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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 19/37-3

12:00 p.m., May 8, 2019

3. Samoa—2019 Article IV Consultation

Documents: SM/19/62 and Supplement 1; and Supplement 2

Staff: Ganelli, APD; Sun, SPR

Length: 1 hour, 17 minutes

Executive Board Attendance

T. Zhang, Acting Chair

Executive Directors	Alternate Executive Directors
	I. Mannathoko (AE)
M. Raghani (AF)	
	R. Morales (AG), Temporary
N. Ray (AP)	
	P. Fachada (BR)
	P. Sun (CC)
	A. Arevalo Arroyo (CE), Temporary
L. Levonian (CO)	
	S. Benk (EC)
	A. Sode (FF), Temporary
	K. Merk (GR)
	M. Siriwardana (IN)
	L. Cerami (IT), Temporary
	H. Mori (JA), Temporary
	C. Sassanpour (MD), Temporary
	M. Merhi (MI), Temporary
	M. Josic (NE), Temporary
	N. Vaikla (NO), Temporary
	L. Palei (RU)
	F. Rawah (SA), Temporary
	K. Tan (ST)
P. Inderbinen (SZ)	
	J. Freeman (UK), Temporary
	Svenstrup, (US), Temporary

G. Tsibouris, Acting Secretary
V. Sola, Summing Up Officer
B. Zhao / L. Briamonte, Board Operations Officers
L. Nagy-Baker, Verbatim Reporting Officer

Also Present
Asia and Pacific Department: P. Cashin, G. Ganelli, K. Kashiwase, C. Nguyen, A. Stuart. Communications Department: B. Walker. Institute for Capacity Development: M. Pinat. Knowledge Management Unit: S. Davidovic. Legal Department: A. Aly. Strategy, Policy, and Review Department: Y. Sun. World Bank Group: A. Tully.

3. SAMOA—2019 ARTICLE IV CONSULTATION

The staff representative submitted the following statement:

This statement contains information that has become available since the staff report was circulated to the Executive Board. This information does not alter the thrust of the staff appraisal.

On April 1, Samoa's Bureau of Statistics published revised GDP statistics, reflecting rebasing and an improved methodology. Under the revision, nominal GDP levels and real GDP growth are lower for recent fiscal years, reflecting in part a downward revision of GDP contribution from the manufacturing sector. As with the previous real GDP series, the revised real GDP series indicates slowing growth in recent years. The revision improves the quality of GDP statistics through the adoption of the System of National Accounts 2008, a change in the base year from 2009 to 2013, and an upgrade of the UN International Standard Industrial Classification from Revision 3.1 to Revision 4. The revised methodology also relies more on data from the Value Added Goods and Service Tax system, and incorporates the latest benchmarks from the 2013 Household Income and Expenditure Survey, the 2013 Business Activity Survey, and the 2016 Population Census.

Recent data releases indicate a pickup in real GDP growth and inflation. Under the revised GDP, real GDP grew by 6 percent in the quarter ending December 2018, compared to the same quarter in 2017. This follows real GDP growth of 2.5 percent in the quarter ending September 2018. The pickup was driven by the commerce, communication, and construction sectors. The average CPI inflation rate for the year ending March 2019 was 3.4 percent, compared with 2.7 percent in March 2018, partly reflecting an increase in prices of electricity, local foods, and telephone calls. 3. Net exports and international reserves continue to expand. Preliminary trade data for February 2019 show a decrease in imports by about 10 percent and an increase in exports by about 30 percent, when compared to February 2018. As a result, international reserves increased to US$186.3 million (about 4.8 months of next year's imports of goods and services) in February 2019, up from 4.7 months of next year's imports in January 2019. Capital inflows to Samoa in 2018 were mostly official capital transfers, which reached US$25 million (equivalent to about 3 percent of GDP). The Samoan tala remains near its January 2019 levels, at about 2.6 tala to the U.S. dollar, while there has been no change in the real effective exchange rate thus far in 2019.

Mr. Ray and Ms. Preston submitted the following statement:

Samoa is one of the most vulnerable countries in the world to natural disasters and the effects of climate change. Samoa's remoteness, narrow economic base and small population dispersed across four islands, adds to its development challenges and ability to fully integrate into the region. With the intensity and frequency of natural disasters increasing, the Samoan authorities face difficult trade-offs. The authorities are seeking to strike the right balance between much needed investment to deliver on Samoa's development goals and increasing fiscal buffers to build resilience to natural disasters. Continuing concerns regarding the threat of withdrawal of Correspondent Banking Relationships (CBRs) only add to Samoa's vulnerability and challenge financial inclusion objectives.

Authorities broadly agree with the staff's assessment of the outlook and risks, although are slightly more optimistic on the outlook and see risks as more balanced. The economy is rebounding from a slowdown due to the closure of the Yazaki manufacturing plant and lower than expected growth in agriculture and fishing both from the impact of Cyclone Gita and changing weather patterns. Looking ahead, the authorities expect growth to be driven by some large construction projects and the effects of hosting the Pacific Games. On the upside the authorities see potential for the newly completed undersea cable to promote the IT/communications sector. The authorities also consider that new businesses have the potential to re-establish manufacturing in Samoa.

Authorities agree that the current accommodative monetary policy stance is appropriate in light of the fiscal consolidation plans. Inflation risks in the near term are low and inflation expectations are stable. Authorities are actively taking further steps to strengthen the monetary policy transmission mechanism. The Central Bank's credit line facilities, as well as regular quarterly meetings with commercial banks, have been effective in ensuring the Central Bank's monetary policy stance and actions are understood. Authorities have also recently received technical assistance from the Reserve Bank of Australia to help strengthen the monetary policy transmission mechanism and better manage liquidity. Looking ahead, the authorities would welcome more granular advice on how to further improve the transmission of monetary policy as well as an assessment as to whether current efforts by the Central Bank are working.

Authorities note staff's assessment that the external position is broadly in line with fundamentals and that the level of reserves is considered adequate. Samoa's pegged exchange rate remains appropriate and provides a welcome nominal anchor. Authorities will continue to closely monitor the reserves position which has continued to strengthen in recent months, being mindful that reserve adequacy is an important policy tool for natural disaster response.

Authorities are committed to rebuilding fiscal buffers, making progress on development objectives and ensuring fiscal sustainability. Samoa has made substantial efforts to consolidate the fiscal position since the last significant natural disaster in 2012, reducing the deficit from around 7 percent of GDP in 2011-12, to a surplus of 0.1 percent in 2017-18. Efforts to maintain a fiscally responsible stance will continue and the authorities will carefully consider the measures proposed by staff in the 2019-20 Budget context. Staff's recommended range for the fiscal balance in last year's staff report was 'less than 2.0 percent of GDP' to ensure debt is on a sustainable path. Staff's current baseline projection is a deficit of 1.8 percent. In this year's staff report the mission advised the authorities to target a fiscal deficit of 1.0 percent of GDP. Authorities note the increased precision of staff's advice.

Debt to GDP has decreased from 58 percent in 2014-15 to 50.3 percent in 2017-18, slightly above the target of 50 percent in the Medium-Term Debt Strategy. Debt is transparently reported, with the Ministry of Finance publishing government debt statistics on its website every quarter. This report covers the currency and creditor composition of government debt and the lending terms. Authorities agree with staff's recommendation to bring the debt-to-GDP target in the Medium-Term Debt Strategy down to 45 percent in the medium term given the risk of natural disasters and the need to ensure government finances remain on a sustainable footing.

Authorities are fully aware of the fiscal risks associated with public financial institutions and are continuing with reforms, including the establishment of a Debt Management Unit to help better manage fiscal risks. Cabinet recently agreed to strengthen procedures for issuing government guarantees to state owned enterprises and an on-lending policy is currently under review.

Samoa has a multi-pronged strategy for building resilience to natural disasters and climate change. This includes ensuring an adequate level of international reserves, building fiscal policy buffers and a contingency reserve as an expenditure item in the Budget. Further, the authorities are focusing on building infrastructure 'back better' such that it is more resilient to natural disasters and putting in place a multilayered contingent financing strategy. The financing strategy identifies financing available from international financial institutions and development partners, access conditions and the speed of disbursement to ensure that the authorities can respond swiftly in the event of a natural disaster. Samoan authorities are keen to see how a Climate Change Policy Assessment (CCPA) could further support their efforts to build resilience to natural disasters and seek the Board's support.

Samoan authorities look forward to the completion of the LIC Facilities Review and urge the membership to consider increases to access limits for the Fund's facilities that help members respond to natural disaster related shocks. Staff assess that major natural disasters hit Samoa on average every 5 years. The last major disaster was in 2012 and Samoa drew on the IMF's Rapid Credit Facility (RCF) at that time. While the authorities continue to make the required repayments, given the frequency with which Samoa experiences natural disasters, Samoa would only be able to access around 35 percent of quota given current cumulative access limits. Samoan authorities also encourage Staff to explore ways to increase the speed of disbursements available under the RCF. The recent experience in Mozambique sets a new benchmark in this regard.

Staff's assessment is that Samoa is still far from losing access to CBRs. But this assessment risks understating the fragility of the situation and the impact that losing remittance channels would have on social structures, financial inclusion and responsiveness to natural disasters. More Samoans live in Australia and New Zealand than in Samoa – so it is no surprise that the Samoan economy is heavily reliant on the flow of remittances. Remittances comprise 20 percent of GDP. Sons and daughters remit part of their income back to Samoa to support family structures. Given both the limited interaction that most Samoans have with the formal financial sector and the cost of transfers through traditional banking channels, flows of remittances tend to be received through Money Transfer Operators (MTOs). Remittance flows increase rapidly in response to a natural disaster and are often the first form of financial assistance that Samoans receive.

