

**EXECUTIVE  
BOARD  
MEETING**

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To: Members of the Executive Board

From: The Secretary

Subject: **Samoa—Staff Report for the 2015 Article IV Consultation—Informational Annex**

Board Action:	Executive Directors' <b>consideration</b> (Formal)
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Questions:	Mr. Washimi, APD (ext. 34099)
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**\*Unless an objection from the authorities of is received prior to the conclusion of the Board's consideration, the document will be published.**





# SAMOA

## STAFF REPORT FOR THE 2015 ARTICLE IV CONSULTATION —INFORMATIONAL ANNEX

May 14, 2015

Prepared By

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

### CONTENTS

FUND RELATIONS	2
RELATIONS WITH THE PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE	4
RELATIONS WITH THE WORLD BANK	6
RELATIONS WITH THE ASIAN DEVELOPMENT BANK	8
STATISTICAL ISSUES	9

## FUND RELATIONS

(As of April 30, 2015)

### Membership Status

Joined: December 28, 1971; Article VIII

### General Resources Account

	SDR Million	Percent Quota
Quota	11.60	100.00
Fund holdings of currency	10.92	94.12
Reserve position in Fund	0.69	5.98

### SDR Department

	SDR Million	Percent Allocation
Net cumulative allocation	11.09	100.00
Holdings	12.65	114.04

### Outstanding Purchases and Loans

	SDR Million	Percent Quota
RFC Loans	5.8	50.00
ESF RAC loan	5.8	50.00

### Latest Financial Arrangements

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

### Projected Payments to Fund<sup>1</sup>

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

	Forthcoming				
	2015	2016	2017	2018	2019
Principal	1.16	1.16	1.16	1.74	2.32
Charges/interest	0.00	0.00	0.01	0.01	0.01
<b>Total</b>	<b>1.16</b>	<b>1.16</b>	<b>1.17</b>	<b>1.75</b>	<b>2.33</b>

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

### **Exchange Rate Arrangement**

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

### **Article IV Consultations**

The 2012 Article IV consultation discussions were held during April 10–20, 2012. It was concluded by the Executive Board on June 15, 2012 (IMF Country Report No. 12/250). Samoa is on the 24-month cycle.

### **Technical Assistance from Headquarters**

The Pacific Financial Technical Assistance Centre (PFTAC) has provided assistance on budgetary management, tax administration, and financial sector supervision. MCM has provided assistance on monetary policy operations, banking, and insurance supervision and other central banking issues. STA has provided help with government finance statistics and balance of payments statistics, and FAD with tax administration and LEG with central bank law. Following FSAP recommendations, MCM and PFTAC plan to provide assistance on bank supervision and regulations, and STA will provide assistance on monetary and financial statistics.

### **Safeguards Assessments**

An update safeguards assessment of the CBS was completed in June 2014. The assessment found some safeguards elements in place, but concerns over CBS autonomy and governance, audit quality, and staff capacity need to be addressed. The bank has taken steps to improve its governance structure and autonomy, including through legislative measures. However, implementation of the assessment's recommendations has been slow. In addition, the CBS has not published its audited financial statements for the year ended June 30, 2014, as required under the safeguards policy.

### **Resident Representative**

The Regional Resident Representative Office for Pacific Island Countries based in Suva, Fiji was opened on September 13, 2010 and the office covers Fiji, Kiribati, Marshall Islands, Micronesia, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. Mr. Tubagus Feridhanusetyawan is the current resident representative.

# RELATIONS WITH THE PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

(As of March 2015)

## Background

**Samoa has faced a difficult macroeconomic environment in recent times.** Following the global economic crisis growth stagnated, remittances fell and fiscal revenues declined sharply. This was exacerbated by a devastating tsunami in mid-2009. Samoa responded with a substantial fiscal stimulus financed by domestic and external debt accumulation and also with monetary stimulus including central bank lending to nonbank financial institutions. Growth has however been slow to pick up and with fiscal deficits still relatively high and debt levels elevated, the authorities will continue to face macroeconomic management challenges. Fortunately, with strong policy frameworks, good donor dialogue and coordination and a number of large institutional strengthening projects (ISP) already in place, Samoa is well placed to meet these challenges.

**PFTAC has provided moderate technical assistance (TA) to Samoa in recent years mainly on macro-fiscal planning and analysis and statistics.** PFTAC TA was instrumental in setting up a medium-term budgeting system and the development of quarterly national accounts in Samoa, both of which are now supported by ISPs. Recent TA has been primarily in the macroeconomic area and is focused on developing a more reliable macroeconomic framework for the budget. Support has also been provided in Samoa's modernization of its income tax legislation.

