities' data; and IMF staff calculations.

1/ Based on the "Original" budget approved in May 2019, the supplementary budgets ("Supp. 1" and "Supp. 2") approved in December 2019 and April 2020 following the measles outbreak and the global COVID-19 pandemic, respectively. The "Revised" budget comprises both supplementary budgets.

2/ The second supplementary budget ("Supp. 2") includes external grants of SAT40.8 million (1.9 percent of GDP), of which about SAT29¾ million comes from multilateral donors (the Asian Development Bank, the World Bank) and the rest from official bilateral donors (New Zealand and Japan), as of April 7.

POLICY ISSUES: TURNING ADVERSITY INTO OPPORTUNITY

Samoa confronted the measles outbreak of late-2019 and put together the 1st supplementary budget (approved in December 2019), which helped pave the way to improving the country's health care system. Following the early-2020 global pandemic of COVID-19, the 2nd supplementary budget, designed to protect lives of the people and preserve macroeconomic stability, was approved in early April. Beyond its short-term objectives, the government needs to seize the opportunity for reforms, and remain committed to its medium-term strategy, yielding more sustained and inclusive growth, while ensuring debt sustainability.

A. Health Policy: Safeguarding Human Capital

9. Nearly one-third of the resources under the April 7 second supplementary budget will be devoted to strengthening the health sector to protect the health and wellbeing of the Samoan people. Supported by external donors (Table 5), the authorities allocated SAT22.2 million (1 percent of GDP) for health care sector, with the aim of enhancing the country's preparedness to handle the impact of COVID-19. The authorities' policy response meets the objectives of the Samoa Health System Strengthening Program, designed jointly with the World Bank, which provides funding for each year through 2025 to help improve the quality and efficiency of the Samoan health care system.

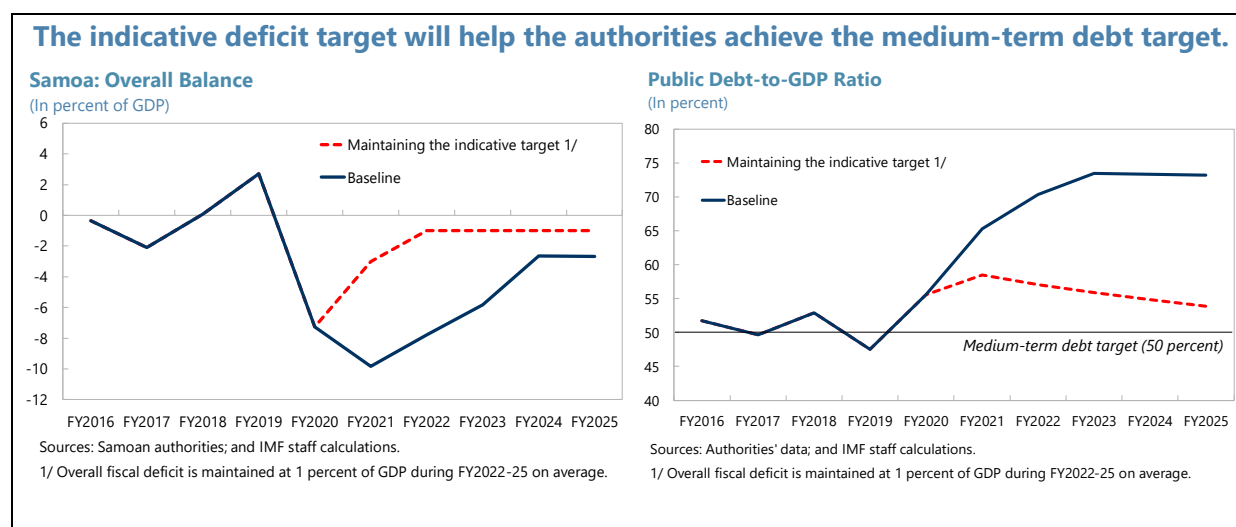
B. Fiscal Policy: Improving the Equity and Efficiency of Spending

10. The Samoan authorities' multipronged strategy to support businesses and households amounts to SAT46 million (2.1 percent of GDP). The second supplementary budget aims to help affected businesses (SAT12.5 million) and households (SAT27.5 million), ensure food security (SAT3.5 million), and provide support to the sectors (SAT2.5 million) that provide essential services to the country, including police, education, communication, and community outreach. The strategy targets groups of vulnerable businesses and households, and provides time-bound free rent, subsidies for expenditure on utilities (electricity and water), and a moratorium on pension contributions for the hospitality sector. Revenue measures to support the private sector will cost the government SAT9.8 million (½ of one percent of GDP). They comprise waiver on bus and taxi registration fees, a temporary exemption on import duties on most commonly bought food items for households, and duty concessions on selected agricultural and fishing materials.

11. The immediate priority is to deliver the support to the most needy through social safety nets, while improving the equity, coverage, and efficiency of budget spending in due course. Provision of a subsidy on utility bills, for example, could apply a means-testing approach. Developing such a mechanism, however, takes time. Based on this experience, the authorities could set up an appropriate mechanism when possible and seek ways to address equity concerns of the subsidy, as well as broadening the coverage of social safety nets to reach households in the informal

sector. Separately, the stimulus package includes time-bound principal repayments for all debtors of the Development Bank of Samoa (DBS), amounting to SAT1.9 million. Some of these debtors had non-performing loans (NPL) prior to the COVID-19 outbreak, amounting to 0.25 percent of GDP (or 19 percent of total loan portfolio), of which the tourism sector accounts for nearly one half of the total. Continued use of the budget to support commercially unviable businesses would need to be addressed over time, along with improvements to the mandate of the DBS. More generally, the authorities would need to seek ways to improve the efficiency of overall government spending in the medium term.

12. Samoa’s debt is sustainable, albeit with a high risk of debt distress, and the authorities need to step up their efforts to create a fiscal buffer when the post-COVID-19 recovery gathers pace. Samoa faces a high risk of debt distress, given the country’s extremely high vulnerability to natural disasters and dependence on tourism. Public debt is projected to reach 55½ percent of GDP in FY2020—above the authorities’ debt target of 50 percent of GDP—and 73¼ percent in FY2025. Although Samoa’s debt stock is expected to increase in the near term, much of its debt is long term. More than one half of total external debt is owed to multilateral institutions (mostly the World Bank and Asian Development Bank), and the rest comes from bilateral donors, of which around 80 percent is owed to China. After the recovery gathers pace, the authorities will need to strike an appropriate balance between the growth-promoting fiscal strategy and debt sustainability, by following the advice of the recent Article-IV mission. In particular, maintaining the indicative deficit target at 1 percent of GDP on average (starting from FY2022), and below the authorities’ 2 percent annual deficit ceiling over the medium term, while seeking external grants to finance development projects, can help bring down the debt-to-GDP trajectory and promote economic growth.



C. Monetary and Exchange Rate Policy: Safeguarding Macroeconomic Stability

13. While maintaining an accommodative monetary policy stance and ample liquidity in the banking system, the authorities need to continue to improve monetary transmission. The level of domestic liquidity in the banking system remains ample (SAT313.4 million) at end-February

2020, with the excess reserves of SAT262.1 million (21¾ percent of GDP) in early April. The CBS has set up a Stand-by Credit Facility for commercial banks, during the period deemed affected by the COVID-19 pandemic, to support affected banks and businesses. Due to supply disruptions, the authorities set up the Emergency Price Control Board² to keep wholesale and retail prices in check, along with the State of Emergency Order (dated March 30), to enforce a price ceiling for a predetermined set of selected goods. The measure is temporary, and the government plans to remove it when the State of Emergency is lifted. In the meantime, the CBS will continue to promote a fintech solution to deepen financial inclusion, work toward re-establishing a national credit bureau, and ensure consumer protection to improve monetary policy transmission.

D. Financial Sector Policy: Maintaining Financial Soundness

14. The banking system is well capitalized, with sound financial indicators and ample liquidity buffers (Table 6), but requires close monitoring. Foreign assets in the banking system remain large at SAT153½ million (12¾ percent of GDP), and its liabilities declined by 12 percent (y/y) in January 2020 to SAT99¾ million (8¼ percent of GDP). NPL ratio remains at 4 percent, and 70 percent of which belongs to households. Ample provision exists for doubtful loans, and its ratio to total loans stands at 5.2 percent at end-December 2019. With anticipation of potential impacts of COVID-19 on the financial system, the CBS keeps a weekly dialogue with the banks to closely monitor developments in the financial system to check system health, reflect changes in loan classification and resulting losses in a timely and reliably manner, and ensure adequate liquidity provision. The authorities will encourage banks to work on prudent loan restructuring arrangements with borrowers, and provide clear guidelines to banks on dealing with these loan restructuring cases. Greater vigilance to monitor new developments in the financial sector is also needed, including risks emanating from investment in crypto-assets.³ The authorities need to formulate a framework to enhance the governance and performance of public financial institutions (PFIs). Implementing reforms to mitigate CBR pressures by enhancing the effectiveness of the AML/CFT regime remains critically important.

E. Medium-term Structural Reforms: Towards Sustained, Inclusive Growth

15. Beyond the immediate response to the current external shock, the authorities need to continue with their structural reform agenda. Priorities are to ensure debt sustainability, including through gains in spending efficiency, while strengthening social protection programs and safety nets, and appropriately budgeting the cost of maintenance and utilities for new and existing infrastructure. Improving tax administration by enhancing compliance of large taxpayers and strengthening audit

² The Price Control Order commenced on March 31 and will remain in effect for the duration of the State of Emergency, which began on March 20. The Order includes a schedule which identifies a list of goods with their regulated prices at wholesalers and retailers.

³ The amendments to the Anti-Money Laundering Laws, introduced in June 2018, brought cryptocurrency-related activities under the regulatory oversight of the Central Bank of Samoa (CBS). This enabled the ban against any transactions related to promotions of OneCoin, following its scam reported on April 25, 2019. Any cryptocurrency promoters who wish to carry out promotion or presentations in Samoa must first seek the approval of the CBS.

capacity can also provide support for this effort. Strengthening the public financial management (PFM) is paramount, which helps monitor and disclose fiscal risks, while increasing the capacity of the AID Coordination and Debt Management Unit. To strike an appropriate balance with the country's development objectives, the government needs to continue promoting agriculture and micro, small and medium enterprises (MSMEs) to achieve more inclusive growth, as they constitute a significant proportion of employment in both formal and informal sectors. The pilot projects successfully implemented (e.g. Inclusive Development Projects and Anchor Businesses for agricultural products) by the DBS can be expanded in scope and range of products for exports. Further enhancing the business environment and promoting exports with enhanced trade facilitation will provide important synergies. In addition, the authorities should aim to mitigate corresponding banking relationship (CBR) pressures and safeguard remittances inflows by enhancing AML/CFT effectiveness and reducing risks from the offshore sector. The authorities will also need to continue with the planned rollout of a Know-Your-Customer (KYC) utility for money transfer operators, designed to address customer identification concerns.

MODALITIES, ACCESS, CAPACITY TO REPAY, AND SAFEGUARDS

- 16. Staff estimates that a single disbursement of around 100 percent of quota (SDR 16.2 million or about US\$22 million) under the RCF is urgently needed to address COVID-19 economic effects.** Although the amount represents only 65 percent of the total BOP financing gap (US\$34.1 million or 154¾ percent of quota), the macroeconomic framework provided by the Fund would help the authorities identify financing needs and reach out to other donors to fill remaining financing needs. The positive effects of RCF disbursement will be magnified by the catalytic role of Fund assistance in helping mobilize resources from multilateral and bilateral donors.
- 17. Samoa faces urgent BOP needs, which, if not addressed, would result in immediate and severe economic disruption due to its high dependence on imports.** Given the urgent BOP needs, and the country's high dependence on substantial imports of food, health related products, and other materials, it is not feasible to implement a UCT-quality Fund-supported program.
- 18. Samoa has a strong track record.** The authorities maintain a good relationship with the Fund with a high level of engagement, and implement sound economic policies. The country is among the largest recipients of capacity development provided by the Pacific Financial Technical Assistance Centre (PFTAC) and follow through on key recommendations arising from the various technical assistance. Staff has confidence that the authorities will continue to cooperate with the Fund and will pursue economic policies appropriate to addressing the impacts of COVID-19.
- 19. Capacity to repay the Fund under such an access would remain adequate (see Table 7).** In May 2019, the authorities made the last payment on the outstanding purchase in 2009 under the Rapid Access Component of the Exogenous Shocks Facility (ESF). Separately, Samoa has credit outstanding under a previous RCF disbursement approved on May 15, 2013, with an access level of

38¾ percent of quota (US\$8.6 million).⁴ The country has been making its repayments on schedule, and its outstanding balance (25 percent of quota) at end-March is scheduled to be fully paid by FY2023, before repayments under the new RCF begin in FY2025. The amount of payments to the Fund remains at 0.1 to 0.2 months of prospective imports (GNFS base) per year (**see Text Table 2**). With a modest recovery in tourism from FY2023 expected in the baseline, staff projects a gradual improvement in reserve coverage, reaching 4.2 months of imports by FY2025.