As the Samoan authorities spend significant resources to continue to strengthen AML/CFT frameworks, Money Transfer Operators report that they continue to have their bank accounts closed without warning. The closure of Money Transfer Operators (MTOs) remains a risk to low-cost remittances in the Pacific and significant remittance costs threatens financial inclusion. While the withdrawal of CBRs has not yet had a visible impact on the overall flows of remittances, authorities remain extremely concerned with the uncertainty of the situation and the implications for financial inclusion as MTOs in local villages on remote islands close. Fees charged for remittances in the Pacific are already some of the highest in the world and well above the

G20 objective of 5 percent. A centralized database to facilitate customer identification requirements remains an expensive prospect that does not ensure CBRs remain intact. The authorities remain open to a regional solution and urge the IMF to continue to consider all options. Authorities' thank the IMF for the convening role they have played to elevate the status of this issue and greatly appreciate recent initiatives such as the Pacific Roundtable.

Samoa is a committed and active member of a number of international standard bodies associated with tax, money laundering and terrorism financing and continues to modernise its legislation, incorporating sensible and appropriate protections to meet international standards.

Staff note the high-risk rating of the offshore financial centre (OFC) in the 2014 National Risk Assessment. Actions have been taken since 2014 to reduce the risk profile of the offshore centre and to align to international standards. Samoa amended its tax legislation to align with international standards as well as other international finance legislation in 2013, 2014, 2015, 2016 and 2017. These changes also incorporate the necessary provisions to reflect the new standard set by the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes. Samoa completed the 'Automatic Exchange of Information for Tax Purposes' in 2018.

Samoa has also recently incorporated the new standard for the regulation of trust company service providers into the Trustee Companies Act 2017 and introduced a new quarterly on-site supervision program to mitigate risks. More specifically the Trustee Companies Act 2017 (TCA) reinforces AML requirements on Trust Company Service Providers (TCSPs) including identification, verification and beneficial ownership information for International Business Corporations (IBCs). The current compliance rate for the provision of Beneficial Ownership (BO) information by the 6.0 percent of IBCs already covered by onsite supervision is 98.0 percent. Further, the TCA Act requires relationships with third parties to be in-line with current AML legislation that adheres to FATF standards. The Samoan authorities believe that the statement in the report 'since Samoa TCSPs rely heavily on foreign intermediaries to conduct customer due diligence' needs to be qualified.

Samoa has always been a willing member in the global fight against money laundering and terrorism financing, including adopting the global standards to combat them. Samoa is a member of the Asia Pacific Group on Money Laundering (APG), the regional arm of FATF responsible for ensuring compliance by countries in the Asia Pacific region. The FATF develops a list of high-risk jurisdictions with AML/CFT deficiencies as part of a careful and comprehensive process. Because of the FATF's work, virtually all countries around the world are subject to a rigorous peer-review methodology that examines the legal frameworks to counter illicit finance as well as how effectively countries implement them. These reviews are an intensive process involving careful review of the legal framework, extensive fact-gathering, and onsite visits in which assessors engage in robust, iterative dialogues with assessed countries. Samoa as an APG member actively engages in this process.

Samoa successfully completed a review in 2014-2015 by the Asia Pacific Group (APG) on Anti-Money Laundering and Counter Terrorism Financing against the 2012 FATF standards. Samoa recently amended its Anti-Money laundering legislation last year to improve its compliance with the FATF standards. As a result, in the APG Annual Plenary in July 2018, Samoa was given upgrades on 3 key recommendations and was placed in the category of countries that requires reporting to APG every 12 months instead of every 6 months. Samoa does not appear on any OECD or FATF black lists.

Samoa is disappointed it has recently been included on a draft European Union AML list, alongside its inclusion on the European Union black list of non-cooperative tax jurisdictions. In regard to the EU blacklist for non-cooperative tax jurisdictions, Samoa actively responded and cooperated with the EU while continuing to meet its obligations under the international standards. Samoa has also given the EU assurances of Samoa's commitment to maintain its endeavours to remain internationally responsible, and compliant. Regarding the recent draft AML list, Samoa is disappointed that they have not been provided with any detailed reasons for their inclusion on the blacklist, that they were provided notification that they would be included on the list only days before it was issued and that they were not provided a meaningful opportunity to challenge their inclusion, or otherwise address the issues identified. Since the listings, Samoa has maintained an open dialogue with the EU and hopes to find a constructive way forward to addressing and resolving this listing.

Finally, the Samoan authorities would like to thank development partners for their continued support and the mission team, led by Mr. Giovanni Ganelli, for the candid and constructive discussions they have had during the Article IV consultation. The authorities regret the high frequency of Mission Chief turnover that they experience, especially given that their particular risks, vulnerabilities and unique operating context takes some time to navigate. Nonetheless, the authorities value highly the advice and technical assistance received from the Fund and look forward to further constructive engagement in future.

Mr. Fachada and Ms. Mohammed submitted the following statement:

We thank staff for the report and Mr. Ray and Ms. Preston for their statement. Against the aftermath of cyclone Gita and the closure of the Yazaki manufacturing plant, we are pleased to note that Samoa's economic performance improved significantly, with real GDP projected to grow by 3.4 percent in fiscal year 2018/2019. This notwithstanding, Samoa remains at high risk of debt distress, vulnerable to natural disasters and climate change, and susceptible to correspondent banking relationships (CBRs) pressures. Accordingly, we encourage the Samoan authorities to advance their fiscal consolidation strategy, strengthen the AML/CFT regime, and implement structural reforms focused on increasing economic resilience.

Given Samoa's vulnerability to natural disasters and climate change, enhanced fiscal sustainability is warranted. We take note that the Debt Sustainability Analysis (DSA), which incorporates the average long-term cost of natural disasters and climate change, indicates that Samoa remains at high risk of debt distress. A strengthened fiscal framework, including a lower public debt-to-GDP target and increased buffers against natural disasters, would be important to improving fiscal and debt sustainability. Enhancing tax compliance and strengthening the public financial management (PFM) framework would also help improve the fiscal outlook. We believe that revenue enhancing measures should be accompanied by discipline on the expenditure side and hence, the review of the public expenditure and financial accountability (PEFA) exercise is encouraging. Also, we welcome the authorities' efforts in strengthening the monitoring and disclosing the fiscal risks from state-owned enterprises, with the assistance of the Pacific Financial Technical Assistance Centre (PFTAC).

The accommodative monetary policy appears appropriate in light of receding inflationary pressures and low growth. However, we take note that the monetary policy mechanism needs to be improved. In parallel, we concur with staff's recommendation to enhance credit access and reduce banks' reluctance to lend by re-establishing the credit bureau, raising financial literacy, and improving liquidity management.

We concur with staff that the financial sector policies should focus on completing and implementing the 2015 FSAP recommendations. Although the financial sector remains healthy, implementation of several of the FSAP recommendations are yet to be completed. In this regard, we encourage the authorities to continue their efforts to strengthen financial stability and work towards implementation of these measures, particularly the regulatory and supervisory framework, systemic financial stability risk monitoring, and public financial institutions governance. Moreover, we commend the authorities on their cautious stance on crypto-currencies and crypto-assets.

Measures to strengthen the AML/CFT regime should continue to mitigate CBRs risks. We take positive note that the authorities are engaging with the Asia Pacific Group (APG) on money laundering to ensure compliance with the FATF standards, including the establishment of IT solutions for customer identification and monitoring, and addressing the risk from the offshore sector. In parallel, while we fully support their concerns about the methodology and lack of transparency, we join with staff in encouraging the authorities to continue engagement with the EU to be removed from its non-compliance lists.

Structural reforms focused in building resilience to natural disasters and supporting potential growth are necessary for development. Given Samoa’s vulnerability to natural disasters and climate change, we acknowledge the authorities’ commitment in upgrading the physical infrastructure to make them fully resilient to natural disasters. We take note that the authorities have expressed interest in undertaking a Climate Change Policy Assessment (CCPA). Could staff indicate the reasons why Samoa was not chosen among the pilot countries in the Pacific? Moreover, we underscore the importance of implementing structural reforms that contribute to economic resilience and help boost potential growth. Therefore, we welcome the efforts towards enhancing the business environment, especially for small and medium enterprises, and improving trade facilitation.

Mr. Tan and Ms. Pandit submitted the following statement:

We thank staff for the well-written set of papers and Mr. Ray and Ms. Preston for their informative buff statement. Despite a challenging environment, including the 2018 Cyclone Gita, Samoa’s economic growth is expected to rebound and peak at 4.4 percent in 2019/20, mainly on account of PG-related tourism activities. While the country has demonstrated its resilience to multiple shocks, significant vulnerabilities remain in the form of natural disasters and climate change effects, as well as heightened risks of debt distress and withdrawal of correspondent banking relationships (CBRs). We agree with the broad thrust of staff’s appraisal and offer the following comments for emphasis.

Effective fiscal consolidation that balances between disaster resilience and development goals is vital for long-term debt sustainability. We applaud the authorities' longstanding efforts to strengthen the country's fiscal position and the progress to date. As a disaster-vulnerable country, building fiscal resilience and buffers against natural disasters while making progress on its wider development objectives remains a key challenge for Samoa. In this vein, we concur with staff's recommendation on tightening fiscal policy compared to the baseline and adopting the four-pillar fiscal strategy to support the consolidation. We welcome the authorities' commitment to bring the debt to GDP ratio to 45 percent and 40 percent in the medium and long term, respectively, and, to this end, implement an operational fiscal deficit target.