## Strategy 2012–2014

*PFTAC's TA strategy is guided by the APD regional strategy note and is planned within the results framework for PFTAC's funding cycle.<sup>1</sup>*

**PFTAC TA aims to support the authorities to sustain progress on fiscal consolidation and to improve the macroeconomic environment.** PFTAC will continue to focus on building macroeconomic analysis capacity and delivering specific technical inputs in the context of larger ISPs. One instance of this is expected to be support to assessing revenue potential.

In the **Public Financial Management** area, inputs are expected to be relatively small given the large project-based support available to support the Ministry of Finance's PFM reform plan. PFTAC will be available to provide follow-up support to previous work to strengthen the medium-term budgeting system (1.5). PFTAC is also assisting the authorities to implement a follow-up PEFA assessment (1.1).

Assistance in the **macroeconomics** will continue to be instrumental to the success of budget reforms. PFTAC will continue assisting the Ministry of Finance to improve the accuracy and

<sup>1</sup> The specific result in the framework that activities target is identified in italics in the section, for example cash management is referred to as (1.6), where 1.6 is the code in the result framework in the program document.

sophistication of its revenue and GDP forecasting (5.1, 5.3) and to build capacity to produce its own debt sustainability analyses (5.4). This work will continue to aim to build stronger links with the Central Bank of Samoa (CBS)

In the **revenue** area, Samoa continues to make good reform progress with continued support through PFTAC. Recently PFTAC provided technical assistance to the Samoa Ministry of Revenue which included: (a) redrafting the Income Tax Act and Tax Administration Act (2.2); (b) a review of the existing VAGST legislation (2.2); and (c) drafting legislation for a presumptive tax (2.2). To strengthen overall compliance management PFTAC assisted in the development of a new Compliance Improvement Strategy which adopts a more integrated functional approach to address top compliance risks (2.5).

In **statistics**, Samoa is relatively well advanced against the overall results framework; based on PFTAC advice, it produces quarterly National Accounts on two independent measures (4.1) with production of a range of income indicators (4.3). Balance of payments statistics are now being developed according to BPM6 standards (4.9). PFTAC is expected to resume TA in national accounts as support from the International Strengthening Program has been phased-out. The IMF HQ projects on balance of payments and government finance statistics are expected to wind down during financial year 2016.

In **financial sector supervision**, PFTAC's Resident Technical Advisor developed an on-site examination program for Samoa. A Short Term Expert was engaged to assist the Central Bank in performing two on-site examinations of local banks during the FY15. The program will include the delivery of a workshop prior to each examination on a topic relevant to the examination process. Representatives from the Central Bank of Samoa will also attend the annual meeting of the Association of Financial Supervisors of Pacific Countries and associated workshops, sponsored by PFTAC. Samoa will receive technical assistance with the oversight of Credit Unions, including the drafting of a new Credit Union Act.

## RELATIONS WITH THE WORLD BANK

(As of March 31, 2015)

The World Bank Group's engagement with Samoa as outlined in the March 2012 Country Partnership Strategy (CPS) focuses on supporting Government efforts to: i) rebuild macroeconomic resilience and encourage inclusive growth; ii) generate opportunities from global and regional integration; and iii) strengthen resilience against natural disasters and climate change. The CPS is closely aligned with the Government's Strategy for the Development of Samoa 2012-2016. The Bank's currently active portfolio consists of 10 projects with a total commitment of US\$125.9 million. Samoa has an IDA-17 (FY15–FY17) allocation of \$24.5 million.

Samoa: IDA Lending Operations (as of March 2015)

	Year of Approval	Original Amount	Undisbursed Balance
		(In millions of US dollars)	
<b>Current projects (IDA)</b>			
Health Sector Management	2008	6.0	1.0
Post Tsunami Reconstruction Project	2010	10.0	5.1
Agriculture Competitiveness Enhancement Project	2012	8.0	7.9
Enhancing the Climate Resilience of West Coast Road	2013	14.8	14.3
Development Policy Operation	2013	15.0	0.0
Enhancing the Climate Resilience of Coastal Resources & Communities	2013	14.6	13.6
Agriculture and Fisheries Cyclone Response	2013	5.0	1.6
Enhanced Road Access Project	2013	20.0	17.9
Aviation Investment Project	2014	25.0	24.6
First Fiscal & Economic Reform Operation	2014	7.5	7.5
Total		125.9	93.3

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

### 1) Post-disaster recovery projects

**Post Tsunami Reconstruction Project:** Assists the Government of Samoa in its efforts to support the relocation and rehabilitation of communities living on the island of Upolu affected by the tsunami of September 2009, through the provision of improved infrastructure access to relocation sites, enhanced transport infrastructure and assistance to local communities to address future natural disasters.