20. RCF disbursements will be made to the Central Bank of Samoa. The disbursements under the RCF will address the urgent BOP financing needs, and help ensure financing of imports, including materials and equipment urgently needed in the country's health sector. The authorities commit to undergoing a safeguards assessment which would need to be completed before Executive Board approval of any subsequent arrangement, and to provide Fund staff with the most recently-completed external audit reports for the central bank, and authorize the external auditors of the central bank to hold discussions with staff.

RISKS

21. Downside risks to the outlook remain (Annex 1) and have become elevated, when compared to those contemplated at the time of the 2020 Article IV mission in February 2020.

Some of the risks to highlight in the context of Samoa are: (a) a more prolonged impact of the COVID-19 pandemic which would require sizable, additional fiscal stimulus; (b) a perfect storm could hit Samoa as the country faces continuing high vulnerability to natural disasters; and (c) the 2021 general election, scheduled for 2021:Q1, may contribute to increases in expenditure for the FY2021 budget without further prioritization. Against these risks, the authorities must strike the appropriate balance between growth-promoting fiscal strategy and debt sustainability over the medium- to long-term. However, when one of the risks or a combination of the risks materialize, the authorities would need to consider a possible UCT-level Fund arrangement, while seeking greater support from the international community.

STAFF APPRAISAL

22. Samoa has shown resilience to the measles outbreak of late-2019, but the global COVID-19 pandemic has severely affected the Samoan economy. The pandemic has been impacting growth mainly through precipitous declines in tourism earnings, as well as a significant slowdown in remittance inflows and export earnings. These impacts have created knock-on effects to non-tourism sectors, along with social distancing measures implemented under the State of Emergency. Real GDP growth for FY2019/20 is expected to decline to around -5 percent, significantly below the pre-COVID-19 estimate of 3 percent, with a high margin of uncertainty.

⁴ On February 29, 2016, following the effectiveness of Samoa's quota increase under the Fourteenth General Review of Quotas, Samoa's quota increased from SDR 11.2 million to SDR 16.2 million.

23. Based on these developments, the country is facing urgent balance of payments need.

Estimates point to the balance of payments need of about 4.1 percent of GDP.

24. Staff supports the authorities' immediate priorities to mitigate the impact of the pandemic and preserve macroeconomic stability.

The authorities' immediate efforts are appropriately focused on increasing health spending, strengthening social assistance, ensuring adequate liquidity to the banking system, and supporting access to credit. Beyond this immediate response, the authorities remain committed to promote inclusive growth and mitigate CBR pressures, while preserving financial-sector and external stability as well as fiscal sustainability.

25. Against this background, staff supports the authorities' request for a disbursement under the Rapid Credit Facility in the amount of SDR16.2 million (100 percent of quota).

Staff's support is based on the urgent balance of payments needs arising from the sudden exogenous shock of COVID-19, and the authorities' existing and prospective policies to address this external shock, including their commitment to seek additional external budget financing from other development partners. The risks to the outlook are large. While Samoa's debt remains sustainable, the country faces a high level of debt distress. However, Samoa has a strong track record of economic policymaking, and its capacity to repay the Fund remains strong.

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

	2016/17	2017/18	Estimate	Projection					
			2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	(12-month percent change)								
Output and inflation									
Real GDP growth	1.0	-2.2	3.5	-5.0	-1.5	2.7	2.2	2.2	2.2
Nominal GDP	1.0	-0.2	5.8	-2.4	0.9	4.9	4.7	5.1	5.1
Consumer price index (end of period)	1.0	5.8	-0.1	2.9	1.9	2.9	2.8	2.8	2.8
Consumer price index (period average)	1.3	3.7	2.2	2.8	2.5	2.2	2.5	2.8	2.8
	(In percent of GDP)								
Central government budget									
Revenue and grants	29.3	30.6	33.9	28.4	25.5	28.1	31.5	34.9	34.9
Of which: grants	1.9	2.9	4.2	6.9	5.3	4.8	4.8	4.9	4.9
Expenditure	31.4	30.6	31.2	35.7	35.4	35.8	37.3	37.5	37.6
Of which: Expense	23.2	24.5	25.9	30.3	28.2	28.4	28.5	28.4	28.6
Of which: Net acquisition of non-financial assets	8.2	6.1	5.3	5.4	7.1	7.4	8.9	9.1	9.0
Gross operating balance	6.1	6.2	8.0	-1.8	-2.7	-0.4	3.0	6.5	6.3
Overall fiscal balance	-2.1	0.1	2.7	-7.3	-9.8	-7.8	-5.8	-2.6	-2.7
Overall fiscal balance excl. grants	-4.0	-2.8	-1.5	-14.2	-15.2	-12.6	-10.6	-7.6	-7.6
Public debt	49.7	52.9	47.5	52.9	62.8	68.0	71.3	71.2	71.3
	(12-month percent change)								
Macrofinancial variables									
Broad money (M2)	7.8	16.5	9.9	-2.5	0.9	4.9	4.7	4.7	4.7
Net domestic assets	0.7	0.9	2.1	...	...	...	...	...	...
Private sector credit, Commercial banks	9.5	1.6	6.1	2.6	2.9	4.3	4.3	4.3	4.3
Total loan growth, Commercial banks	6.6	1.7	5.8	...	...	...	...	...	...
Total loan growth, Public financial institutions	12.8	6.0	17.2	...	...	...	...	...	...
	(Ratio)								
Private credit to GDP, Commercial banks	48.2	48.0	48.2	...	...	...	...	...	...
Private credit to GDP, Public financial institutions	27.6	29.3	32.6	...	...	...	...	...	...
Total capital to risk-weighted exposures	25.1	27.3	27.5	...	...	...	...	...	...
Non-performing loans	4.1	4.3	3.9	...	...	...	...	...	...
	(In millions of U.S. dollars)								
Balance of payments									
Current account balance	-16.6	6.8	19.4	-58.7	-58.0	-23.0	-22.4	-20.7	-13.2
(In percent of GDP)	-2.0	0.8	2.3	-7.1	-7.0	-2.6	-2.5	-2.2	-1.3
Merchandise exports, f.o.b. 2/	38.0	36.3	50.0	44.9	45.4	47.2	49.3	51.5	53.8
Merchandise imports, f.o.b.	308.6	328.9	349.4	349.9	343.6	347.1	370.8	401.0	424.8
Services (net)	140.6	158.4	174.8	97.4	95.1	122.7	136.9	152.1	168.4
Income (net)	-26.6	-30.0	-37.3	-36.9	-34.2	-30.4	-34.0	-31.8	-32.1
Current transfers	140.0	171.1	181.3	185.8	179.3	184.6	196.1	208.6	221.5
External reserves and debt									
Gross official reserves 3/	122.3	163.1	192.8	182.4	137.9	151.5	162.6	175.9	190.1
(In months of next year's imports of GNFS)	3.5	4.4	5.1	5.0	3.8	3.9	3.9	4.0	4.2
Public debt (in millions of tala) 4/	1,047.4	1,113.8	1,059.3	1,209.4	1,434.3	1,620.3	1,772.2	1,857.5	1,948.9
(In percent of GDP)	49.7	52.9	47.6	55.6	65.3	70.4	73.5	73.3	73.2
External debt (in percent of GDP)	48.3	52.0	46.9	52.9	62.8	68.0	71.3	71.2	71.3
Exchange rates									
Market rate (tala/U.S. dollar, period average) 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)	2,109	2,106	2,227	2,175	2,195	2,303	2,411	2,533	2,661
GDP per capita (U.S. dollars)	4,210	4,193	4,231	4,084	4,053	4,211	4,357	4,510	4,667

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

1/ Fiscal year beginning July.

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

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

4/ Includes domestic and external public debt.

5/ IMF, Information Notice System.

Table 2. Samoa: Balance of Payments, 2016/17 – 2024/25 1/

	Estimates			Projections					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
In millions of US dollars									
Current Account Balance	-16.6	6.8	19.4	-58.7	-58.0	-23.0	-22.4	-20.7	-13.2
Exports of goods 2/	38.0	36.3	50.0	44.9	45.4	47.2	49.3	51.5	53.8
Imports of goods	308.6	328.9	349.4	349.9	343.6	347.1	370.8	401.0	424.8
Services credit	224.5	249.8	266.4	197.2	185.2	216.3	234.5	254.1	275.0
Tourism earnings	151.3	180.3	196.4	134.5	121.9	152.3	169.3	187.6	207.1
Services Debit	83.8	91.3	91.6	99.8	90.1	93.5	97.7	102.1	106.6
Primary income credit	7.4	5.3	6.5	8.0	3.9	6.2	6.0	6.1	6.0
Primary income debit	34.0	35.3	43.8	44.9	38.2	36.6	39.9	37.9	38.2
Secondary income credit	159.1	194.1	205.3	207.6	202.2	207.5	218.7	231.4	244.2
Private transfers credit 3/	154.1	190.1	199.1	181.2	187.7	197.0	208.0	220.3	233.1
Official transfers credit	5.0	4.0	6.1	26.4	14.5	10.5	10.7	11.1	11.1
Secondary income debit	19.1	23.0	24.0	21.8	22.9	22.9	22.6	22.8	22.8
Private transfers debit	18.4	22.8	23.7	21.6	22.7	22.7	22.4	22.6	22.5
Official transfers debit	0.7	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Capital Account Balance	43.2	32.4	26.8	30.6	30.8	31.0	31.8	32.0	32.3
Credit	44.7	33.1	27.1	31.4	31.4	31.6	32.5	32.7	32.9
Debit	1.5	0.7	0.3	0.8	0.6	0.6	0.7	0.6	0.6
Financial Account Balance (excludes reserve assets)	5.0	-16.1	18.1	14.9	15.6	-7.2	-2.6	-2.0	2.5
Direct Investment	8.5	-15.7	-2.6	-13.0	-7.3	-1.8	-6.5	-1.2	-4.0
Abroad (Assets)	9.6	0.1	3.4	2.6	1.2	1.4	1.7	3.7	2.1
In Samoa (Liabilities)	1.0	15.9	6.0	15.6	8.5	3.2	8.2	4.9	6.1
Portfolio Investment	5.6	-3.7	-1.5	1.0	3.3	2.9	7.2	0.3	0.3
Abroad (Assets)	5.6	-3.7	-0.8	1.7	4.0	3.6	7.2	0.3	0.3
In Samoa (Liabilities)	0.0	0.0	0.7	0.7	0.7	0.7	0.0	0.0	0.0
Other Investment	-9.2	3.4	22.1	26.9	19.5	-8.3	-3.3	-1.1	6.2
Abroad (Assets)	-19.0	-20.4	-6.0	-5.0	-5.1	-5.1	-5.2	-5.2	-5.3
In Samoa (Liabilities)	-9.8	-23.7	-28.1	-31.9	-24.6	3.2	-1.8	-4.1	-11.5
Errors and Omissions	-12.8	-15.6	-27.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-8.9	-39.8	-1.1	43.0	42.8	-15.2	-11.9	-13.4	-16.5
Financing	8.9	39.8	1.1	-43.0	-42.8	15.2	11.9	13.4	16.5
Reserve Assets	7.3	37.3	-2.1	-10.3	-44.5	13.6	11.1	13.3	14.2
Net use of IMF Credit	-1.6	-2.5	-3.3	20.4	-1.7	-1.7	-0.9	-0.1	-2.3
Of which: IMF disbursements 4/	0.0	0.0	0.0	22.0	0.0	0.0	0.0	0.0	0.0
Of which: Repayments to the IMF	-1.6	-2.5	-3.3	-1.6	-1.7	-1.7	-0.9	-0.1	-2.3
Financing gap (net of IMF credit) 5/	0.0	0.0	0.0	12.1	0.0	0.0	0.0	0.0	0.0
Total Financing gap 4/ 5/	0.0	0.0	0.0	34.1	0.0	0.0	0.0	0.0	0.0
Memorandum Items:									
Nominal GDP (in millions of USD)	831.9	835.8	850.8	828.6	829.7	869.6	907.9	948.1	989.9
Current account balance (in percent of GDP)	-2.0	0.8	2.3	-7.1	-7.0	-2.6	-2.5	-2.2	-1.3
Gross official reserves (in million of U.S. dollars)	122.3	163.1	192.8	182.4	137.9	151.5	162.6	175.9	190.1
(In months of prospective imports of GNFS)	3.5	4.4	5.1	5.0	3.8	3.9	3.9	4.0	4.2
Total Financing gap (in percent of GDP) 4/ 5/	0.0	0.0	0.0	4.1	0.0	0.0	0.0	0.0	0.0
Exports of goods (annual percentage change)	2.9	-4.6	37.9	-10.2	1.0	4.1	4.4	4.5	4.5
Imports of goods (annual percentage change)	0.5	6.6	6.2	0.2	-1.8	1.0	6.8	8.2	5.9
Remittances (in percent of GDP) 6/	18.5	22.7	23.4	21.9	22.6	22.7	22.9	23.2	23.5
Tourism earnings (in percent of GDP)	18.2	21.6	23.1	16.2	14.7	17.5	18.6	19.8	20.9

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 the IMF disbursement of SDR16.2 million (100 percent of quota) under the Rapid Credit Facility (RCF). The World Bank has recently approved the US\$5.1 million in funding through the International Development Association (IDA), under the Catastrophe-Deferred Drawdown Option (Cat DDO).