Mitigating risks from CBR pressures hinges on further progress in strengthening AML/CFT effectiveness and advancing constructive engagement with all stakeholders. Despite laudable efforts to enhance the AML/CFT regime and re-establish CBRs, Samoa remains in a fragile situation, as demonstrated by their inclusion on the draft EU AML list. The uncertainty and potentially devastating impact of CBR withdrawal on low-cost remittances, financial inclusion and responsiveness to natural disasters in Samoa will keep the authorities under pressure despite their best efforts. As noted in Box 2, the high dependence on remittances and heavy use of money transfer operators are major challenges that are common to Pacific island countries. Hence, we support the use of the Fund's convening role to shape the policy dialogue at the international level, particularly with respect to fostering a more risk-based, consistent and pragmatic implementation of international standards, and help to advance open and constructive engagement with key stakeholders, especially on cost-efficient solutions aimed at combatting illicit flows while minimizing the unintended consequences of CBR de-risking.

Continued efforts are needed to improve the monetary policy transmission mechanism and implement the remaining 2015 FSAP recommendations. We agree with staff and the authorities that the accommodative monetary policy stance is appropriate given moderating inflationary pressures, low growth and fiscal tightening conditions. However, the efficiency of the transmission mechanism remains low and should be improved to better deliver the targeted policy objectives for the Samoan economy. In this regard, we take positive note of the active steps taken by the authorities and staff recommendations to increase credit access and reduce banks' reluctance to lend. Given the history of this issue and the authorities' call for more granular advice in the buff statement, staff comments are welcome on the progress to date and the key impediments facing the authorities. We also welcome the generally healthy financial sector assessment and the authorities' efforts towards implementing the FSAP recommendations.

Structural reforms should be prioritized for potential growth to be resilient and inclusive. As recommended by staff, the structural reform agenda should focus on boosting potential growth and increasing its resilience and inclusiveness. Integrating disaster and climate resilience into Samoa's existing and future infrastructure is a step in the right direction. We commend the authorities' efforts on this front and support their request to explore a CCPA. We also welcome the authorities' focus on enhancing the business environment, especially for SMEs, and improving the trade facilitation framework. We also support staff's recommendation on encouraging female labor participation.

Mr. Inderbinen and Mr. Imashov submitted the following statement:

Samoa has demonstrated resilience in the face of multiple external shocks, and growth remains volatile. We note the efforts undertaken by the authorities to address the current challenges, including the implementation of prudent fiscal policies, increasing resilience to natural disasters, and implementing structural reforms aimed at lessening the constraints on sustainable growth. We thank staff for the well-written documents and Mr. Ray and Ms. Preston for their helpful buff. We welcome that recent policy has been largely aligned with staff's past advice. We also note the broad agreement between staff and the Samoan authorities on the outlook and risks, although the authorities seem slightly more sanguine.

Firming up the fiscal framework will be vital to safeguard sustainability.

Given that public debt is at high risk of distress, we concur that the authorities should strengthen the fiscal framework. Adoption of a long-term debt target to 40 percent of GDP would be instrumental to this end. Also, existing procedures for issuing guarantees to SOEs should be strengthened, and we welcome the recent Cabinet decision in this regard. Like staff, we encourage the authorities to strengthen Public Financial Management more broadly by improving forecast capacity and introducing multi-year budgeting, as well as enhancing the monitoring and the disclosure of fiscal risks. We welcome the transparency of debt statistics, as mentioned in the buff.

Notwithstanding the accommodative monetary policy stance, the transmission mechanism needs improvement. We note the efforts that the authorities are undertaking to strengthen monetary policy transmission, and their request for focused TA. Measures to increase credit supply by banks should include raising financial literacy, re-launching a credit bureau, and facilitating the use of land as collateral.

We welcome the authorities' commitment to ensure compliance with international standards and best-practices in financial sector supervision. We welcome the elaboration on the authorities' AML/CFT agenda in the buff statement. Recent legislation and the improvement of some of the APG recommendations is encouraging. Nonetheless, continued efforts to safeguard the integrity of the financial sector will be essential for mitigating the risks of withdrawal of correspondent banking relationships. We also encourage the authorities to carefully consider FATF's forthcoming recommendation on the oversight of crypto-assets. Could staff inform of any additional steps undertaken to secure the operational independence of the Samoa International Finance Authority, and on SIFA's capacity to supervise the large number of off-shore entities?

Persistent implementation of structural reforms will contribute to economic resilience and help meet the authorities' development goals. We note positively that reforms to increase resilience to natural disasters are a key priority of the authorities', and we welcome the development of their Disaster Risk Financing Strategy. We also note the authorities' interest in a CCPA. Could staff elaborate on the authorities' administrative capacity in this regard?

Mr. Doornbosch and Mr. Josic submitted the following statement:

We thank staff for a candid report and Mr. Ray and Ms. Preston for their helpful buff statement. We commend the authorities of Samoa for their strong ownership of the reform agenda and for a constructive dialogue with and use of technical assistance from the Fund. It has proven to be an effective way of dealing with the numerous challenges the country faces, particularly building resilience to natural disasters and withdrawal from Correspondent Banking Relationships (CBRs). We broadly agree with staff's appraisal and would like to emphasize the following points.

We commend the authorities for their efforts to safeguard fiscal sustainability since the last large natural disaster in 2012. However, considering Samoa's vulnerability to natural disasters, the debt profile is still at high-risk of debt distress. Given the projected widening of the fiscal deficit and the increase of public debt in the medium term, we support staff's recommendations to introduce a lower public debt target and a fiscal balance anchor as well as to introduce additional fiscal consolidation efforts to achieve those targets. At the same time, these rules will have to allow some flexibility in case of natural disasters. In this context, the authorities' commitment to rebuilding fiscal buffers, making progress on development objectives and ensuring fiscal sustainability are reassuring. Could staff comment on the progress with improving governance and the performance of state-owned enterprises and data coverage?

The authorities have made significant progress with designing their own multi-pronged strategy for building resilience to natural disasters and climate change. While staff does not specifically point to a Debt Resilience Strategy (DRS), it seems that the authorities have put strong focus on building financial resilience. However, we still believe that these efforts could benefit from a rigorous examination and review, especially in terms of quantifying costs, prioritizing investment needs, and maintaining consistency with the country's macroeconomic and fiscal settings. Therefore, we support the authorities' call to be included in the CCPA, a product that has already had strong positive feedback, despite being in the pilot phase.

On the financial sector, the withdrawal from CBRs remains the biggest challenge. Therefore, we welcome that many initiatives are well underway, as well as that the authorities are committed to strengthening the AML/CFT framework. Notwithstanding this, we echo staff's call for further strengthening of regulations and legal frameworks, to address existing financial system vulnerabilities, including crypto currencies, and to contain the risk of further pressures on CBRs. Like staff, we also encourage the authorities to continue engaging with the EU on tax and AML issues.

We encourage the authorities to make further progress with improving the quality of data. We fully understand that Samoa faces capacity and financial constraints which prevent them to easily increase their efforts that address data challenges. However, the recent significant revision of GDP data underscores the importance of appropriate data. In this context, we welcome the authorities' efforts to improve financial reporting and particularly the monitoring of SOE risks, as well to disseminate IIP data and further improve GDP statistics. At the same time, we encourage the authorities to utilize TA from the Fund, ADB and PFTAC to widen the coverage of public debt to include debt from SOEs and to improve data collection for offshore entities.

Lastly, we regrettably note the authorities' disappointment with the high frequency of Mission Chief turnover. Given our Chair's long-lasting position on this issue, we strongly support the authorities' call and encourage the HR Department to use the ongoing HR Strategy Review to deliver solutions and incentives for staff working on small and fragile states. We would also encourage the IEO to include this aspect in their upcoming evaluation of IMF engagement with small and fragile states.

Mr. Castets and Mr. Sode submitted the following statement:

We thank staff for their documents and Mr. Ray and Ms. Preston for an insightful buff statement. We welcome the recent pick up in real GDP growth mentioned in the statement issued on April 30 by the Resident Representative on Samoa. While Samoa remains resilient in face of shocks, it faces several challenges that warrants to pursue economic and institutional reforms. We agree with the thrust of staff's analysis and recommendations and would like to make the following comments for emphasis:

While Samoa is exposed to the risk of natural disasters, the management of climate-related risk, as well as climate change adaptation investment, should be well integrated in the public financial management framework. On this front, we think that the report would have benefited from a more granular analysis of how the fiscal framework could integrate this risk. Could staff elaborate on the potential structural fiscal measures the authorities could implement to fully integrate climate change in their fiscal policy (both in term of risk management and adaptation investment strategies)? We also note that the authorities expressed interest in undertaking a Climate Change Policy Assessment. Could staff comment on the prospect of a CCPA?

Strengthening the AML/CFT framework remains a priority. We thank staff for their careful analysis of risks related to the loss of correspondent banking relationships and the need to improve the AML/CFT framework. We commend the authorities for their efforts to align with the FATAF-APG recommendations. As recommended by staff, establishing a comprehensive asset declaration system for high-risk public officials and aligning the anti-corruption framework with the UN Convention against Corruption would be beneficial for the country.

Developing financial inclusion and managing risk in crypto-assets. Supporting private sector initiatives for mobile money and payment while improving the effectiveness of financial education programs would improve financial inclusion. We support staff call for a prudent approach to crypto asset development and commend the authorities for their decisions to issue a warning against the risk of investing in crypto assets.

Mr. Sun and Ms. Lok submitted the following statement:

We thank staff for the comprehensive report and Mr. Ray and Ms. Preston for their informative buff statement. Samoa continues to demonstrate resilience despite facing multiple economic challenges. Nevertheless, the country remains susceptible to risks and vulnerabilities, notably those associated with natural disasters and climate change. We encourage staff and the authorities to maintain their high level of engagement as Samoa continues to navigate through the challenges ahead. We broadly agree with staff's appraisal and would like to limit our comments as follows.