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

**Agriculture and Fisheries Cyclone Response Project:** Provides recovery assistance to cyclone-affected farmers and fishers through vouchers and grants, with the aim of restoring their lost production capacity, while improving the ability of the agricultural sector to respond to future disasters.



**Development Policy Operation:** Provided budget support to assist Samoa's recovery from the immediate impact of Cyclone Evan, and to help Samoa build resilience against such shocks in the future. The operation included reforms to enhance recovery and resilience in disaster management, infrastructure and housing, as well as public finance management reforms that supported improved management and transparency around the use of public funds.

## 2) Budget support

**First Fiscal & Economic Reform Operation:** Supports the Government of Samoa's efforts to strengthen public financial management and establish the conditions for more robust private sector growth over the medium term, including through reforms in the areas of debt management, procurement, revenue, payments systems and remittances, tourism sector policy, and PPPs policy.

## 3) Climate Resilience

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

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

## 4) Health Sector

**Health Sector Management Program:** Supports the Government's reform program aimed at promoting preventative healthcare, and ensuring equitable access to a modern, effective, efficient health service, delivered in close collaboration with the private sector. Implementation uses a sector-wide approach, with co-financing and close coordination with other health sector development partners.

## 5) Agriculture Sector

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

## 6) Aviation sector

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

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

In support of a significantly scaled up program, the Bank in November 2009 opened a joint liaison office in Samoa, in conjunction with the Asian Development Bank.

## RELATIONS WITH THE ASIAN DEVELOPMENT BANK

(As of March 31, 2015)

The Asian Development Bank operations in Samoa started in 1966: As at year-end 2014, 35 loans (\$186.19 million), 14 ADF grants (\$90.42 million), and 93 TA projects for \$30.43 million have been provided to Samoa. Two loans (\$75.15 million), 6 ADF grants (\$58.50 million), and 1 TA project (\$0.40 million) are active.

ADB's country operations business plan (COBP) 2015-2017, adopts a harmonized approach to donor assistance with other development partners and maintaining the focus of its Pacific Approach targeting improvement of growth prospects and living standards, especially for disadvantaged members of the community. The COBP is closely aligned with the Strategy for the Development of Samoa (SDS).

Samoa has received support from the Pacific Infrastructure Advisory Center (PIAC) for infrastructure master planning and has also participated in the PIAC initiative for strengthening of power and water utilities. Samoa has received ADB regional technical assistance for economic management for development results, energy efficiency, statistics and private sector development (including SOE reforms and secured transactions). ADB continues to include Samoa in new regional TA activities. ADB has also committed to provide technical assistance for the development of a masterplan for the ports and implementation of new Competition law.

In December 2013 the Public Sector Financial Management Program (totaling US\$14 million) was approved for release in two tranches (US\$10 million and US\$4 million). ADB will also continue to support reforms to promote economic use of customary land, build sustainable capacity for sound economic and public sector management and implement state-owned enterprises reforms.

The Samoa AgriBusiness Support Project was approved in June 2014. The Project intends to facilitate credit to agri-businesses by assisting with equity inputs (up to 25%) and credit guarantees (up to 25%) that may equate up to 50% of total project costs. A facility manager has already been appointed but no projects have been funded as yet. The ANZ Bank, Westpac and Samoa Commercial Bank have signed subsidiary financing agreements with the government.

ADB will assist Samoa in the development of its ICT sector through joint financing of the Samoa Submarine Cable and continue with the implementation of the Renewable Energy and Power Sector Rehabilitation Project along with a Community Sanitation Project and Education Sector Project that are nearing completion.