5/ Including financing by other external donors (not yet identified).

6/ Including other current transfers.

Table 3a. Samoa: Summary of Budgetary Central Government Operations, 2016/17–2024/25

	Estimates		Revised	Projections						
	2016/17	2017/18	Budget 1/ 2019/20	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	
	(In millions of tala)									
Total Revenue	617.4	645.4	754.6	812.1	618.2	560.0	646.1	759.8	882.9	929.5
Revenue (excluding grants)	576.6	584.3	661.8	583.1	467.3	442.7	535.2	643.9	758.2	799.3
Tax revenue	517.5	525.8	572.5	464.7	413.1	383.8	471.1	573.7	684.5	721.8
Taxes on income, profits and capital gains	117.0	115.5	131.6	119.3	91.1	82.9	106.2	122.2	140.7	146.5
<i>Payable by individuals</i>	68.7	68.0	67.8	70.2	49.9	45.8	60.4	69.5	79.0	81.7
<i>Payable by corporations and other enterprises</i>	48.3	47.5	63.8	49.1	41.2	37.1	45.8	52.7	61.7	64.8
Taxes on property	3.3	2.6	0.8	0.8	0.8	0.8	0.9	0.9	1.0	1.0
Taxes on goods and services	342.2	348.9	376.6	300.4	275.7	258.6	313.8	390.7	476.2	502.9
<i>Value added tax</i>	198.1	209.1	229.4	165.5	177.8	170.1	195.4	238.6	290.5	307.8
<i>Excises</i>	133.8	127.3	132.7	131.7	86.7	78.5	106.2	136.6	169.6	178.2
<i>Others</i>	10.3	12.5	14.5	12.5	11.2	10.0	12.2	15.5	16.1	16.9
Taxes on international trade and transactions	54.9	58.8	63.5	44.1	45.5	41.4	50.3	59.9	66.7	71.4
Grants	40.8	61.1	92.9	229.0	150.9	117.3	110.9	115.9	124.7	130.2
Other revenue	59.1	58.4	89.3	118.4	54.2	58.9	64.1	70.2	73.7	77.4
<i>Sales of goods and services</i>	41.3	40.4	67.4	...	41.2	45.8	50.3	55.8	58.6	61.6
<i>Fines, penalties and forfeits</i>	11.4	11.0	0.2	...	10.8	10.9	11.5	12.0	12.5	13.2
<i>Property income</i>	6.4	7.0	21.7	...	2.2	2.2	2.3	2.4	2.5	2.7
Total Expenditure	661.5	643.9	694.2	848.0	776.0	776.1	825.2	900.4	949.8	1,000.6
Expense	489.0	515.5	576.7	655.6	658.1	619.2	654.3	687.0	719.5	761.2
Compensation of employees 2/	171.2	194.4	230.7	301.5	242.2	244.4	256.4	268.5	280.1	294.3
<i>Wages and salaries</i>	158.8	180.2	214.0	...	223.2	225.3	236.3	247.5	258.0	271.1
<i>Employers' social contributions</i>	12.3	14.2	16.7	...	19.0	19.1	20.1	21.0	22.1	23.2
Use of goods and services 2/	113.4	154.5	186.4	253.8	230.8	185.6	196.7	206.0	215.2	228.8
Interest	17.2	17.3	16.5	17.5	17.3	19.7	23.4	26.4	28.9	30.3
<i>External</i>	14.3	15.3	15.1	...	17.0	18.8	22.5	25.5	28.0	29.4
<i>Domestic</i>	2.9	2.0	1.4	...	0.2	1.0	0.9	0.9	0.9	0.9
Subsidies 3/	9.1	5.1	4.7	21.5	19.2	19.4	20.3	21.3	22.4	23.5
Grants 4/ 2/	137.3	109.7	106.5	10.2	102.8	103.7	108.8	113.9	119.6	128.3
Social benefits 5/	18.1	18.6	19.9	34.1	34.1	34.4	36.1	37.8	39.7	41.7
Other expense 6/	22.8	15.8	12.0	17.0	11.8	11.9	12.5	13.1	13.8	14.5
Transactions in nonfinancial assets	172.4	128.4	117.5	192.4	117.8	156.9	171.0	213.4	230.3	239.3
Gross operating balance	128.4	129.9	177.9	156.5	-40.0	-59.2	-8.2	72.8	163.4	168.2
Overall balance	-44.1	1.5	60.4	-35.9	-157.8	-216.1	-179.1	-140.7	-66.9	-71.1
Overall balance excluding grants	-84.9	-59.6	-32.4	-264.9	-308.7	-333.4	-290.0	-256.6	-191.6	-201.3
Primary balance	-26.9	18.8	76.9	-18.4	-140.6	-196.4	-155.8	-114.3	-38.0	-40.8
Financing	-44.1	1.5	60.4	-35.9	-157.8	-216.1	-179.1	-140.7	-66.9	-71.1
Net financial assets	-50.8	19.3	7.3	-74.8	-10.6	-7.3	-2.3	-1.9	-1.3	-1.2
Domestic currency and deposits	-50.8	19.3	7.3	-74.8	-11.0	-7.3	-2.3	-1.9	-1.3	-1.2
Net incurrence of liabilities	-6.8	17.8	-53.1	-38.9	147.2	208.8	176.9	138.8	65.6	69.9
External loans (net)	2.8	27.6	-43.8	-34.8	109.5	217.5	186.5	148.3	76.1	80.4
Disbursement	...	97.6	27.2	40.2	184.5	297.5	264.5	223.9	152.3	157.4
Amortization	...	70.0	71.0	75.0	75.0	80.0	78.0	75.6	76.2	77.0
Domestic loans (net)	-9.5	-9.8	-9.3	-4.1	37.7	-8.7	-9.7	-9.6	-10.5	-10.5
Disbursement	...	...	...	8.2	50.0	0.0	0.0	0.0	0.0	0.0
Amortization	...	...	...	12.3	12.3	8.7	9.7	9.6	10.5	10.5
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)	2,109.4	2,105.7	2,227.5	2,174.9	2,174.9	2,195.1	2,302.7	2,411.1	2,532.9	2,661.4
Compensation of employees										
in percent of GDP	8.1	9.2	10.4	13.9	11.1	11.1	11.1	11.1	11.1	11.1
in percent of domestic revenue	29.7	33.3	34.9	51.7	51.8	55.2	47.9	41.7	36.9	36.8
in percent of current expense	35.0	37.7	40.0	46.0	36.8	39.5	39.2	39.1	38.9	38.7
Total central government debt outstanding	1,047.3	1,113.8	1,058.6	976.2	1,209.4	1,434.3	1,620.3	1,772.2	1,857.5	1,948.9
Domestic debt	29.4	19.5	14.9	15.2	58.6	56.8	55.2	54.1	53.1	52.5
External debt	1,018.0	1,094.3	1,043.7	961.0	1,150.8	1,377.5	1,565.1	1,718.1	1,804.4	1,896.3

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

1/ Includes supplementary budget 1 in December 2019 (following measles outbreak) and supplementary budget 2 in April 2020 to support the private sector affected by COVID-19. In addition, it includes external financial assistance by multilateral and bilateral donors to support policies to address impacts of the global COVID-19 pandemic (see Table 5).

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

3/ Primarily to subsidize the cost of products or production of public corporations.

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

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

6/ Includes current and capital transfers made to cover and meet other operational and capital costs of state owned enterprises which are not subsidies.

Table 3b. Samoa: Summary of Budgetary Central Government Operations, 2016/17–2024/25

	Estimates		Revised	Projections						
	2016/17	2017/18	Budget 1/ 2019/20	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	
	(In percent of GDP)									
Total Revenue	29.3	30.6	33.9	37.3	28.4	25.5	28.1	31.5	34.9	34.9
Tax revenue	24.5	25.0	25.7	21.4	19.0	17.5	20.5	23.8	27.0	27.1
Taxes on income, profits and capital gains	5.5	5.5	5.9	5.5	4.2	3.8	4.6	5.1	5.6	5.5
Payable by individuals	3.3	3.2	3.0	3.2	2.3	2.1	2.6	2.9	3.1	3.1
Payable by corporations and other enterprises	2.3	2.3	2.9	2.3	1.9	1.7	2.0	2.2	2.4	2.4
Taxes on property	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on goods and services	16.2	16.6	16.9	13.8	12.7	11.8	13.6	16.2	18.8	18.9
Value added tax	9.4	9.9	10.3	7.6	8.2	7.8	8.5	9.9	11.5	11.6
Excises	6.3	6.0	6.0	6.1	4.0	3.6	4.6	5.7	6.7	6.7
Others	0.5	0.6	0.7	0.6	0.5	0.5	0.5	0.6	0.6	0.6
Taxes on specific services	0.5	0.6	0.7	0.5	0.4	0.4	0.5	0.6	0.6	0.6
Taxes on use of goods, permission to use goods	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Taxes on international trade and transactions	2.6	2.8	2.8	2.0	2.1	1.9	2.2	2.5	2.6	2.7
Grants	1.9	2.9	4.2	10.5	6.9	5.3	4.8	4.8	4.9	4.9
Other revenue	2.8	2.8	4.0	5.4	2.5	2.7	2.8	2.9	2.9	2.9
Sales of goods and services	2.0	1.9	3.0	...	1.9	2.1	2.2	2.3	2.3	2.3
Fines, penalties and forfeits	0.5	0.5	0.0	...	0.5	0.5	0.5	0.5	0.5	0.5
Property income	0.3	0.3	1.0	...	0.1	0.1	0.1	0.1	0.1	0.1
Total Expenditure	31.4	30.6	31.2	39.0	35.7	35.4	35.8	37.3	37.5	37.6
Expense	23.2	24.5	25.9	30.1	30.3	28.2	28.4	28.5	28.4	28.6
Compensation of employees 2/ Wages and salaries	8.1	9.2	10.4	13.9	11.1	11.1	11.1	11.1	11.1	11.1
Employers' social contributions	7.5	8.6	9.6	...	10.3	10.3	10.3	10.3	10.2	10.2
Use of goods and services 2/ Interest	0.6	0.7	0.7	...	0.9	0.9	0.9	0.9	0.9	0.9
External	5.4	7.3	8.4	11.7	10.6	8.5	8.5	8.5	8.5	8.6
Domestic	0.8	0.8	0.7	0.8	0.8	0.9	1.0	1.1	1.1	1.1
Subsidies 3/ Grants 4/ 2/ Social benefits 5/ Other expense 6/ Transactions in nonfinancial assets	0.7	0.7	0.7	...	0.8	0.9	1.0	1.1	1.1	1.1
Subsidies 3/ Grants 4/ 2/ Social benefits 5/ Other expense 6/ Transactions in nonfinancial assets	0.1	0.1	0.1	...	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies 3/ Grants 4/ 2/ Social benefits 5/ Other expense 6/ Transactions in nonfinancial assets	0.4	0.2	0.2	1.0	0.9	0.9	0.9	0.9	0.9	0.9
Subsidies 3/ Grants 4/ 2/ Social benefits 5/ Other expense 6/ Transactions in nonfinancial assets	6.5	5.2	4.8	0.5	4.7	4.7	4.7	4.7	4.7	4.8
Subsidies 3/ Grants 4/ 2/ Social benefits 5/ Other expense 6/ Transactions in nonfinancial assets	0.9	0.9	0.9	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Subsidies 3/ Grants 4/ 2/ Social benefits 5/ Other expense 6/ Transactions in nonfinancial assets	1.1	0.8	0.5	0.8	0.5	0.5	0.5	0.5	0.5	0.5
Subsidies 3/ Grants 4/ 2/ Social benefits 5/ Other expense 6/ Transactions in nonfinancial assets	8.2	6.1	5.3	8.8	5.4	7.1	7.4	8.9	9.1	9.0
Gross operating balance	6.1	6.2	8.0	7.2	-1.8	-2.7	-0.4	3.0	6.5	6.3
Overall balance	-2.1	0.1	2.7	-1.7	-7.3	-9.8	-7.8	-5.8	-2.6	-2.7
Overall balance excluding grants	-4.0	-2.8	-1.5	-12.2	-14.2	-15.2	-12.6	-10.6	-7.6	-7.6
Primary balance	-1.3	0.9	3.5	-0.8	-6.5	-8.9	-6.8	-4.7	-1.5	-1.5
Financing	-2.1	0.1	2.7	-1.7	-7.3	-9.8	-7.8	-5.8	-2.6	-2.7
Net financial assets	-2.4	0.9	0.3	-3.4	-0.5	-0.3	-0.1	-0.1	-0.1	0.0
Domestic currency and deposits	-2.4	0.9	0.3	-3.4	-0.5	-0.3	-0.1	-0.1	-0.1	0.0
Net incurrence of liabilities	-0.3	0.8	-2.4	-1.8	6.8	9.5	7.7	5.8	2.6	2.6
External loans	0.1	1.3	-2.0	-1.6	5.0	9.9	8.1	6.2	3.0	3.0
Disbursement	...	4.6	1.2	1.8	8.5	13.6	11.5	9.3	6.0	5.9
Amortization	...	3.3	3.2	3.4	3.4	3.6	3.4	3.1	3.0	2.9
Domestic loans	-0.5	-0.5	-0.4	-0.2	1.7	-0.4	-0.4	-0.4	-0.4	-0.4
Disbursement	...	...	...	0.4	2.3	0.0	0.0	0.0	0.0	0.0
Amortization	...	...	...	0.6	0.6	0.4	0.4	0.4	0.4	0.4
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)	2,109.4	2,105.7	2,227.5	2,174.9	2,174.9	2,195.1	2,302.7	2,411.1	2,532.9	2,661.4
Total central government debt outstanding	49.7	52.9	47.5	44.9	55.6	65.3	70.4	73.5	73.3	73.2
Domestic debt	1.4	0.9	0.7	0.7	2.7	2.6	2.4	2.2	2.1	2.0
External debt	48.3	52.0	46.9	44.2	52.9	62.8	68.0	71.3	71.2	71.3