Continued policy prudence will contribute to enhancing the economy's resilience to potential shocks ahead. On the fiscal side, we welcome the authorities' commitment to rebuilding buffers, which are critical for resilience against natural disasters. Notable progress has been made in terms of consolidation, which has turned the fiscal position from a 7 percent deficit in 2011-12 to a surplus of 0.1 percent of GDP in 2017-2018, and reduced debt to GDP by almost 8 percentage points in three years to 50.3 percent in 2017-18. We also take positive note of the recent Cabinet agreement to strengthen procedures for issuing government guarantees to SOEs. Going forward, to further support consolidation while balancing the need for development spending, we see merit in staff's recommendation of a comprehensive fiscal strategy. Could staff comment on how the proposed strategy would fit into the authorities' existing policy efforts, including the establishment of the Debt Management Unit? On the monetary side, we welcome the steps taken by the Central Bank of Samoa (CBS) to enhance policy transmission, including through technical assistance by the Reserve Bank of Australia.

Samoa's financial sector remains healthy and work is underway to implement the remaining 2015 FSAP recommendations. While fintech presents potential solutions for financial inclusion, it is important that the associated risks are also managed carefully. Like staff, we support CBS' cautious stance towards crypto-assets. We also welcome the authorities' dedication to strengthening their AML/CFT framework. Noting that Samoa remains vulnerable to the risk of losing access to correspondent banking relationships (CBRs), we encourage staff to conduct more in-depth analysis on the potential impact of losing CBRs and related remittance channels on the Samoan economy. Could staff elaborate on any ongoing or future work by the Fund to support Samoa's efforts in addressing risks of CBR withdrawal?

We welcome the authorities' efforts in making new construction projects and existing infrastructures resilient to climate change and natural disasters. We believe a Climate Change Policy Assessment (CCPA) could provide a useful diagnostic to help guide the authorities' current multi-pronged strategy for building resilience to natural disasters and climate change. Are there plans for conducting a CCPA in Samoa?

Finally, noting the frequent turnover of Mission Chiefs for Samoa, could staff share on any alternative measures or existing mechanisms that could help enhance the continuity of staff's work?

With these remarks, we wish the authorities every success in their policy endeavors.

Ms. Levonian and Mr. Williams submitted the following statement:

We thank staff for their comprehensive report and Mr. Ray and Ms. Preston for their helpful buff statement. Like most small island developing states, high exposure to natural disasters and the effects of climate change is a key vulnerability facing Samoa. The threat of loss of correspondent banking relationships (CBRs) exacerbates this risk. Both of these factors have the potential to derail the economic rebound and limit long-term growth. The authorities have demonstrated strong resolve to mitigate these risks, including through the development of a multi-pronged disaster resilience strategy. Nevertheless, macro-financial and structural reforms along the lines recommended by staff will be critical to preserving the hard-won gains and boost inclusive growth. It is noteworthy that Fund's policy advice has gained much traction in Samoa. As we broadly concur with staff's assessments and recommendations, we offer the following remarks for emphasis.

Progress on fiscal consolidation remains key to a sustainable debt path and to bolstering resilience to shocks. Staff assessed Samoa to be at high risk of debt distress due largely to its vulnerability to natural disasters. In this regard - and within the context of an exchange rate peg and a weak monetary transmission mechanism - further fiscal consolidation is warranted to buffer the economy against shocks and keep debt manageable. Staff's proposed medium-term fiscal deficit of around 1 percent of GDP appears achievable without jeopardizing development objectives. There is scope to buoy revenue flows by strengthening tax administration to support recent tax policy changes, including through efforts to boost voluntary compliance. At the same time, the expenditure envelope can be tightened by enhancing the public financial management framework and improving oversight of SOEs. We invite staff's comments on the scope for implementation of a fiscal rule.

Measures to bolster financial sector resilience should continue. Key macroprudential ratios are improving though profits remain subdued. The authorities have made progress in implementing several recommendations from the 2015 FSAP. Still, vulnerabilities persist and CBR pressures remain elevated. This has been a source of frustration for small money transfer operators (MTOs) who have expended considerable resources to comply. Samoa's inclusion on the EU's list of non-cooperative tax jurisdiction aggravates the CBR pressures. Given these challenges, we urge the authorities to accelerate work with regional partners and other stakeholders with Fund's assistance to sustain efforts toward enhancing the AML/CFT framework. Technology-driven channels should remain under serious consideration in their pursuit of solutions.

Advancing structural reforms will be key to sustaining stronger and more inclusive growth. To generate job-rich growth, we encourage the authorities to build on reforms aimed at, inter alia, building resilience to natural disasters and improving the business environment. Making all new construction projects natural-disaster resilient, alongside plans to upgrade existing infrastructure, are welcome steps toward enhancing structural resilience. Financial sector policies that improve access to finance should complement reforms that aim to streamline export requirements and encourage female labor force participation.

Mr. Ostros and Mr. Vaikla submitted the following statement:

We thank staff for an informative report and Mr. Ray and Ms. Preston for their insightful buff statement. We commend the authorities for their significant efforts in reducing fiscal deficit over the years and welcome the expected economic recovery supported by tourism, commerce, and infrastructure spending. We encourage the authorities to use this economic rebound to build fiscal buffers, decrease debt levels and to increase resilience against natural disasters. We broadly agree with staff's appraisal and would like to make the following comments for emphasis.

Given the high risk of debt distress, we encourage the authorities to further consolidate the fiscal deficit to lower the debt-to-GDP ratio. Samoa´s vulnerability to natural disasters, it´s relatively high debt level compared to other PICs and pegged exchange-rate policy calls for prudent fiscal policy. We therefore support staff´s recommendation to reduce the long-term debt target to 40 percent of GDP and lowering fiscal deficit target to 1 percent of GDP in 2019/2020. These measures would support building fiscal buffers to increase resilience against natural disasters and external shocks. To meet finance investments for Samoa's development goals, the fiscal policy should prioritize enhancing Public Financial Management (PFM) and implementing tax administration reforms to strengthen revenue collection and arrears management.

We agree with staff's assessment that the current monetary policy stance is appropriate. We agree with staff that the monetary policy should be accommodative to support the economic recovery. Given the low monetary policy transmission, we emphasize the need to support credit growth by increasing financial inclusion. Measures, such as re-establishing a credit bureau and facilitating the use of customary land leases as collateral, would support bank´s confidence to give out credit.

Further strengthening the effectiveness of the AML/CFT is needed to safeguard the financial sector and to mitigate the withdrawal of CBRs. We commend the authorities for their efforts to strengthen AML/CFT frameworks, which are essential to secure access to CBRs. We encourage the authorities to further enhance AML/CFT effectiveness by improving the inspection of reporting entities for AML/CFT compliance and increasing the resources of the FIU, as recommended by staff. Continuation of international cooperation with relevant stakeholders is important to ensure full compliance with international standards. We also encourage an open dialogue with the EU regarding tax and AML issues to meet sufficient commitments in response to the EU's concerns.

Mr. Gokarn and Mr. Siriwardana submitted the following statement:

We thank staff for the detailed reports and Mr. Ray and Ms. Preston for their informative buff statement. Samoa has shown considerable resilience to multiple external shocks over the years. Growth is expected to rebound, and inflation is projected to return to below the target. However, significant challenges remain as the country is highly vulnerable to natural disasters; risks are tilted to the downside. Hence, further strengthening of fiscal buffers while effectively addressing Correspondent Banking Relationships (CBR) and contingent liability issues is required to ensure medium-term progress. We broadly agree with the thrust of the staff appraisal and would like to make following remarks for emphasis.

A comprehensive fiscal strategy is paramount to face shocks and ensure fiscal and external sustainability. Given the limited fiscal space and high risk of debt distress due to the vulnerability to natural disasters, additional fiscal consolidation efforts are warranted. While commending the authorities for their efforts to achieve a small fiscal surplus in 2017/18, we note that the fiscal deficit is projected to widen gradually to 2.7 percent of GDP by 2023/24 owing to an anticipated increase in current and development expenditures. Hence, we see the merit in tightening fiscal policy and targeting a medium-term debt level of 45 percent of GDP to create fiscal space to improve resilience to shocks and meet development priorities. In this context, the authorities' agreement to the staff's advice on fiscal policy towards embarking on a comprehensive strategy based on four pillars is reassuring. The reduction of fiscal risks emanating from SOEs is also important.

Staff recognizes that the current monetary policy, anchored by the exchange rate peg, remains appropriately accommodative given the low growth and receding inflationary pressures. But, the monetary policy transmission mechanism needs improvement through specific measures, including the improvement of liquidity management, improvement of forecasting FX needs of the economy, and reduction of banks' reluctance to lend. In this regard, we note authorities' willingness, indicated in the buff Statement, to receive more granular advice on further improving monetary policy transmission and the effectiveness of their current efforts. Staff comments are welcome.

The financial system remains healthy with a sound banking sector, but risks remain. We encourage the authorities to implement the remaining 2015 FSAP recommendations, including swift approval of the amended Financial Institutions Act to support corrective actions and resolutions to help upgrade the regulatory and supervisory framework to modern standards. The effective implementation of the authorities' financial inclusion strategy (NFIS) would help reducing inequality and increasing opportunities. We support the re-establishment of a Credit Bureau and stress the need for operationalizing the high-level committee on financial stability. The reform of inefficient SOEs is critical to reduce the pressure on the financial sector.

Mitigating the risks of CBR withdrawal is a priority, given the country's high dependence on remittances. While positively noting the ongoing measures, we encourage the authorities to continue their efforts to strengthen the AML/CFT framework and improve its effectiveness through the establishment of IT solutions for better customer identification and reduction of offshore center's risk profile. Staff has identified money transfer operators (MTOs) as macro-critical in Samoa and there has been a significant decline in MTOs over the past five years. Could staff comment on this development in the context of potential increase in remittance costs and the development of informal channels and given the potential social, financial inclusion and natural disaster concerns associated with loss of remittance channels? Like staff, we encourage the authorities to continue to work with all stakeholders towards developing regional solutions to address CBR pressures. Could staff elaborate on the way forward in this regard?