ADB loans to Samoa, 2009–14

	2009	2010	2011	2012	2013	2014
Loan Approvals	0.0	14.0	5.4	0	0	0
Loan Disbursements	6.3	25.6	9.8	27.6	7.6	4.3
Cumulative loan amount available	152.1	166.9	167.09	177.51	177.45	177.24
Cumulative disbursements	114.6	140.2	149.9	167.8	172.1	174.13
Net loan amount undisbursed	37.5	26.7	17.1	9.6	5.3	3.1

# STATISTICAL ISSUES

SAMOA—STATISTICAL ISSUES APPENDIX	
(As of April 2015)	
I. Assessment of Data Adequacy for Surveillance	
<p><b>General:</b> Data provision has some shortcomings but is broadly adequate for surveillance. Core macroeconomic and monetary data are regularly reported to the IMF and published on official websites. However, there are weaknesses in national accounts, monetary and financial, and external sector statistics.</p>	
<p><b>National Accounts:</b> National account statistics has been improved during the last three years. GDP is compiled quarterly, predominantly using the VAT data. GDP was recently rebased from 2002 to 2009 constant prices. However, one third of GDP is “non-monetary,” and difficult to measure with any precision (both levels and growth rates). The experimental estimate of GDP by expenditure is being refined and hasn’t been released yet.</p>	
<p><b>Price Statistics:</b> The CPI is compiled monthly (August 2010=100). A quarterly import price index is also published, coverage being limited to chapters 01-27 of the Harmonized System.</p>	
<p><b>Government Finance Statistics:</b> Samoa has participated in the JSA-funded regional 3-year GFS capacity development project since April 2012. Assisted by the technical assistance provided under this project, the authorities migrated their GFS data from GFS 86 to the GFSM 2001 format. Additionally, the Samoa Bureau of Statistics (SBS) worked to improved data quality by: identifying and incorporating new data sources and statistical estimation techniques in its GFS compilation processes; as well as increased data confrontation with other macro-economic data sets. The authorities began publishing the improved data in 2013 and, for the first time, submitting data for inclusion in IMF publications. Gaps remain in coverage (general government is not yet compiled or published), instrument detail, and consistency across the macro-framework; work is ongoing in Samoa to address these remaining deficiencies. Funding for the regional project expires at the end of FY 15.</p>	
<p><b>Monetary and Financial Statistics:</b> Samoa reports monetary data to the IMF on a regular basis. Monetary data for the Central Bank and other depository corporations are submitted in Standardized Report Form (SRF) format. Samoa does not report data on other financial corporations (OFCs). In November 2014, authorities requested technical assistance from STA to compile SRFs for OFCs.</p>	
<p><b>Financial Sector Surveillance:</b> Samoa does not report data on financial sector indicators.</p>	
<p><b>External sector statistics:</b> The quality of ESS is overall poor, mostly hindered by the frail data collection framework; access to source data for the compilation of some of the most relevant ESS components is limited. ESS coverage overall presents important limitations due to the omission of cross-border transactions and positions of offshore enterprises. As a reference on the relevance of offshore centers in Samoa, Samoan non-bank enterprises hold at least US\$ 4.6 billion according to the BIS (Locational Banking Statistics database). The CBS produces and disseminates the balance of payments of Samoa on a quarterly basis, following the BPM6, but restricted to main aggregates and with poor coverage. The IIP is not disseminated by the CBS. The CBS participated in the IMF’s Coordinated Direct Investment Survey (CDIS) lastly in 2011, but reported data were highly underestimated.</p>	
II. Data Standards and Quality	
Samoa is a participant in the GDDS since September 2012.	No data module ROSC has so far been conducted in Samoa.

### Samoa—Table of Common Indicators Required for Surveillance

(As of April 2015)

	Date of latest observation	Date received	Frequency of Data <sup>4</sup>	Frequency of Reporting <sup>4</sup>	Frequency of Publication <sup>4</sup>	Memo Items:	
						Data Quality – Methodological soundness	Data Quality – Accuracy and reliability
Exchange Rates	02/12	04/3/12	D	D	D		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities	11/14	1/4/15	M	M	M		
Reserve/Base Money	2/15	4/13/15 <sup>4</sup>	M	M	M		
Broad Money	2/15	4/13/15	M	M	M		
Central Bank Balance Sheet	2/15	4/13/15	M	M	N/A		
Consolidated Balance Sheet of the Banking System <sup>1</sup>	2/15	4/13/15	M	M	N/A		
Interest Rates <sup>2</sup>	2/15	4/13/15	M	M	M		
Consumer Price Index	3/15	4/13/15	M	M	M		
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – Central Government	Q2 2011	04/12	Q	Q	Q		
Stocks of Central Government and Central Government-Guaranteed Debt	Q3 2011	04/12	Q	Q	N/A		
External Current Account Balance	Q2 2014	10/14	Q	Q	Q		
Exports and Imports of Goods and Services	Q3 2014	10/22/14	M	M	M		
GDP	Q4 2011	04/12	Q	Q	Q		
Gross External Debt	Q2 2014	10/14	Q	Q	Q		
International Investment Position <sup>5</sup>							

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

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

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

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

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