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

1/ Includes supplementary budget 1 in December 2019 (following measles outbreak) and supplementary budget 2 in April 2020 to support the private sector affected by COVID-19. In addition, it includes external financial assistance by multilateral and bilateral donors to support policies to address impacts of the global COVID-19 pandemic (see Table 5).

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

3/ Primarily to subsidize the cost of products or production of public corporations.

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

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

6/ Includes current and capital transfers made to cover and meet other operational and capital costs of state owned enterprises which are not subsidies.

Table 4. Samoa: Monetary Developments, 2013/14–February 2020

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	Feb. 2020
(In millions of Tala; end of period)							
Depository Corporations							
Net foreign assets	288	181	151	199	376	474	463
Gross reserves	255	311	256	290	399	491	477
Other foreign assets	238	149	173	175	125	163	138
Foreign liabilities	205	279	279	266	149	180	152
Net domestic assets	545	659	810	766	751	767	762
Net credit to central government	-101	-116	-133	-171	-197	-212	-238
Net credit to public nonfinancial corporations	35	36	37	15	12	10	9
Credit to private sector	748	827	940	1,022	1,015	1,077	1,142
Other items (net)	-137	-89	-34	-100	-78	-107	-151
Broad money	832	836	895	965	1,124	1,236	1,221
Narrow money	380	356	394	406	499	566	532
Currency outside banks	46	49	61	67	75	98	98
Transferable deposits	334	307	333	338	424	469	435
Other deposits	451	480	501	560	625	670	688
Central Bank							
Net foreign assets	214	243	195	236	346	449	437
Gross reserves	255	311	256	290	399	491	477
Other foreign assets	0	12	14	15	15	18	16
Foreign liabilities	41	80	75	69	68	60	56
Net domestic assets	8	19	20	20	-25	-41	14
Net credit to central government	-64	-88	-103	-125	-142	-151	-132
Net credit to financial corporations	70	102	130	139	116	114	155
Other items (net)	3	4	-6	6	1	-4	-9
Monetary Base	222	262	216	257	320	408	450
Currency in circulation	68	76	83	90	102	124	127
Other liabilities to deposit money banks	154	186	133	167	219	283	323
Other Depository Corporations							
Net foreign assets	74	-63	-45	-37	30	25	26
Foreign assets	238	137	159	160	111	145	122
Foreign liabilities	164	200	204	197	80	120	96
Net domestic assets	713	853	880	937	1,022	1,118	1,101
Net credit to central government	-37	-28	-30	-46	-55	-62	-105
Net credit to public nonfinancial corporations	35	36	37	15	12	10	9
Credit to private sector	748	820	934	1,017	1,010	1,073	1,138
Net credit to financial corporation	193	220	135	163	264	334	311
Other items (net)	-227	-195	-196	-212	-209	-237	-252
Deposits	785	787	834	898	1,049	1,139	1,123
Transferable deposits	334	307	333	338	424	469	435
Other deposits	451	480	501	560	625	670	688
(In percent, unless otherwise indicated)							
Money velocity 1/	2.3	2.3	2.3	2.2	1.9	1.8	1.8
Money multiplier 2/	3.7	3.2	4.1	3.8	3.5	3.0	2.7
Private credit/GDP 3/	42.5	43.3	44.7	47.3	48.2	48.3	52.5
Private credit/deposits 3/	95.2	105.1	112.7	113.8	96.7	94.5	101.6
Annual broad money growth	18.7	0.6	7.1	7.8	16.5	9.9	-1.9
Annual reserve money growth	27.5	18.2	-17.6	18.8	24.9	27.2	13.3
Annual private credit growth 3/	3.4	10.6	13.6	9.5	1.6	6.1	5.4
Lending rate 4/	10.3	9.6	9.0	8.6	9.0	9.0	8.9
Deposit rate 4/	3.0	2.4	2.3	2.7	2.7	2.8	2.5

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, as of Jan 2020.

Table 5. Samoa: Expected Grants to Finance the Policy Responses to COVID-19, FY2020

Institution	Type	Amount (in million)		Percent of GDP	Details
		Tala	USD		
World Bank	Catastrophe Deferred Drawdown (Cat DDO)	14.4	5.4	0.7	<ul style="list-style-type: none"> Samoa has US\$ 8.7 million access, of which US\$ 3.6 million was used for the measles outbreak of late-2019. The remaining balance was disbursed in March 2020.
	IPF-COVID19	7.1	2.7	0.3	<ul style="list-style-type: none"> Procurement of goods and services required to combat the COVID19 to ensure poverty reduction and sustainable development. The first disbursement of the US\$9.3 million committed during FY2020-26 for the Samoa Health System Strengthening Program, funded under a P4R (program for results) project.
Asian Development Bank	Contingency Disaster Facility	8.2	3.1	0.4	Established to assist member countries' immediate response to natural disasters. Due to the catastrophic effects of the Coronavirus, the facility is now opened to include the pandemic and released to assist in preparatory and preventative measures of all member countries including Samoa.
Government of New Zealand	Budget Support	9.1	3.4	0.4	This assistance is injected directly into the Budget to assist in any sectoral response to the Coronavirus.
Government of Japan	Health Equipment	1.8	0.7	0.1	Direct assistance from the Government of Japan to assist in the procurement of medical equipment for the hospital.

Source: Samoan authorities; and IMF staff calculations.

Table 6. Samoa: Financial Soundness Indicators: Banking System, 2014/15–December 2019

	2014/15	2015/16	2016/17	2017/18	2018/19	Dec. 2019
Capital Adequacy						
Regulatory Capital to Risk-Weighted Assets, Ratio	27.1	24.5	25.1	27.3	27.5	27.8
Regulatory Tier 1 Capital to Risk-Weighted Assets, Ratio	22.9	19.9	20.4	22.7	22.4	22.1
Non-performing Loans Net of Provisions to Capital, Ratio	...	9.0	4.5	2.8	2.3	2.7
Capital to Assets, Ratio	15.9	16.2	15.8	16.7	16.3	16.2
Asset Quality						
Non-performing Loans to Total Gross Loans, Ratio	7.1	5.2	4.1	4.3	3.9	4.0
Provisions to non-performing loans	50.8	64.4	77.9	85.1	86.9	84.7
Large Exposures to Capital, Ratio	...	98.2	106.4	68.5	51.6	47.8
Earnings and Profitability						
Return on Assets, Ratio ^{1/}	1.8	8.5	4.2	3.1	3.9	2.5
Return on Equity, Ratio ^{1/}	11.0	52.5	25.9	18.9	23.9	15.3
Liquidity Ratios						
Liquid Assets to Total Assets (Liquid Asset Ratio), Ratio	14.5	8.1	9.7	13.8	16.3	16.0
Liquid Assets to Short Term Liabilities, Ratio	...	23.3	25.5	30.3	33.4	33.1
Total loans to total domestic deposits	116.0	130.6	117.9	108.9	100.2	101.5
Sensitivity to Market Risk						
Net Open Position in Foreign Exchange to Capital, Ratio	12.8	8.1	28.4	25.1	19.4	23.5
Distribution of Total Loans						
Sectoral Distribution of Total Loans: General Government, Ratio	...	1.5	1.1	0.9	0.5	0.0
Sectoral Distribution of Total Loans: Nonfinancial Corporations , Ratio	...	62.1	57.2	53.8	54.6	56.1
Sectoral Distribution of Total Loans: Nonresidents, Ratio	...	0.1	4.3	0.2	0.1	0.2
Sectoral Distribution of Total Loans: Other Domestic Sectors, Ratio	...	35.3	36.0	41.2	40.9	41.2
Sectoral Distribution of Total Loans: Other Financial Corporations , Ratio	...	1.1	1.4	4.0	3.9	2.5
Foreign-Currency-Denominated Loans to Total Loans, Ratio	...	13.2	13.8	4.1	3.6	4.2
Commercial Real Estate Loans to Total Loans, Ratio	...	42.9	35.5	35.9	33.0	32.7
Residential Real Estate Loans to Total Loans, Ratio	...	29.3	33.6	37.8	40.3	39.5
Other Indicators						
Assets to Total Financial System Assets, Ratio	44.8	46.3	55.5	44.9	42.8	44.6
Assets to Gross Domestic Product (GDP), Ratio	...	43.8	46.8	49.4	48.3	49.3

Sources: Central Bank of Samoa; Financial Soundness Indicators database; and IMF staff calculations.

^{1/} Change in methodology in 2015/16.