Accelerating structural reforms is important to boosting potential growth and increasing resilience to natural disasters. Effectively implemented, the reform agenda proposed by staff would facilitate the achievement of Samoa’s development goals. Also, education and labor market reforms could be critical in the future in employment generation and productivity improvement to achieve sustainable and inclusive growth. We welcome the development of a Disaster Risk Financing Strategy to identify and quantify all resources available to respond to natural disasters.

With these remarks, we wish the Samoan authorities all success in their future endeavors.

Ms. Mannathoko and Mr. Ismail submitted the following statement:

We thank staff for the informative report and Mr. Ray and Ms. Preston for their insightful buff statement. The Samoan economy has shown resilience, weathering a multitude of shocks in 2017/18, including the negative effects of the closure of the Yazaki manufacturing plant and cyclone Gita. Despite these shocks, growth is expected to rebound in 2018/19 driven in part by infrastructure spending in the run-up to the 2019 Pacific Games (PG) that will be hosted by Samoa in July 2019. Nevertheless, Samoa continues to face significant challenges. It is at high risk of debt distress, it remains vulnerable recurring natural disasters due to climate change, and has to address challenges stemming from the potential loss of correspondent banking relationships. We address each of these issues below.

Were it not for its acute vulnerability to climate shocks, Samoa would be assessed at moderate risk of debt distress; the high-risk rating is a reflection of its susceptibility to natural disasters. We therefore applaud the authorities’ efforts, as reflected in their sustained commitment to fiscal consolidation following the 2012 natural disaster, resulting in the elimination of a fiscal deficit of 7 percent of GDP. Going forward, we encourage the Samoan authorities to continue honoring their fiscal target and advancing the fiscal consolidation strategy. We urge them to continue to work closely with development and regional partners on the multi-pronged strategy to build resilience against natural disasters. In this regard, we are supportive of the authorities' push for increased access limits with respect to Fund facilities supporting disaster recovery. With respect to the debt profile, we note Samoa's dependence on external debt, while domestic debt (including domestic guaranteed debt) remains low at about 8 percent of GDP. Is there scope for the authorities to harness domestic debt markets at reasonable cost to reduce risks associated with tightening global financial conditions? In this context, we would appreciate staff comments on whether the high levels of bank liquidity and excess reserves could be mobilized to replace some of the government's foreign debt without crowding out the private sector.

We support the proposed four-pillar fiscal strategy to achieve fiscal consolidation objectives, including through improving tax administration, strengthening public financial management (PFM), refraining from non-concessional loans to the extent possible, and reducing the long-term debt target to 40 percent of GDP. We also urge the authorities to improve the monitoring and disclosure of fiscal risks posed by state-owned enterprises (SOEs). Further, given restrictions on fiscal spending, we wonder about the adequacy of social safety nets and social targeting mechanisms given the country's high vulnerability to natural disasters and considering recent job losses with the closure of the largest manufacturing employer. Staff comments are welcome.

As the economy is in recession (revised data), and in view of the tight fiscal stance and subsiding inflationary pressures, a counter cyclical (accommodative) monetary policy stance is appropriate. However, the monetary transmission mechanism needs to be strengthened along with intermediation to improve access to credit and support financial inclusion. A more effective liquidity management framework alongside a functional credit bureau and measures to reduce credit risk, would help authorities achieve this. With this in mind, we support the authorities' request for an assessment of the new measures they have put in place and for more granular advice to further improve monetary policy transmission, as highlighted in the buff statement.

Given its dependency on remittances, the risks for Samoa associated with the closures of money transfer operators (MTOs) are not trivial. MTOs are threatened by both correspondent banking relationship (CBR) pressures and standard setting enforcement timelines, and the impact of continued MTO closures could be significant. The implications for inflows and households are dire and we urge staff to help the Samoan authorities find a meaningful solution to this issue that will help ensure the sustainability of MTO operations or allow some affordable substitute modality for cross border transfers.

While we encourage the authorities to press ahead with measures to strengthen the effectiveness of the AML/CFT framework and to pursue international standards as they evolve for both AML/CFT and tax, we also urge the Fund to explore the means to secure fairer modalities for the design and enforcement of international standards. Low income, developing and small states must divert limited resources and capacity during fiscally difficult times, to strengthening frameworks, legislation and related protections. The use of punitive black and grey listings with significant adverse economic consequences on countries with limited capacity that are already doing their best to conform, needs reconsideration. Assessments of compliance need to allow for capacity constraints and implementation challenges to avoid making things even more difficult for countries struggling to comply. While we recognize that staff do not lead the assessment process, we hope, nevertheless that there is a way to help member countries on this issue. Staff comments are welcome.

With these comments we wish the Samoan authorities success in resilience building and stabilization.

Mr. Villar and Mrs. Suazo submitted the following statement:

We thank staff for their reports as well as Mr. Ray and Ms. Preston for their informative buff statement. We broadly agree with the staff’s appraisal and make the following comments for emphasis.

Samoa’s policies have been largely consistent with Fund’s recommendations: making efforts to improve revenue collection, implementing FSAP recommendations, strengthening the AML/CFT framework, as well as enhancing the business environment among other reforms, and we encourage authorities to continue in this vein.

Samoa´s vulnerability to natural disasters, high debt level compared to other PICs and pegged exchange-rate policy makes having a prudent fiscal policy imperative. Given the high risk of debt distress, we urge the authorities to further consolidate the fiscal deficit to lower the debt-to-GDP ratio. We endorse staff´s recommendation to reduce the long-term debt target to 40 percent of GDP and lowering fiscal deficit target to 1 percent of GDP in 2019/2020. These measures would create fiscal space that could help authorities to increase resilience against natural disasters and external shocks. Fiscal policy should focus on enhancing Public Financial Management and implementing tax administration reforms to strengthen revenue collection and arrears management.

Actions to alleviate spillovers from the partial withdrawal of Correspondent Banking Relationships (CBRs) and to continue reforms have been implemented. Additionally, Samoa was selected as an IMF pilot in 2017 in this topic. Is there an update on developments of such pilot? Albeit the progress on this front as expressed in the buff statement, the European Union continues to include Samoa in the list of non-cooperative tax jurisdictions. Staff's comments on this issue are welcome.

Despite the substantial progress in implementing the recommendations of the 2015 FSAP and the soundness of the banking system, staff has expressed in the past risks associated with the expansion of the lending activities of public financial institutions (PFI), which had gone beyond their original mandates and competed with commercial banks. Could staff comment on advances that Samoan authorities might had made regarding PFI. We encourage authorities to re-establish a credit bureau and facilitate the use of customary land leases as collateral which would help financial inclusion and increase bank lending.

Samoa's GDP growth has remained volatile and particularly low in recent years, and the country is currently classified at high risk of debt distress. However, Samoa graduated from LIC status in 2014. What has been the country's progress on the SDGs since then and what is the country's status on gender issues?

Given Samoa's main risk of vulnerability to natural disasters and its impact on fiscal Finances, further endangering its debt sustainability—especially since Samoa remains at high risk of debt distress—we encourage authorities to continue creating fiscal space, disaster and climate resilient infrastructure, contingent funds, self and market insurance, as well as other actions to be better prepared for another event. However, we note that in the paper Building Resilience in Developing Countries Vulnerable to Large Natural Disasters, recently discussed at the Board, Samoa has contingent financing lines and belongs to the PCRFI, a Regional Sovereign Insurance Pool. Could staff comment on further actions Samoa should prioritize to increase its resilience.

The Acting Chair (Mr. Zhang) made the following statement:

Samoa is a small Pacific island economy, and like other island economies, Samoa faces several economic challenges and is vulnerable to external shocks. There are two challenges I want to highlight. One is the vulnerabilities to natural disasters associated with the climate change. Another one is the issues related to the correspondent banking relationships (CBRs). The Fund is playing an important role in these issues, not only for Samoa but also other island economies in other regions. Many gray statements addressed these two challenges as well.

Mr. Ray made the following statement:

First, let me thank Directors for their helpful gray statements. I would not normally intervene at this stage, but I wanted to use the Samoan case to make a few overarching comments about the Fund's engagement with small states, and Directors may wish to reflect on them.

The Samoan authorities broadly agree with the staff's recommendations and in general have a strong record of implementing the staff's advice. They remain highly engaged with the Fund and appreciate the high-quality advice that they receive, and what struck me when I traveled there in March to participate in the concluding meetings was how driven the authorities are to make a difference in everyday living for every Samoan.

For the first time this year, the Samoan authorities agreed to the publication of the concluding statement, and they issued an accompanying press release to draw attention to it in Samoa. At the conclusion of this current process, as they have done in previous years, my authorities translate the staff report into Samoan so that it can be made available to members of parliament.

In the course of translating the Article IV report into Samoan, my authorities have great difficulty with the technical economic language in the staff report because there are no Samoan equivalents for many of these words. I do not believe they take our Russian colleagues' approach of just adopting the English word, because many of these people do not speak much English. Still, I will suggest it to them.

This highlights the point that much of what is written in an Article IV staff report is written for people in this building to understand it and value it, rather than for policymakers, particularly in small states, most of whom are non-economists. That being said, the Samoan Finance Minister trusts the

Fund’s advice to help frame policy discussions with his cabinet colleagues so much that he made a special request of the mission chief to develop an innovative, new, one-pager. He is grateful that staff responded to that request. The idea is that that is much easier to translate. It is quicker and easier for him to communicate. His cabinet colleagues are more likely to read it because it is short. That is traction, and it is a valuable opportunity for the Fund that I hope we can fully harness for the benefit of Samoa in this case but more broadly.