Table 7. Samoa: Indicators of Capacity to Repay the Fund, 2018/19–2029/30 1/

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Projections											
Fund obligations based on existing credit 2/												
(In millions of SDRs)												
Principal	2.3	1.2	1.2	1.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit 2/3/												
(In millions of SDRs)												
Principal	2.3	1.2	1.2	1.2	0.6	0.0	1.6	3.2	3.2	3.2	3.2	1.6
Charges and interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit 2/3/												
(In millions of SDRs)												
In millions of SDRs	2.4	1.2	1.2	1.2	0.6	0.0	1.6	3.2	3.2	3.2	3.2	1.6
In millions of U.S. dollars	3.3	1.6	1.6	1.6	0.8	0.0	2.3	4.5	4.5	4.5	4.5	2.3
In percent of gross international reserves	1.7	0.9	1.2	1.1	0.5	0.0	1.2	2.4	2.3	2.3	2.1	1.0
In percent of government revenue	1.3	0.6	0.7	0.8	0.3	0.0	0.7	1.3	1.3	1.2	1.2	0.6
In percent of exports of goods and services	1.0	0.7	0.7	0.6	0.3	0.0	0.7	1.5	1.5	1.4	1.4	0.7
In percent of debt service 2/	12.0	5.6	5.3	5.4	2.8	0.0	7.9	15.8	16.1	16.2	16.3	8.2
In percent of GDP	0.4	0.2	0.2	0.2	0.1	0.0	0.2	0.4	0.4	0.4	0.4	0.2
In percent of quota	14.6	7.2	7.2	7.2	3.6	0.0	10.0	20.0	20.0	20.0	20.0	10.0
Outstanding Fund credit 2/3/												
(In millions of SDRs)												
In millions of SDRs	4.1	19.1	17.9	16.8	16.2	16.2	14.6	11.3	8.1	4.9	1.6	0.0
In millions of U.S. dollars	5.6	26.2	24.7	23.2	22.5	22.6	20.4	15.8	11.3	6.8	2.3	0.0
In percent of gross international reserves	2.9	14.4	17.9	15.3	13.8	12.8	10.7	8.3	5.8	3.4	1.1	0.0
In percent of government revenue	2.2	9.1	10.5	11.0	9.2	7.9	6.2	4.6	3.2	1.9	0.6	0.0
In percent of exports of goods and services	1.8	10.8	10.7	8.8	7.9	7.4	6.2	5.2	3.6	2.1	0.7	0.0
In percent of debt service 4/	20.7	91.8	81.7	78.8	79.0	79.1	71.2	55.4	40.1	24.3	8.1	0.0
In percent of GDP	0.7	3.2	3.0	2.7	2.5	2.4	2.1	1.6	1.1	0.6	0.2	0.0
In percent of quota	25.1	117.9	110.7	103.6	100.0	100.0	90.0	70.0	50.0	30.0	10.0	0.0
Net use of Fund credit (millions of SDRs) 2/3/												
Disbursements	-2.3	15.0	-1.2	-1.2	-0.6	0.0	-1.6	-3.2	-3.2	-3.2	-3.2	-1.6
Repayments and repurchases	0.0	16.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	-2.3	-1.2	-1.2	-1.2	-0.6	0.0	-1.6	-3.2	-3.2	-3.2	-3.2	-1.6
<i>Memorandum items:</i>												
Nominal GDP (in millions of U.S. dollars)	850.8	828.6	829.7	869.6	907.9	948.1	989.9	1019.9	1050.2	1082.3	1115.3	1149.3
Exports of goods and services (in millions of U.S. dollars)	316.4	242.1	230.6	263.5	283.8	305.7	328.8	301.9	310.8	320.3	330.1	340.1
Gross International Reserves (in millions of U.S. dollars)	192.8	182.4	137.9	151.5	162.6	175.9	190.1	190.2	195.3	200.5	210.9	216.6
Government revenue (in millions of U.S. dollars)	256.2	288.3	235.5	211.7	244.0	286.1	330.5	345.7	356.2	366.8	372.6	383.9
Debt service (in millions of U.S. dollars)	27.1	28.6	30.2	29.5	28.5	28.5	28.6	28.6	28.2	27.9	27.8	27.7
Tala/U.S. dollars (period average)	2.6	2.6	2.6	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.8	2.8
U.S. dollars/SDR (period average)	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4

Sources: Fund staff estimates and projections.

1/ Fiscal year in Samoa runs from July 1 to June 30.

2/ Repayments under the Rapid-Access Component of the Exogenous Shocks Facility (ESF-RAC), approved on December 7, 2009, have been completed in 2019 as scheduled.

3/ Assuming a disbursement of SDR 16.2 million (100 percent of quota) under the Rapid Credit Facility (RCF) in 2020/21, and including external financial assistance by multilateral and bilateral donors to support policies to address impacts of the global COVID-19 pandemic (see Table 5).

4/ Total debt service includes IMF repurchases and repayments.

Annex I. Risk Assessment Matrix¹

	Source of Risks	Relative Likelihood (high, medium or low)	Expected Impact (high, medium or low)	Policy Recommendations
Domestic	Higher frequency and severity of natural disasters	High On average, Samoa has been hit by a major natural disaster once every five years.	High In addition to widespread damage, natural disasters have historically increased public debt.	Build fiscal buffers. Increase resilience to natural disasters by implementing policies under the Strategy for the Development of Samoa (SDS) 2016/17-2019/20.
	Loss of Correspondent Banking Relationships	Medium/High The tight global regulatory landscape could result in increased pressures on CBRs.	High Closure of MTOs' bank accounts could disrupt the remittance channel, which may increase the hand-carry of cash, undermining efforts to increase AML/CFT compliance. The impact of lower remittances could lead to lower consumption and widen the current account deficit. Higher cost of remittances would also have a negative impact on more vulnerable households.	Strengthen the AML/CFT regime in line with APG/FATF recommendations; implement the Know-Your-Customer utility to verify customers' identity electronically against the OEC database and help AML/CFT compliance by money transfer operators; address the risks from the offshore sector by aligning the pertinent legislation with FATF standards; strengthen digital and financial literacy to facilitate use of mobile cross border payments.
External	Prolonged Covid-19 outbreak	High Containment measures remain in place (in some places intensify or need to be re-introduced) through early 2021.	High Longer containment and uncertainties about the intensity and the duration of the outbreak reduce supply (including through global value chains' disruption) and domestic and external demand. Deteriorating economic fundamentals and the associated decline in risk appetite result in a second wave of financial tightening (amplified as hidden fragilities are unmasked) and in debt service and refinancing difficulties for corporates and households. Rising bankruptcies translate into financial institutions' losses, forcing them to cut credit, with further adverse implications for growth. Concerns about public debt sustainability mount.	Implement substantial targeted fiscal, monetary, and financial market measures to help affected households and businesses; broad-based fiscal stimulus consistent with available fiscal space to help lift aggregate demand; targeted cash transfers, wage subsidies, and tax relief for those hardly hit by the economic fallout; be ready to provide ample liquidity to banks and nonbank finance companies, particularly to those lending to small- and medium-sized enterprises, which may be less prepared to withstand a sharp disruption; seek concessional external assistance.

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.

Widespread social discontent and political instability	High Social tensions erupt due to dissatisfaction with the policy response to the epidemic and the economic fallout, including massive unemployment, higher incidence of poverty and shortages of essentials.	Medium/High Beyond immediate economic disruption and adverse confidence effects, the resulting political instability complicates adjustment following Covid-19.	Support most affected households and businesses by targeted fiscal and financial measures.
More protectionism	High Pandemic-prompted protectionist actions (e.g., export controls) stay in place and deteriorating economic conditions re-ignite broader protectionist measures.	Medium/High Weaker global and regional growth resulting from protectionism could lead to a sharp decline in exports, tourism earnings, and remittances. This could worsen the current account balance, reduce fiscal revenues, and inhibit growth. Global financial market volatility could exacerbate CBR withdrawal. Commodity prices could increase due to export restrictions and supply disruptions.	Improve the business environment and connectivity to create a conducive environment for private sector development; improve financial inclusion to help cushion the most vulnerable population segments against negative shocks; use of technology to reduce the price of remittances; explore opportunities for broadening the export base.
Oversupply in the oil markets	High Supply increases following the breakdown of the OPEC+ agreement together with demand shocks mean that energy prices remain at depressed levels. Uncertainty about future production contribute to continued high price volatility.	Medium Low level of energy prices would reduce import costs and improve current account balance, but subject to high price volatility.	Improve FX liquidity forecasting; diversify the export base.
Intensified geopolitical tensions and security risks	Medium Geopolitical tensions and security risks (e.g., in response to pandemic) cause socio-economic and political disruption, disorderly migration, and lower confidence.	Medium Increased geopolitical and security risks could dampen tourism, adversely affecting current account.	Broad-based fiscal stimulus consistent with available fiscal space to help lift aggregate demand; further reduce or postpone non-essential spending; seek concessional external assistance.

Appendix I. Letter of Intent

April 17, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431, USA

Dear Ms. Georgieva:

1. Samoa experienced a devastating measles outbreak in late-2019, which claimed 83 lives of mostly young children, and involved over 5,700 reported cases. Samoa, which has a population of around 200,000 persons, declared a State of Emergency in mid-November which was in effect through end-December. This had large economic repercussions on a broad range of economic sectors, and tourism receipts in particular plunged. The historically large magnitude of the economic downfall experienced in the last quarter of 2019 was a sea change from the previous quarter which showed, in contrast, a strong economic expansion supported by Samoa's hosting of the Pacific Games in July 2019.
2. Immediately following the detrimental impact caused by the measles outbreak, Samoa was hit hard by the global pandemic of coronavirus (COVID-19). Samoa was among the first countries in the world to require 14-day self-quarantine for travelers from COVID-19-affected economies, and introduced other travel restrictions. The early actions taken by the government, along with social distancing measures enforced under the State of Emergency declared on March 20, 2020, have contributed positively thus far, with no confirmed Samoan cases of COVID-19 yet reported as of April 16. However, the pandemic has brought a heavy toll on the Samoan economy, and created urgent balance of payments needs.
3. Our preliminary projections suggest that real GDP growth in 2020 could decline by 1.6 percent owing to the adverse supply and demand shocks caused by the COVID-19 pandemic. We anticipate a robust rebound in activity once the immediate crisis has passed, and foreign visitors resume their normal travel patterns. Our fiscal deficit is likely to reach 1.7 percent of GDP this fiscal year (from a surplus of 2.7 percent of GDP in 2018/19) and the current account deficit could reach SAT200 million (around 9 percent of GDP) in 2020. Given the fluid and fast-deteriorating macroeconomic environment globally, and the rapid development of the COVID-19 pandemic, we anticipate that Samoa's macroeconomic outlook for FY2020 and beyond is subject to further revisions and a high degree of uncertainty.
4. Against this background, the Government of Samoa requests emergency financing from the IMF under the Rapid Credit Facility (RCF) in the equivalent of SDR16.2 million (100 percent of our

quota). This IMF assistance will help meet the urgent balance of payments needs that are associated with a precipitous drop in tourist arrivals, and our high dependence on imports. We expect that IMF assistance would also help catalyze additional financial assistance from external resources. We are committed to continue to reach out to other multilateral and bilateral donors.

5. We expect to face significant financing needs for government operations, arising from an anticipated increase in outlays to finance increased expenditure on preparedness for containment and treatment of those who contract COVID-19. Thus far, the support received by multilateral and bilateral donors can help finance this cost. Beyond these direct steps to target public health priorities, we have also announced a fiscal package to support the private sector, which was approved by parliament in early April and amounts to SAT66.3 million (about 3 percent of GDP). The package incorporates reprioritization of spending based on fiscal priorities, increases temporary support to the most vulnerable households and businesses, and redirects available funds as needed to combat the COVID-19 pandemic. We envisage that our policy response to COVID-19 will help address our poverty reduction and growth goals. We anticipate the package will add about 0.5 percent of GDP to our fiscal deficit this fiscal year, with budget support and program-linked financial assistance received from external donors (both multilateral and bilateral). However, the anticipated fiscal outturn will depend on Samoa's revenue performance, which is subject to high uncertainty.

6. We remain committed to reducing public debt to more sustainable levels at an appropriate pace over time. We will embark on fiscal consolidation as soon as the post-pandemic economic recovery takes hold, and aim to maintain our overall fiscal deficit under the annual ceiling of 2 percent. We will aim to bring public debt back towards the 50 percent of GDP target at a gradual pace over the medium term, should the weak revenue performance raise the debt level above the target. Moreover, with technical assistance from the Pacific Financial Technical Assistance Centre (PFTAC), we will continue to push through with public financial management (PFM) reforms. We are also committed to taking additional revenue and expenditure measures to ensure debt sustainability and macroeconomic stability.

7. We intend to maintain an accommodative monetary policy stance to support private sector activity. With disruptions to global supply chains and the country's high dependence on imports, we anticipate that inflation on imported goods will likely go up. At the same time, extreme weather events in recent months have caused damage to agriculture and raised prices of locally produced food and vegetables. These developments began raising inflation from a low base. Despite substantial declines in global oil prices, we anticipate that prices of some essential food items and necessities could rise, even though domestic demand growth is projected to be weak. To monitor local inflation and prevent wholesalers and retailers from price gauging of certain goods, the Government has revived the Price Control Board for the limited period during which the State of Emergency is in effect. However, we are committed to restoring a market-determined price mechanism when the State of Emergency is lifted.