I would like to turn to a few issues that can erode traction, and as noted in our buff statement, the high frequency of turnover of mission chiefs is an issue that my authorities feel very strongly about, so strongly, in fact, that they were keen to have it reflected as part of the staff report in the authorities’ views, but it was deemed by the staff as an issue that was more appropriate for the buff statement, something which I still do not personally understand.

My authorities appreciate the support from those Directors that had sympathy for their views on the high turnover of mission chiefs and the importance of understanding the unique operating context that takes some time to navigate. Mission chiefs have a vital role to play as a trusted advisor in countries such as Samoa that want that advice, but relationships which are so important in a country like Samoa, and trust, take time to build.

We understand that the Fund needs to consider staff development as well as the needs of the membership, but a staff turnover that was closer to three years for small states might go a long way to help. It is in these small states where the Fund can get traction, real traction, rather than in some of the larger economies where often mission chief turnover is slower. We agree with Mr. Doornbosch. We also agreed with the Independent Evaluation Office (IEO) that there should be stronger incentives for staff to work on small and fragile states and that they should be incentivized to stay there longer, and this we need to think about when we consider the HR strategy.

I have one comment on capacity constraints. Capacity constraints in Samoa remain challenging to overcome, but it is not for want of trying. Indeed, during the course of the Article IV mission, less than two weeks, there were no less than 10 other missions from the Fund and other development partners running concurrently just for the ministry of finance and the central bank, not for any other government department. Indeed, the Governor of the Central Bank said to me after she had met a bunch of inappropriately dressed men for Samoa, who were mainly coming to talk about banking that she could not quite understand why they were all here. To me this underscores the importance of donor coordination to ensure that both members and the development partners are able to get the most return from their investment, and this is something where the Fund should work with the World Bank to help these countries, particularly those who are so keen to get this assistance. It needs to be coordinated to be effective.

The Acting Chair (Mr. Zhang) remarked that management and the staff would pay close attention to the staffing issues related to low-income countries and small states, and that the matter was a top priority on management's agenda.

Ms. Svenstrup made the following statement:

We thank the staff for the report and Mr. Ray and Ms. Preston for their helpful statement. Despite the recent rebound, Samoa's growth prospects remain subject to external risks and natural disasters. Furthermore, the country remains at risk of high debt distress and susceptible to correspondent banking relationship (CBR) withdrawal pressures. In this context, we broadly agree with the staff's recommended policies and offer a few comments for emphasis.

First, we agree that Samoa should prioritize building fiscal resilience and buffers to guard against natural disasters and help achieve development objectives. We agree with the staff's four-pillar strategy to this end. In particular, reducing the debt target and strengthening tax compliance and public financial management (PFM) are key to improving the fiscal outlook. We also welcome the transparency of debt statistics, as outlined in the buff statement.

Second, we welcome the Samoan authorities' commitment to strengthening the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime, which will be key in helping to mitigate CBR pressures. We urge the authorities to continue to strengthen these frameworks and oversight to the Financial Action Task Force (FATF) standards.

Finally, I would like to support Mr. Ray's comments on the importance of technical assistance (TA) coordination and prioritization.

Mr. Morales made the following statement:

I thank the staff for the report and Mr. Ray and Ms. Preston for the informative buff statement and the words at the beginning of this meeting. Samoa's economy has shown resilience after suffering multiple shocks, including the 2018 Cyclone Gita and unexpected fish migration due to climate change. Growth is expected to rebound, helped by large construction projects and the 2019 Pacific games. Inflation is expected to decline below the 3 percent target. However, Samoa remains at risk of debt distress, compounded by Samoa's vulnerability to natural disasters.

In that regard, we commend the authorities for having taken decisive measures to raise revenue, upgrade the supervisory and regulatory framework, and improve the business environment. However, rising public debt is a concern as it limits room for maneuver in the event of shocks. We understand that the authorities are trying to strike a balance between much-needed investment to deliver on Samoa's development goals and increasing fiscal buffers to build resilience to natural disasters, as explained by Mr. Ray and Ms. Preston. In this regard, we support the authorities' request for a Climate Change Policy Assessment (CCPA) to support the authorities' efforts to build resilience to natural disasters.

We welcome the authorities' measures contained in the 2017 revenue review, and we encourage the authorities to continue working on removing tax exemptions, improving tax administration, and increasing spending efficiency based on a public expenditure review. We concur with the staff that fiscal sustainability should be supported by additional measures to strengthen PFM and to ensure that new borrowing is fully in line with Samoa's medium-term debt strategy.

In this regard, the planned creation of a debt management unit within the Ministry of Finance should be a decisive step in the right direction. On monetary and financial policies, we know that TA provided by the Reserve Bank of Australia to strengthen the monetary policy transmission mechanism, the implementation of Financial Sector Assessment Program (FSAP) recommendations in supporting prudential corrective actions and resolutions relating to public finance, shared institution governance framework, and re-establishing a credit bureau, currently assisted by the Asian Development Bank, would help contain risks.

We welcome the decisive action by the authorities to address risks emerging from crypto assets, and we agree with the staff that the authorities should follow FATF recommendations on the oversight of crypto assets.

Regarding efforts to improve the AML/CFT regime, we welcome Samoa's progress to improve compliance with FATF standards and encourage them to provide additional resources, including IT systems, to their financial intelligence unit to enable an effective analysis of suspicious transaction reports, also establish a comprehensive asset declaration system for high-risk public officials, align the anti-corruption framework with the UN Convention Against Corruption, and enhance supervision of service providers operating in the offshore financial center.

Ms. Freeman made the following statement:

We agree with the main messages of the staff appraisal, and we thank Mr. Ray and Ms. Preston for their helpful and informative buff statement. We agree with many of the consistent messages in the gray statements from our colleagues at the Board, and so I would like to try and keep this short and just emphasize three points.

The first is that we strongly support the Debt Sustainability Analysis (DSA) and the insight it provides into debt and macro stability. It is important that debt sustainability is stressed, including that there is strong debt management functions and a strong commitment to transparency. We therefore welcome the buff's emphasis on the transparency of Samoa's reporting. We also support the recommendation to reduce the long-term debt target to 40 percent of GDP. Given the vulnerability of Samoa to external factors, we would encourage the staff to explore how resilient debt instruments can reduce risk from natural disasters.

On my second point, I would also like to welcome the emphasis on building resilience to climate change and natural disasters, noting that Samoa is particularly vulnerable and a member of the Vulnerable 20 group. We agree with the focus on building financial and physical resilience, and we support Samoa's request for a CCPA. More data would be helpful to understand specific risks and therefore better target resilience efforts and financing, and we encourage continued work with staff and multilateral and regional partners on the analysis and financing of resilience.

We support the comments by Mr. Castets and Mr. Sode on the need to mainstream financial risks throughout government and financial systems.

Third, we welcome Samoa's efforts to comply with FATF standards on AML/CFT and encourage continued collaboration with the EU to understand and work through their concerns on AML/CFT and tax. Th

Mr. Tan made the following statement:

We thank the staff for the insightful papers, as well as Mr. Ray and Ms. Preston for the useful buff statement, particularly in giving the Board a good appreciation of the unique challenges facing the country and the difficult tradeoffs that the authorities have to balance, as well as the many steps that the country has taken and planned to take in response. Further to our gray statement, and as noted by other Directors in theirs and in the Chairman's introductory remarks, we would like to touch on the two key and somewhat intertwined themes of mitigating risk from CBR withdrawal and building resilience to natural disasters.

First, on CBR withdrawal, the buff statement has brought out the fragility of the situation and the downstream implications well, the potentially far-reaching consequences for countries, including Samoa. Their dependence on remittances cannot be overstated. From my own experience supervising money transfer operators (MTOs), the problem is a complex one. There is no single solution where a strengthening of AML/CFT regulations provision would do the trick. The unintended consequence of driving illicit activities to the less formal parts of the financial system is a legitimate concern. In the case of Samoa, there is the additional uncertainty, as highlighted by the authorities, with respect to the expectations across the international community on its AML/CFT effectiveness. If left unresolved, this has the potential to set back the authorities' past efforts in implementing key regulatory reforms. With this in mind, the resilience of Samoa's remittance flows should not be taken for granted. Hence, we look forward to the staff's responses to the technical questions from Mr. Gokarn and Mr. Sun on how the Fund will fully support Samoa's efforts and help develop regional solutions to address CBR pressures.

We reiterate our support for the Fund to continue to help foster a concerted multilateral effort in identifying more risk-based, pragmatic, and cost-efficient solutions and to bring relevant stakeholders together to address the challenges that the risk poses to the country. Like other Directors, we also encourage and hope for an open dialogue with the EU toward a constructive response to the authorities' concerns.

Second, on natural disaster resilience, country ownership is an important precondition for building resilience. Hence, it is commendable that the authorities have adopted a multipronged strategy and are keen to explore how a CCPA could further support their efforts. We have supported the authorities' request to explore a CCPA. As discussed recently at the Board, it provides a useful framework for developing a well-grounded diagnostic for a disaster resilience strategy. Hence, we take positive note of the staff's response that Samoa would benefit from a CCPA mission in light of its existing structural reform agenda focusing on resilience and that the request would be followed up ahead of the next Article IV consultation.

Finally, in response to Mr. Ray's earlier comments, we see merit in more effective communication and the exponential effect it can have in terms of increasing traction. We also acknowledge the concerns raised on the turnover of mission chiefs and the need for closer coordination with development partners.

Ms. Levonian made the following statement:

I thank the staff for a well- structured report and response to the technical questions. I also want to thank Mr. Ray and Ms. Preston for their buff statement and opening remarks as well. We issued a gray statement, so I will focus my intervention on some specific points.