8. We will maintain the current exchange rate regime of pegging the tala to the currencies of our key trading partners. This arrangement has served Samoa well in minimizing market volatility

given our small economy and shallow foreign exchange markets. With favorable developments in the tourism sector in 2019, supported by VFR (visitors, friends, and relatives) travel and expansion of the flight network by the Samoa Airways, the current account registered a large surplus in FY2019, and international reserves reached 5.4 months of prospective imports (based on GNFS definition). However, the measles outbreak and subsequent COVID-19 pandemic have significantly lowered the reserves, with foreign exchange receipts amounting to SAT320 million (around 14 percent of GDP) in FY2020. We are committed to take all necessary actions to restore and maintain external stability, including through structural measures to improve our competitiveness.

9. We have been making strong efforts to develop a sound financial sector. Following the 2015 Financial Sector Assessment Program (FSAP), we have been steadily implementing its key recommendations. Our work spans a wide range of activities, including strengthening regulation and supervision of commercial banks, public financial institutions (PFIs), insurance and offshore banking sectors, as well as revamping payment systems and infrastructure, and enhancing crisis preparedness. With the IMF technical assistance provided through the PFTAC, we have made steadfast progress, and are committed to making further improvements. In addition, we have developed the National Financial Inclusion Strategy, with the aim to build a sound financial system that best serves all members of society in their pursuit of economic prosperity. We have been working closely with other international financial institutions to re-establish the national credit bureau—a cornerstone of developing an efficient credit market—with associated efforts to raise public financial literacy to help safeguard households balance sheets.

10. We are also aware of the impact of COVID-19 on the balance sheets of Samoa's four public financial institutions (PFIs). Based on past experience, the Central Bank of Samoa (CBS) will refrain from extending its direct credit lines to PFIs to safeguard its own balance sheet. The government will ensure transparency and well-defined timeframe of fiscal operations when it becomes necessary to allocate budgetary resources to PFIs to support their operations. The CBS remains committed to maintaining the soundness of our financial institutions, and will closely monitor their asset quality and take necessary measures to minimize risks to the financial system, while providing ample liquidity.

11. Due to technological progress, sizable growth in international trade, and rapid and increased volume of capital flows across borders, the economic environment surrounding Samoa has been changing rapidly. In addition, Samoa has experienced a secular decline in export growth over the past decade. Closure of the Yazaki manufacturing plant in August 2017 was the latest blow to exports. However, the government and the CBS have been working closely to promote a fintech solution to deepen financial inclusion, facilitate international and regional trade, and address AML/CFT issues to alleviate correspondent-banking-relationship (CBR) pressures on remittance flows. The government has been implementing its Strategy for Development of Samoa (SDS) since FY2017, and continues to do so with particular focus on raising macroeconomic resilience, agricultural productivity, and competitiveness of export products, as well as promoting health and education, ICT connectivity, and climate and disaster resilience. Given Samoa's high vulnerability to natural disasters, we are committed to strengthening climate resilience with support from our

development partners. The planned Climate Change Policy Assessment (CCPA) by the IMF and the World Bank will contribute in this regard.

12. The Government of Samoa values its close cooperation with the IMF and takes its obligations seriously. We intend to explore solutions to our balance of payments difficulties in the coming weeks and months. We are committed to ensuring continued macroeconomic stability and we will avoid any measures or policies that may compound these difficulties. Samoa will continue to comply with the provisions of the Fund’s Articles of Agreement—including those related to imposing new or intensifying existing restrictions on the making of payments and transfers for current international transactions, or entering into multiple currency practices, or entering into bilateral payments agreements which are inconsistent with our obligations under Article VIII—and will implement public policies under that framework. We also intend to avoid putting in place new trade restrictions for balance of payment purposes. Furthermore, we are committed to undergo an update of the safeguard assessment made by the Fund in 2010 in connection with Samoa’s request for assistance under the Exogenous Shocks Facility. We have already authorized the external auditor of the Central Bank of Samoa to share relevant documents and hold discussions with Fund staff. In addition, the Central Bank of Samoa will publish soon on its website the audited financial statements for the year ended June 30, 2019. Overall, we are committed to ensuring maximum effectiveness of our policy response to COVID-19 by targeted assistance programs, involving strong governance and transparency in their implementation.

13. We authorize the IMF to publish this letter, along with the Staff Report requesting a disbursement under the RCF.

Sincerely yours,

/s/

The Hon. Sili Epa Tuioti
Minister of Finance
Government of Samoa

/s/

Maiava Atalina Emma Ainuu-Enari
Governor
Central Bank of Samoa



SAMOA

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

April 20, 2020

Approved By
Paul Cashin (IMF) and
Marcello Estevão (IDA)

Prepared by the staff of the International Monetary Fund (IMF) and the International Development Association (IDA).¹

Risk of external debt distress	High ²
Overall risk of debt distress	High
Granularity in the risk rating	Sustainable
Application of judgment	Yes—The forecast horizon informing mechanical risk signals is extended to 20 years to capture the long-term impact of frequent natural disasters on climate change.
Macroeconomic projections	The economy is expected to contract in FY2020-21. Primary deficit widens significantly in FY2020-21, followed by a gradual recovery as opposed to a stable path in 2019 DSA. Tourism earnings are expected to plummet in FY2020-21, widening the current account deficit and pushing reserves well below the adequate level.
Financing strategy	While the RCF will help finance BOP needs, the fiscal financing gap will be filled by external grants and concessional borrowing.
Realism tools flagged	None
Mechanical risk rating under the external DSA	Moderate
Mechanical risk rating under the public DSA	High

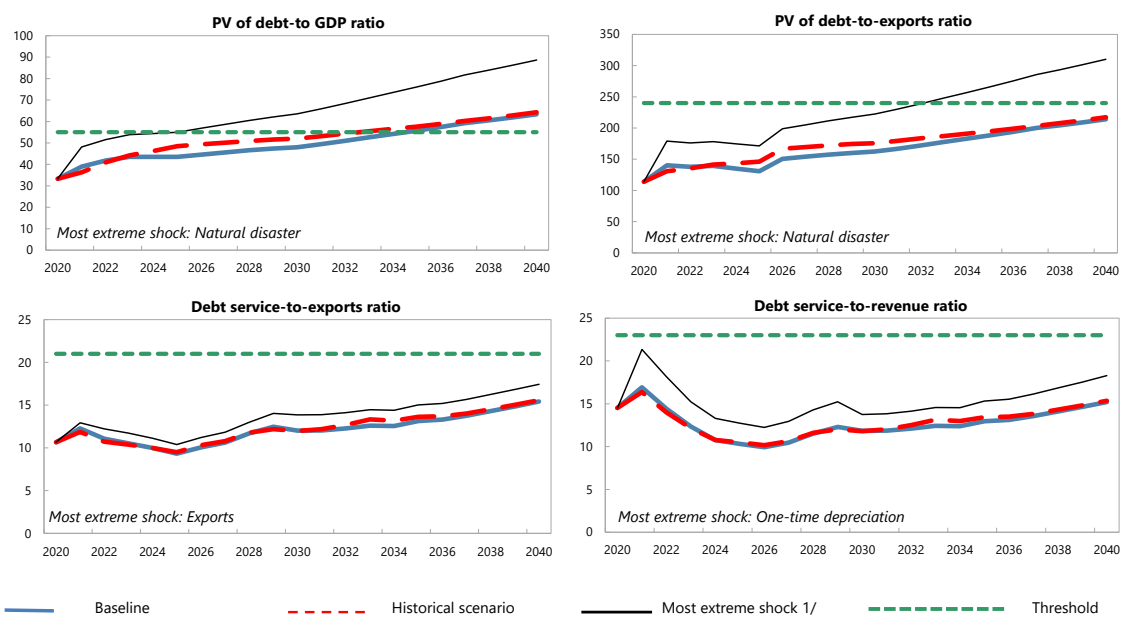
Samoa remains at high-risk of external and overall public debt distress, while the baseline macro framework is further deteriorated compared to the May 2019 DSA due to the inclusion of the impacts of COVID-19. Under the baseline scenario, both the PV of external and public debt-to-GDP ratios incur threshold breaches in 2035 and 2028, respectively. While a model-based risk rating of external debt is moderate, judgement was applied to arrive at a high-risk rating to capture the long-term impact of frequent natural disasters on climate change. In addition, the real GDP growth shock under the standard stress test, a tailored natural disaster shock similar in scale to the median impact of natural disasters in Samoa's history, and a contingent liability shock further deteriorates debt

¹ Debt coverage has remained unchanged compared to the 2019 DSA (IMF Country Report No. 19/138).

² The Composite Indicator score is 3.29, which is based on the October 2019 WEO and the World Bank's 2018 CPIA, and the country's debt-carrying capacity is assessed to be strong.

sustainability. Despite the high risk of debt distress, Samoa's debt remains sustainable. This assessment hinges upon the government's efforts to build fiscal buffers and enhance resilience, as well as continued access to grants and concessional financing. A mix of stronger revenue mobilization measures, and expenditure rationalization in a growth-friendly, sustainable manner will create synergies for maintaining debt sustainability.

Figure 1. Samoa: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2020-40 1/



Customization of Default Settings		
	Size	Interactions
Standardized Tests	Yes	
Tailored Stress		
Combined CL	No	
Natural disaster	Yes	Yes
Commodity price	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)	29	29
Avg. grace period	7	7

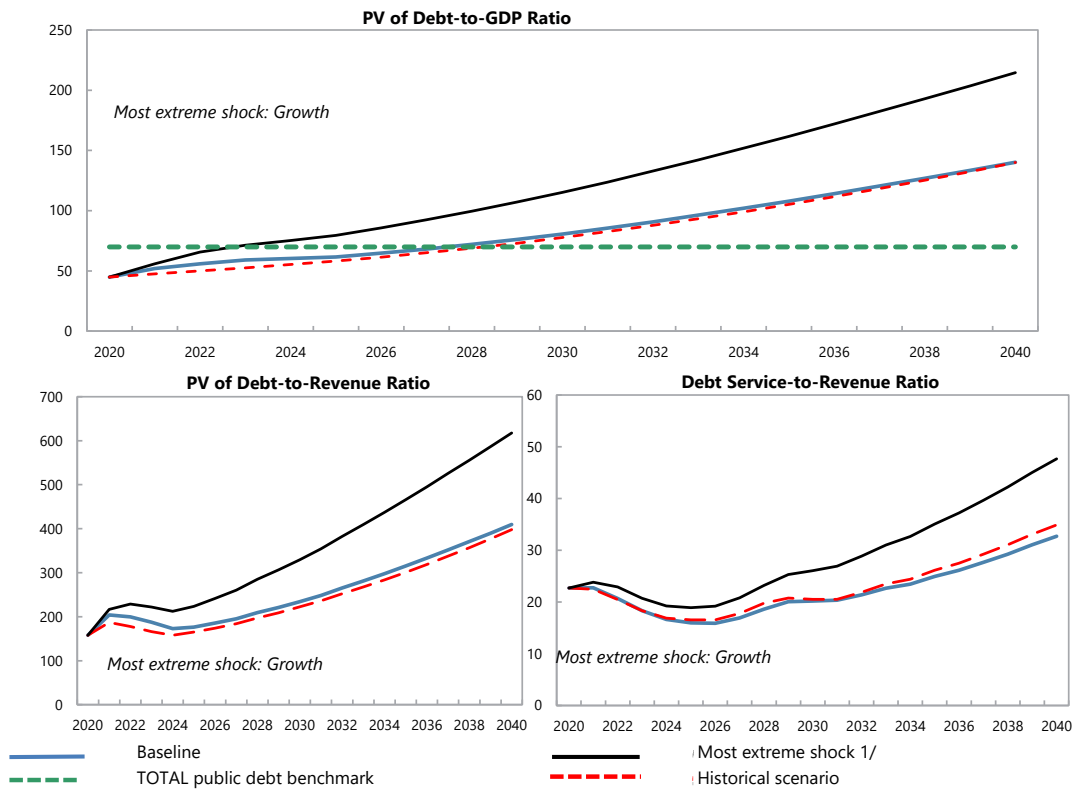
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2030. 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 extreme 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.