We raised the issues of resilience to natural disasters and CBRs, and there is a significant amount of similarity in our constituency.

First, on traction, Samoa is a good example of a member that has been very responsive to the Fund's advice, and it is thus imperative that both sides work to solidify this healthy relationship. It is also critical that this engagement foster the delivery of tangible benefits to Samoa, which will help to build traction not just with Samoa but also with other Fund members.

We empathize with the authorities' disappointment regarding the high turnover of mission chiefs and support Mr. Ray's call for management to be mindful of these concerns. High mission staff turnover imposes significant burden on countries' authorities, and this challenge is especially acute for small states like Samoa with thin capacity. Relatedly, given the enormous reform requirements in the fiscal, financial, and structural areas, TA should be appropriately coordinated to ensure effective absorption and to advance traction.

On the point raised by Mr. Ray's suggestion of a one-pager in less technical language for the minister to circulate to cabinet and eventually to a wider public audience, this would represent a major and innovative step towards a more effective model of communication.

Finally, I am disappointed to hear of another instance of the staff's resistance to the content of the authorities' views section of the staff report. Only a few months ago, we had a similar scenario with the St. Kitts and Nevis Article IV report, and in this regard, we look forward to the Comprehensive Surveillance Review (CSR) and the associated review of the Transparency Policy. With that, I wish the authorities well.

Ms. Mannathoko made the following statement:

We thank Mr. Ray and Ms. Preston for the informative buff and the staff for the detailed responses to our questions, including on international standards and social spending. We have issued a gray statement, so I will not repeat our comments. We just wanted to say a bit more on resilience and growth and to touch on the issue of CBRs and MTOs.

Samoa is a clear case of a country where climate-linked disasters are macrocritical, notwithstanding the fact that it has not been responsible for the greenhouse emissions that led to the climate change. Nevertheless, the recurring disasters it now faces are having an adverse effect on per capita GDP, which probably is lowering its growth over time and forcing this escalation of public debt as resources are needed to support recovery and resilience building. We are sympathetic to the challenges they face. Given this extremely challenging context, the authorities have nevertheless shown discipline in addressing the fiscal deficit, and we commend them for this. However, given the extent of climate risk, we also encourage the authorities to focus on progress in resilience building and ask the staff mission to support the authorities' efforts in speeding up the process. In addition, we also encourage an emphasis on diversifying the economic base, and perhaps the staff could comment on what scope there is to achieve this in Samoa.

One thing we noted in Table 1 was the low export levels alongside high imports, and we are wondering what measures can be pursued to expand this export product base. I know tourism dominates. With regard to the current account surplus in 2017-18, this was attributed to tourism receipts and increased transfers, but the staff report said this is considered temporary. Perhaps the staff could clarify this expectation of a temporary effect mainly because the projections in Table 1 suggest that beyond 2018-19, both net services and current transfers in the current account will be sustained. I was wondering about the source of the temporary effect, in the context of diversifying the export base and building up the current account for the future.

With respect to the loss of CBRs and the closure of many transfer operators and the implications of these for remittances, though we noted the response from the staff that there is no immediate evidence of significant impact, nevertheless the risk of deterioration remains, so we encourage the staff to help authorities take the necessary measures. Like Mr. Tan, we also support the Fund playing an increasingly important convening role in shaping the dialogue at the international level and influencing representation around standards and consistent and pragmatic implementation.

Finally, we also want to encourage attention to Mr. Ray's concerns about the adverse effect of high staff turnover on missions and the need for better incentives. With this, we wish the Samoan authorities success.

Mr. Inderbinen made the following statement:

We thank the staff for the good report and Mr. Ray and Ms. Preston for their well-written buff statement and also Mr. Ray for his remarks earlier, which provided a lot of additional context and also some thought-provoking elements of a broader nature.

In our gray statement, we welcome the demonstrated resilience of Samoa, and we noted the policies that are being implemented to address the important challenges, including implementation of prudent fiscal policies and of structural reforms. We find it encouraging to see that policy implementation has been broadly in line with past Fund advice. We also commented on the transparency in the debt statistics that Ms. Svenstrup referred to earlier as well. The further transparency efforts that the authorities are undertaking, as mentioned by Mr. Ray, are also welcome.

On other issues, we align with what many chairs say on the need to provide a robust Anti-Money Laundering (AML) framework, and one challenge is the offshore financial centers and the identification of beneficial ownership, and we note that the Fund is providing TA and actual supervision in general and we presume for AML as well, so this is very welcome.

We associate ourselves with the concerns mentioned by Mr. Doornbosch and Mr. Josic and repeated by several chairs this afternoon on the turnover of mission chiefs. In the written responses, the staff does provide some alternative measures to mitigate the effects of this, but we would agree that the IEO recommendation is still an important one and encourage management to act on its recommendation, which has been out there for some time.

On the CCPA, we look forward to seeing the results of this. This is obviously an important instrument in countries like Samoa given their vulnerabilities. We asked a question on the administrative capacity, and it might have been slightly misunderstood. Our question was on the capacity of the authorities to undergo such an assessment, and it circles back to one of Mr. Ray's points on the importance of having sound donor coordination and awareness of what the authorities in small states can and maybe cannot manage in terms of accommodating the demands of such exercises. The background to this question is that in our understanding, the CCPAs are quite extensive exercises, and they might put additional burden on authorities. I ask the staff to elaborate on that.

Mr. Josic made the following statement:

Like Ms. Levonian, we note that it is important to underscore the importance of great communication between the authorities and the Fund. It is also clear that it served the authorities well in addressing many challenges that the country faced.

On the mission chief turnover, it is extremely important to raise this issue to both HRD and management, and therefore we echo the point by Mr. Ray, Mr. Inderbinen, Mr. Tan, and Ms. Levonian that it is extremely important to have more stable mission chiefs in countries. This is not just the case in small states. We are already facing that situation in many other countries, but some other countries have the capacity to smooth the transition, unlike small states.

On the CCPA, we know that the authorities have expressed their willingness to have a CCPA. We know the CCPA is in the pilot phase. Therefore, it is extremely important to have the evaluation of the CCPA as soon as possible, as we have stressed in the recent Board meeting on building resilience to natural disasters. But it is also important for the authorities in countries like Samoa to have clear guidance on when they can expect the CCPA and if they can expect one, because we know that the process is lengthy and relatively expensive, so it would be important to guide the authorities on whether and when they can expect a CCPA, because if they cannot expect one soon from the Fund, then maybe they would have to search for other diagnostic tools.

On the external sector assessment, it is also important to commend the staff for a transparent external assessment and transparent presentation of the results, particularly when it comes to staff judgment, because not only did they apply staff judgment, they also explained in detail how and why they did it.

On the one-pager, we also support Mr. Ray’s comments. This is also relevant not only for small states, but many other countries. For example, this year’s concluding statement for the Article IV consultation for Croatia, it was done in a way that it was not a one-pager, but it used less economic jargon, and it was well received by the authorities and also in the public debate. The concluding statement and the mission received higher traction because the concluding statement was written in a way that was not the typical “Fundese.”

Mr. Fachada made the following statement:

I thank Mr. Ray and Ms. Preston for the buff statement and Mr. Ray for his initial remarks, which were very effective. I also thank the staff for the report. The Acting Chair mentioned two issues—the vulnerability to natural disasters and the challenge of correspondent banks withdrawals. I wanted to add another less known and more specific concern faced by Samoa and also several small states. It regards Samoa’s inclusion on the EU list of non-cooperative tax jurisdictions, which may further aggravate the challenge of CBRs. We take positive note from the buff statement that Samoa does not appear on any OECD or FATF blacklists. Nevertheless, we remain concerned that the requirements of these approval lists may be too onerous and cumbersome to small states, given their limited capacity.

On correspondent banking relationships, we take note from the buff statement that the Samoan authorities have spent significant resources on strengthening the AML/CFT framework. Yet the MTOs continue to have their bank accounts closed without warning, and the withdrawal of correspondent banks remains an issue. In the case of Samoa, a country highly dependent on remittances, this is not only a financial issue, but also a major social issue. The Samoan case highlights our concerns that improving the AML/CFT framework does not guarantee that there will be a resolution to the correspondent banking challenge. We therefore maintain our call on the Fund to continue to play an active role on this issue.

Finally, let me support the comments made by Mr. Ray about communication and turnover of mission chief. It is fundamental, if the Fund wants to have traction with the domestic stakeholders, that part of the IMF communication be made in the national language, at least the press release after the staff visit. I like the idea of a one-pager. It is something that the Fund should think about, as well as the turnover of mission chiefs. But I wanted to also highlight the importance of resident representatives if we want to have effective traction with the authorities. Among our five small states, none has a resident representative. It is an issue we raised many times. This could help the Fund make a difference in these countries.

Ms. Choueiri made the following statement:

The Acting Chair mentioned two important areas at the outset of this meeting, and we support continued Fund work in these areas—building resilience in small states, and the withdrawal of CBRs, notwithstanding notable improvements in AML/CFT.

My second point is on the comments that Mr. Ray made at the beginning of the meeting and that were supported by many colleagues, and I would like to support them. The Maldives in our constituency suffers from similar circumstances, particularly the high frequency of mission chief turnover, the concomitant conduct of TA and other missions by the World Bank, the IDB, the Fund and other organizations, and the candidness of the authorities' view in the staff report. The resident representative issue, mentioned by Mr. Fachada, is important because small states tend to share their resident representatives with larger countries, and given the requirements of larger countries, there is clearly less attention paid to small states' particular circumstances. Therefore, we encourage area departments and HRD to look into these concerns carefully, and like other colleagues, we look forward to the HR strategy and for the surveillance review discussions to look into these issues in more detail.