Figure 2. Samoa: Indicators of Public Debt Under Alternative Scenarios, 2020-40 1/



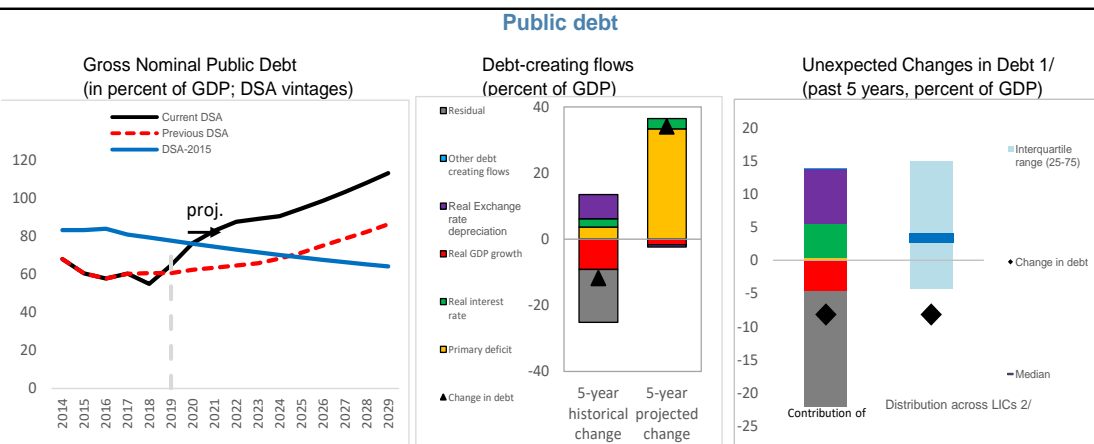
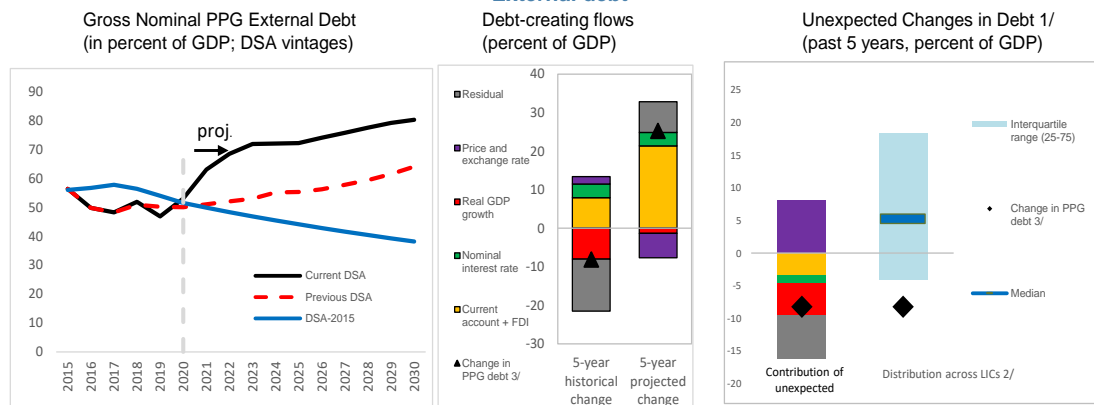
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	67%	67%
Domestic medium and long-term	33%	33%
Domestic short-term	0%	0%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.1%	1.1%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	7.9%	7.9%
Avg. maturity (incl. grace period)	40	40
Avg. grace period	30	30
Domestic short-term debt		
Avg. real interest rate	-2.7%	-2.7%

* 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.

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 2030. 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 extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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



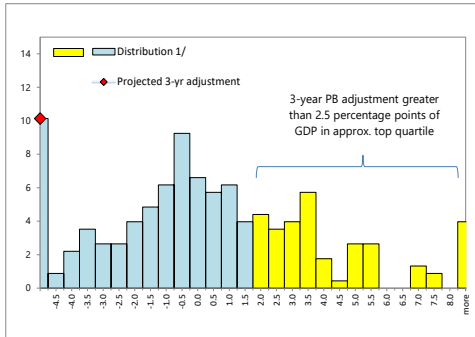
1/ Difference between anticipated and actual contributions on debt ratios.

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.

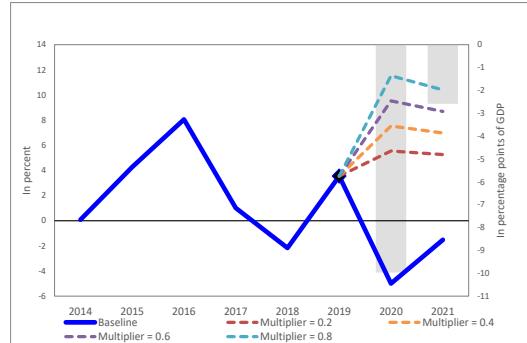
Figure 4. Samoa: Realism Tools

**3-Year Adjustment in Primary Balance
(Percentage points of GDP)**



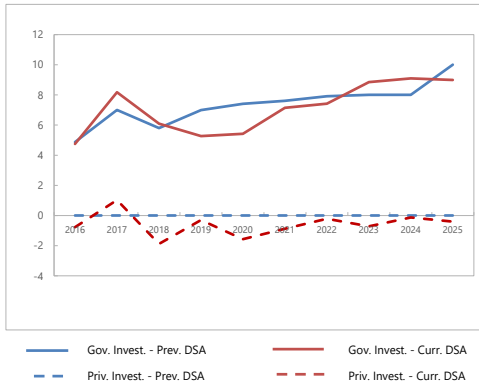
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



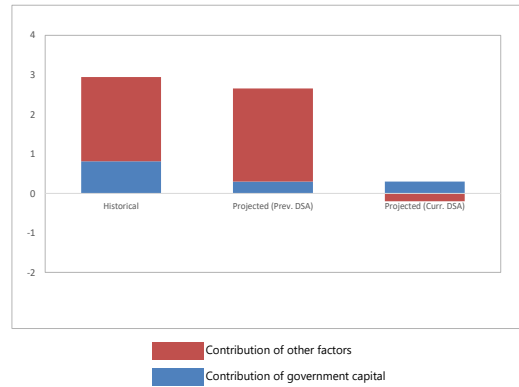
1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

**Public and Private Investment Rates
(percent of GDP)**



— Gov. Invest. - Prev. DSA — Gov. Invest. - Curr. DSA
 - - - Priv. Invest. - Prev. DSA - - - Priv. Invest. - Curr. DSA

**Contribution to Real GDP growth
(percent, 5-year average)**



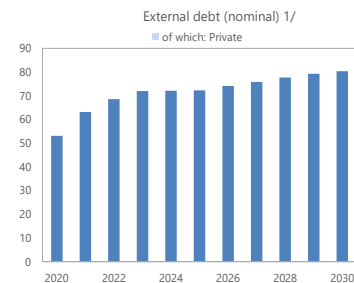
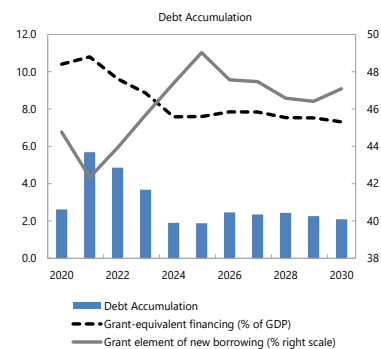
■ Contribution of other factors
 ■ Contribution of government capital

Table 1. Samoa: External Debt Sustainability Framework, Baseline Scenario, 2017-40

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/ Historical Projections	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	48.3	52.0	46.9	53.1	63.1	68.5	72.0	72.1	72.2	80.3	103.4	49.4	71.7
<i>of which: public and publicly guaranteed (PPG)</i>	48.3	52.0	46.9	53.1	63.1	68.5	72.0	72.1	72.2	80.3	103.4	49.4	71.7
Change in external debt	-1.6	3.7	-5.1	6.2	10.0	5.4	3.4	0.1	0.1	1.1	2.1		
Identified net debt-creating flows	-1.0	0.8	-2.9	11.1	8.7	1.2	1.8	0.8	0.2	4.7	4.5	3.8	4.3
Non-interest current account deficit	1.2	-1.5	-2.9	6.5	6.4	1.9	1.7	1.4	0.6	4.2	3.9	3.4	3.6
Deficit in balance of goods and services	15.6	16.1	14.6	25.1	24.5	20.4	20.3	20.8	20.5	24.1	24.1	21.3	22.9
Exports	31.6	34.2	37.2	29.2	27.8	30.3	31.3	32.2	33.2	29.6	29.6		
Imports	47.2	50.3	51.8	54.3	52.3	50.7	51.6	53.1	53.7	53.7	53.7		
Net current transfers (negative = inflow)	-16.8	-20.5	-21.3	-22.4	-21.6	-21.2	-21.6	-22.0	-22.4	-22.4	-22.4	-20.7	-22.1
<i>of which: official</i>	-0.5	-0.5	-0.7	-3.2	-1.7	-1.2	-1.2	-1.1	-1.1	-1.1	-1.1		
Other current account flows (negative = net inflow)	2.5	2.9	3.7	3.9	3.5	2.8	3.0	2.6	2.5	2.4	2.2	2.7	2.8
Net FDI (negative = inflow)	-1.0	1.9	0.3	1.6	0.9	0.2	0.7	0.1	0.4	0.4	0.4	1.2	0.5
Endogenous debt dynamics 2/	-1.2	0.5	-0.3	3.0	1.4	-0.9	-0.7	-0.7	-0.7	0.1	0.2		
Contribution from nominal interest rate	0.7	0.7	0.7	0.6	0.6	0.7	0.8	0.8	0.8	0.8	1.0		
Contribution from real GDP growth	-0.5	1.0	-1.8	2.4	0.8	-1.6	-1.4	-1.5	-1.5	-0.7	-0.9		
Contribution from price and exchange rate changes	-1.5	-1.3	0.9	...	...	...	...	...	...	...	...
Residual 3/	-0.6	2.9	-2.2	-4.8	1.4	4.1	1.7	-0.7	-0.1	-3.6	-2.4	-2.2	-1.3
<i>of which: exceptional financing</i>	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	29.8	33.3	38.9	41.8	43.5	43.5	43.5	48.0	63.3		
PV of PPG external debt-to-exports ratio	...	...	80.2	114.0	140.1	137.9	139.3	135.0	130.9	162.2	214.0		
PPG debt service-to-exports ratio	7.5	8.7	8.1	10.7	12.3	11.1	10.5	10.0	9.3	12.0	15.4		
PPG debt service-to-revenue ratio	8.6	10.7	10.1	14.5	16.9	14.4	12.3	10.8	10.3	11.8	15.2		
Gross external financing need (Million of U.S. dollars)	21.4	27.8	3.1	92.6	88.4	47.7	51.9	44.9	40.2	93.1	140.2		
Key macroeconomic assumptions													
Real GDP growth (in percent)	1.0	-2.2	3.5	-5.0	-1.5	2.7	2.2	2.2	2.2	0.9	0.9	1.7	0.6
GDP deflator in US dollar terms (change in percent)	3.0	2.7	-1.7	2.5	1.7	2.1	2.2	2.2	2.2	2.1	2.8	1.9	2.1
Effective interest rate (percent) 4/	1.6	1.5	1.3	1.2	1.2	1.2	1.2	1.1	1.1	1.0	1.1	1.2	1.1
Growth of exports of G&S (US dollar terms, in percent)	8.1	9.0	10.6	-23.5	-4.8	14.3	7.7	7.7	7.6	3.0	3.7	6.6	1.2
Growth of imports of G&S (US dollar terms, in percent)	0.1	7.1	4.9	2.0	-3.6	1.6	6.3	7.4	5.6	3.0	3.7	4.7	3.1
Grant element of new public sector borrowing (in percent)	...	...	...	44.8	42.3	43.9	45.7	47.4	49.0	47.1	43.3	...	46.2
Government revenues (excluding grants, in percent of GDP)	27.3	27.7	29.7	21.5	20.2	23.2	26.7	29.9	30.0	30.0	30.0	25.9	27.4
Aid flows (in Million of US dollars) 5/	39.3	65.4	128.4	85.8	82.5	81.1	81.7	75.0	80.5	87.6	123.3		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	10.4	10.8	9.6	8.9	7.6	7.6	7.3	8.2	...	8.4
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	70.9	59.2	61.1	64.8	72.0	73.0	69.0	61.0	...	67.9
Nominal GDP (Million of US dollars)	832	836	851	829	830	870	908	948	990	1,149	1,580		
Nominal dollar GDP growth	4.1	0.5	1.8	-2.6	0.1	4.8	4.4	4.4	4.4	3.0	3.7	3.6	2.8
Memorandum items:													
PV of external debt 7/	...	...	29.8	33.3	38.9	41.8	43.5	43.5	43.5	48.0	63.3		
In percent of exports	...	...	80.2	114.0	140.1	137.9	139.3	135.0	130.9	162.2	214.0		
Total external debt service-to-exports ratio	7.5	8.7	8.1	10.7	12.3	11.1	10.5	10.0	9.3	12.0	15.4		
PV of PPG external debt (in Million of US dollars)	...	...	253.7	276.0	323.1	363.4	395.4	412.6	430.4	551.8	1000.4		
(PVt-PVt-1)/GDPt-1 (in percent)	...	...	...	2.6	5.7	4.9	3.7	1.9	1.9	2.1	3.8		
Non-interest current account deficit that stabilizes debt ratio	2.8	-5.2	2.2	0.3	-3.7	-3.5	-1.7	1.3	0.4	3.0	1.8		

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 $[r - g - p(1-g) + E\alpha(1+r)] / (1+g+p+g)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, p = growth rate of GDP deflator in U.S. dollar terms, E = 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.

Table 2. Samoa: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017-40
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	57.6	60.2	54.8	64.6	76.2	82.7	87.4	88.9	90.4	112.9	180.2	57.6	91.5
of which: external debt	48.3	52.0	46.9	53.1	63.1	68.5	72.0	72.1	72.2	80.3	103.4	49.4	71.7
Change in public sector debt	-2.7	2.6	-5.4	9.8	11.6	6.5	4.7	1.4	1.5	5.0	7.4	2.8	5.4
Identified debt-creating flows	2.4	3.4	-3.7	10.1	11.4	6.6	4.9	1.6	1.6	5.1	10.2	3.2	5.2
Primary deficit	2.1	-0.1	-2.7	7.3	9.8	7.8	5.8	2.6	2.7	4.5	5.9	3.2	5.2
Revenue and grants	29.3	30.6	33.9	28.4	25.5	28.1	31.5	34.9	34.9	34.4	34.2	28.9	32.4
of which: grants	1.9	2.9	4.2	6.9	5.3	4.8	4.8	4.9	4.9	4.4	4.2	32.1	37.6
Primary (noninterest) expenditure	31.4	30.6	31.2	35.7	35.4	35.8	37.3	37.5	37.6	38.9	40.1		
Automatic debt dynamics	0.3	3.5	-1.0	2.9	1.6	-1.2	-0.9	-1.0	-1.0	0.6	4.2	0.0	0.0
Contribution from interest rate/growth differential	0.5	1.8	-1.7	2.9	1.6	-1.2	-0.9	-1.0	-1.0	0.6	4.2		
of which: contribution from average real interest rate	1.1	0.5	0.3	0.0	0.6	0.8	0.9	0.9	0.9	1.6	5.8		
of which: contribution from real GDP growth	-0.6	1.3	-2.1	2.9	1.0	-2.0	-1.8	-1.9	-1.9	-0.9	-1.5		
Contribution from real exchange rate depreciation	-0.2	1.7	0.7	...	...	...	...	...	...	...	...
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	-5.1	-0.8	-1.7	-0.3	0.1	-0.1	-0.2	-0.2	-0.1	-0.2	-2.8	-0.5	-0.1
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	37.9	44.9	52.0	56.0	59.0	60.3	61.6	80.6	140.2		
PV of public debt-to-revenue and grants ratio	...	...	112.0	157.8	204.0	199.5	187.3	173.0	176.5	234.0	409.5		
Debt service-to-revenue and grants ratio 3/	16.6	18.7	14.5	22.7	22.8	20.7	18.3	16.7	16.0	20.2	32.7		
Gross financing need 4/	6.9	5.6	2.2	13.7	15.7	13.6	11.6	8.4	8.3	11.5	17.1		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	1.0	-2.2	3.5	-5.0	-1.5	2.7	2.2	2.2	2.2	0.9	0.9	1.7	0.6
Average nominal interest rate on external debt (in percent)	1.5	1.5	1.3	1.2	1.2	1.2	1.1	1.1	1.1	1.0	1.1	1.2	1.1
Average real interest rate on domestic debt (in percent)	8.7	7.4	10.2	6.4	8.4	9.6	9.6	9.2	8.8	7.9	6.6	4.0	8.5
Real exchange rate depreciation (in percent, + indicates depreciation)	-0.5	3.4	1.4	...	...	...	...	...	...	...	...	0.5	...
Inflation rate (GDP deflator, in percent)	-0.1	2.0	2.2	2.8	2.5	2.2	2.5	2.8	2.8	2.8	2.8	1.0	2.7
Growth of real primary spending (deflated by GDP deflator, in percent)	9.7	-4.6	5.5	8.8	-2.4	4.1	6.5	2.6	2.4	1.0	1.0	1.7	2.7
Primary deficit that stabilizes the debt-to-GDP ratio 5/	4.8	-2.7	2.7	-2.6	-1.7	1.3	1.1	1.2	1.2	-0.5	-1.5	1.6	-0.1
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		

Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government plus social security, 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 stabilize 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.

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

Public sector debt 1/

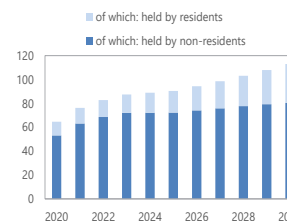
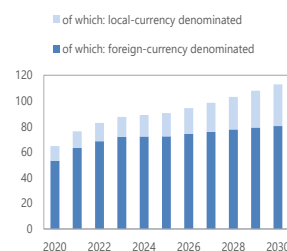


Table 4. Samoa: Sensitivity Analysis for Key Indicators of Public Debt, 2020-40

In percent

	Projections 1/																				
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
PV of Debt-to-GDP Ratio																					
Baseline	45	52	56	59	60	62	65	68	72	76	81	85	91	96	102	108	114	120	127	133	140
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2020-2030 2/	45	48	50	53	55	58	61	65	69	73	78	83	88	93	99	105	112	118	125	132	140
B. Bound Tests																					
B1. Real GDP growth	45	56	66	71	75	79	86	92	100	107	115	124	133	142	152	162	172	183	193	204	215
B2. Primary balance	45	54	60	64	65	66	70	73	77	81	86	91	96	102	108	114	120	126	133	139	146
B3. Exports	45	53	58	61	63	64	67	71	74	78	83	88	93	98	104	110	116	122	128	135	141
B4. Other flows 3/	45	55	62	65	66	67	70	74	78	82	86	91	96	101	106	112	118	124	130	136	143
B5. Depreciation	45	58	59	59	58	57	58	59	61	62	64	67	70	73	76	80	84	88	92	97	101
B6. Combination of B1-B5	45	54	59	62	64	66	69	73	78	82	87	93	99	105	111	117	124	131	138	145	153
C. Tailored Tests																					
C1. Combined contingent liabilities	45	57	61	64	65	67	70	74	77	82	86	91	97	102	108	114	121	127	134	140	147
C2. Natural disaster	45	69	73	77	80	82	86	91	96	101	107	113	120	127	134	142	149	157	165	173	182
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	158	204	199	187	173	176	186	195	209	221	234	248	265	281	298	315	333	352	371	390	410
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2020-2030 2/	158	187	178	166	158	165	174	184	197	209	222	236	252	268	284	301	319	338	357	377	398
B. Bound Tests																					
B1. Real GDP growth	158	217	229	222	212	224	241	260	285	307	330	354	383	410	437	466	495	526	556	586	618
B2. Primary balance	158	213	215	202	186	190	199	209	224	236	249	264	281	297	314	332	350	369	388	408	427
B3. Exports	158	207	208	195	180	183	192	202	216	228	240	254	271	287	303	320	338	356	375	393	413
B4. Other flows 3/	158	215	219	205	189	192	202	211	226	237	250	263	279	295	311	327	344	362	380	399	418
B5. Depreciation	158	232	212	189	168	165	168	171	178	182	189	196	206	215	226	236	248	260	273	285	299
B6. Combination of B1-B5	158	212	210	196	182	187	198	209	224	238	252	268	287	304	323	342	361	382	402	423	444
C. Tailored Tests																					
C1. Combined contingent liabilities	158	223	217	203	188	191	201	211	225	237	251	265	283	299	316	334	353	372	391	410	430
C2. Natural disaster	158	268	261	245	227	233	246	259	277	293	310	328	350	370	391	412	435	458	481	505	529
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	23	23	21	18	17	16	16	17	19	20	20	20	21	23	23	25	26	28	29	31	33
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2020-2030 2/	23	22	20	18	17	17	17	18	20	21	21	21	22	23	24	26	28	29	31	33	35
B. Bound Tests																					
B1. Real GDP growth	23	24	23	21	19	19	19	21	23	25	26	27	29	31	33	35	37	40	42	45	48
B2. Primary balance	23	23	21	19	17	17	17	18	19	21	21	22	23	24	25	26	28	29	31	33	34
B3. Exports	23	23	21	18	17	16	16	17	19	20	21	21	22	23	24	25	27	28	30	31	33
B4. Other flows 3/	23	23	21	19	17	16	16	17	19	21	21	22	23	24	25	26	27	29	30	32	34
B5. Depreciation	23	24	24	21	19	18	18	19	21	22	22	22	23	24	24	26	27	28	30	31	33
B6. Combination of B1-B5	23	23	21	19	17	17	17	18	20	21	22	22	23	24	25	27	28	30	32	34	36
C. Tailored Tests																					
C1. Combined contingent liabilities	23	23	22	19	17	17	17	18	19	21	21	21	22	24	24	26	27	29	30	32	34
C2. Natural disaster	23	23	24	22	20	19	19	20	22	24	24	25	26	27	28	30	31	33	35	37	39
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.

**Statement by Mr. Nigel Ray, Executive Director, and Mr. Tui Siliva, Advisor to the
Executive Director, on Samoa
April 24, 2020**

Samoa relies heavily on tourism, remittances and aid to finance its imports. The country experienced a devastating measles outbreak late in 2019, which claimed 83 lives of mostly young children. The Government declared a State of Emergency; economic activity came to standstill. Immediately following this adverse shock, Samoa was hit hard by the global COVID-19 pandemic. Travel restrictions including reduced inbound flights and strict quarantine, and main markets tourism earnings (tourism contributes about 25 percent of GDP) plummeted. Remittance inflows (normally about 25 percent of GDP), mainly from New Zealand and Australia, also slowed significantly. As a result, Samoa faces urgent balance of payments needs, with an estimated balance of payments financing gap of about 4 percent of GDP. This has triggered the authorities' request for a disbursement under the RCF in the amount of SDR 16.2 million (100 percent of quota, and representing 65 percent of the total BOP financing gap), to (i) ease the pressure on the urgent BOP needs, (ii) help catalyze assistance from development partners, and (iii) assist with the implementation of planned economic and fiscal measures.

Policy Response to COVID-19

The authorities are fully committed to protecting Samoan citizens, providing necessary support to vulnerable businesses and households, and maintaining macroeconomic stability. To this end, Samoa was an early mover in restricting inbound travel and mobilized resources to begin health screening at borders. On April 7, Parliament passed the Government's response package and the Second Supplementary appropriation of SAT\$66.3 million (about 3 percent of GDP), to bolster health spending further and to provide temporary financial support to households and small business.

The authorities acknowledged the additional financial support of SAT\$40.8 million from the World Bank, ADB and donors (New Zealand, Australia and Japan). The Samoan authorities are committed to continue to work in close collaboration with their development partners to secure the health and social welfare of Samoans.

Fund Support

The authorities believe that Fund assistance to help fill the urgent BOP financing needs through disbursements under the RCF will help maintain macroeconomic stability, which is the driving objective of the Samoan Government. They are also committed to maintaining debt sustainability. In addition, Samoa has a strong track record of economic policymaking and has been maintaining a very good relationship with the Fund. The country's capacity to repay the Fund remains strong.

In this regard, the authorities have taken major initiatives on public financial management (PFM) reforms to strengthen transparency, good governance and economic resilience, with

technical assistance provided by the Pacific Financial Technical Assistance Centre (PFTAC).

On behalf of our Samoan authorities, we would like to express our appreciation to Mission Chief Mr. Kenichiro Kashiwase and his team for their efforts to bring this program to the Board in a short timeframe. The authorities wish to thank staff for the report and for the very helpful policy dialogue virtually and commend the Management and the Executive Board for their decisive action to double temporarily RCF access for the membership, and its swift implementation.