Mr. Raghani made the following statement:

I want to join others on the issue of mission chief turnover. That is an important point, and we are reassured by the Acting Chair's response and look forward to seeing this issue fixed appropriately.

On correspondent banking, I agree with Mr. Fachada and others on the importance of this issue for small countries like Samoa, and the progress in AML/CFT is not a guarantee of solving this important issue for small economies, where progress in financial inclusion may be undermined by this correspondent banking issue. As also mentioned by others, I ask that we take this into consideration in our work. We need to make a greater effort in this direction, particularly for some countries that are vulnerable to any negative developments in correspondent banking.

On exposure to natural disasters, I also echo comments made by Ms. Mannathoko on the relation between debt and the consequences of natural disasters for small countries particularly.

The staff representative from the Asia and Pacific Department (Mr. Ganelli), in response to questions and comments from Executive Directors, made the following statement:[1]

There were several questions on reforms to address risks from CBR pressures and on the work done by the Fund to support Samoa's efforts in this area. I would like to provide some points in addition to those that we made in our written responses.

As a pilot country on CBRs, Samoa has received TA from the Legal Department (LEG) and from Monetary and Capital Markets Department (MCM) in 2017, and also follow-up assistance from LEG during the 2019 Article IV mission. The Fund—together with the National Development Bank and with support from the governments of Australia and New Zealand—highlighted at roundtables in Sydney, Auckland, and Samoa in early 2018 the need to identify practical solutions to address the costs and risks of transferring remittances in the Pacific.

Going forward, Fund staff will continue to foster regional dialogue with all the relevant stakeholders to work toward a solution to CBR pressures. In this context, there is a roundtable planned on CBR issues for next week, May 16-17, in Auckland, which will be attended by the Central Bank Governor of Samoa and by senior staff.

As a CBR pilot country, Samoa will also continue to receive capacity-building support which could take various forms. It could take the form of TA missions, desk review of legislation, participation of specialists from functional departments in Article IV missions, and training. With regard to training, this includes the planned participation of Samoan officials in the workshop on CBR, which has been organized at the Singapore Training Institute for June 2019.

Furthermore, Fund staff are also close to finalizing a departmental paper on the strategy for fintech applications in Pacific island countries, and this work will cover some technology-driven solutions, which could help alleviate severe pressures.

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[1] Prior to the Board meeting, SEC circulated the staff's additional responses by email. For information, these are included in an annex to these minutes.

Moving to the issue of working toward a regional solution, the Samoan authorities, together with other authorities in the region, are seeking a regional solution; and at the Pacific Island Central Bank Governors meeting in November 2018, the governors announced the so-called Samoa Commitment, in which they affirmed the intention to leverage information technology to deepen the efficiency of the financial system.

One specific strategic initiative which was agreed at that meeting was to work toward the development of a regional know-your-customer (KYC) facility, which would help alleviate CBR pressures. The roundtable that staff organized for next week in Auckland will discuss the work toward developing the regional KYC facility, but it will also look more broadly at TA needs and the issue of coordination of various donors. At the roundtable, we will try to identify gaps and overlaps in the region to help cut any duplication and to help strengthen the coordination between the various TA providers.

More generally, the emphasis on regional solution is necessary because remittance transaction includes a number of parties in different countries, and any solution needs to be acceptable to the financial institutions in each country, as well as to the customer.

Moving to some of the other questions that were raised during the Board meeting, on the issue of adjustment to the current account and the external sector assessment, our adjustment is based on the expectation that remittances will go back to more normal levels because there was a large inflow of remittances following Cyclone Gita, which hit the country in February 2019, and remittances played a major role as a safety net in Samoa. We expect those to go back to more normal levels in the future, and we have adjusted the external sector assessment accordingly.

On the question of possible prospects and measures for the diversification of exports, Samoa could take action along three directions. One is to try to reduce the amount of time and the documents that are necessary to export. The authorities could also consider the establishment of a one-stop shop for exporters. But the issue of export diversification is also related to access to credit. There are many small businesses that are successful within the country and they would like to export, but they cannot make the jump to become an exporter because of the lack of access to credit. This points to the synergies between reinforcing access to credit, which is one of our recommendations, and increasing the export base.

There are various practical measures that could be taken. For example, there is still no official definition of a small- and medium-sized enterprise (SME), so if the country could develop an official definition for SMEs, that could help provide credit to SMEs through the various credit guarantee schemes that exist.

Finally, on the capacity to receive the CCPA mission, our judgment is that the authorities will have the capacity to receive the mission. But we will need to play close attention to make sure that when the mission happens there is coordination with other donors to avoid overwhelming the authorities, and this is linked to the other comments regarding donor coordination. Most of our TA to Samoa is done through the Pacific Financial Technical Assistance Center (PFTAC), and PFTAC tries to coordinate the TA delivery with other providers, but this can be sometimes challenging given the large number of providers in the region. Nevertheless, the staff is working from PFTAC to coordinate TA delivery.

The Director of the Asia and Pacific Department (Mr. Rhee), in response to questions and comments from Executive Directors, made the following statement:

I heard very loudly that mission chief tenure is a very important issue, and I agree. Let me first say that I will try to review this strategy one more time, and then I will try to improve it. but I want to clarify that this job of balancing between the continuity for the authorities and the management of scarce resources and staff career development incentives solely depends on my decision. It is not a management nor HRD decision. It is the decision of the departmental director, especially for small state countries. It is my responsibility, so I heard very loudly that there is a need to change.

Having said that, this issue is more relevant for the small states, especially for 20-month cycle countries. Samoa is a 12-month cycle, so Mr. Ganelli actually finished a 2-year tenure. But for the 24-month cycle countries, this issue becomes much more serious, so we have to address this issue. I will explain the practical problem that I have. But in terms of continuity, I want to emphasize that the mission chief is very important, has the lion's share of the importance, but still we try to guarantee the continuity through various other measures. For example, we created a small state division. Ms. Stuart is leading that division, and that division tries to work with mission chiefs to guarantee their continuity and to manage the whole issue together. We have a B4 reviewer and a B3 reviewer. The reviewers also continue to work on the same country.

Several Directors showed some concern about the TA continuity, but there is PFTAC in Fiji, which has a longer-term residence and many long-term resident TA advisors. It may not be sufficient for the authorities, but we are trying our best to keep the continuity. Many Directors will still not be satisfied to learn why I cannot make mission chiefs spend more than three years on one country. I try. Having said that, let me explain the practical concerns that I have. All problems start from the resource constraint that we cannot assign a full-time, exclusive mission chief for many small countries, so it has to be a joint appointment. If I give this role to the A14 and A15 staff, they have an incentive to be promoted, so they want to accumulate several experiences, so they may not like spending three or four years on just one assignment. They want to mix these things. One drastic change would be to give the assignment to B-level staff who do not have much incentive for career promotion. We can assign the B-level staff to be a mission chief together with two small-state assignments.

We have the previous problem that small states receive less attention because mission chiefs must be responsible for two countries, and would therefore give more resources and time to the larger countries. My job is to guarantee some continuity, but at the same time to meet our staff's incentives given resource constraints.

Directors mentioned the importance of resident representatives, with which I fully agree. As a person from the region, I believe resident representatives are as important as mission chief, but this also requires more resources. I heard the Board loudly today. I will try to talk to my B4s again to see how we can improve the situation, especially for small states on a 24-month cycle. But I want to emphasize that this issue is related to resources as well as the staff's incentive when they do multiple tasks. Having said that, I heard that the Board feels that our consideration of the authorities' concern is relatively less reflected. I will review this issue with our B4s and try to improve the situation. I do not want to overcommit and claim that I resolve this issue with a magic wand immediately, but I will try my best.

Mr. Sun noted that high mission chief turnover was a Fund-wide issue. He strongly encouraged management to take necessary measures to address the issue comprehensively in the upcoming CCBR or in the HR strategy.

Mr. Palei made the following statement:

We have great sympathy for the calls to pay more attention to Samoa and to have more continuity in the Fund's engagement with the small economies and also on climate change issues. We know that the CCPA, for example, is very resource-intensive, and it also requires collaboration with the World Bank and a significant amount of planning. While we have great sympathy for all these calls, at the same time, we cannot ask the staff to do more while also being extremely rigid when we have the budget discussions, because all of it goes to the heart of our discussions on available resources. When there are no resources available, how can we pile more tasks on the staff? There is limited capacity within the Fund. I call on the Directors who have clear priorities to consider that we need to allocate resources appropriately, and if more resources are needed, then maybe they should be more sympathetic to the staff's request for a bit more flexibility during our discussions on the budget.

Ms. Mannathoko agreed with Mr. Sun that there was a need to address staff incentives given that Mr. Rhee's responses suggested the need to reconsider the framework in order to provide incentives that would accommodate longer tenures as mission chiefs.

Mr. Josic made the following statement:

I wanted to support Mr. Sun on the idea of CCBR, because the current solutions that may not provide the right tools to solve the problems. That is why we call for the HR strategy and potentially the CCBR to find new solutions that could potentially help the issue.

I would also like to use the opportunity to express my thanks to the Asia and Pacific Department (APD) and the Western Hemisphere Department (WHD) for the work that has been done for small states in the last few years. Taking into account the amount of papers that have been produced, it is clear that the work on small states, including Samoa, has significantly increased.

Mr. Ray made the following concluding remarks:

I thank Directors for their remarks. I will make sure that we convey their views, suggestions, and encouragement to my Samoan authorities, because they generally want to hear what Directors have to say.

The Acting Chair identified the basic issues, the big two, and with the frequency and intensity of natural disasters increasing, the authorities face many difficult policy tradeoffs. That being said, they remain firmly committed to prudent fiscal policy, something that they have demonstrated by the path of the budget balance over the past few years.

Since the last significant natural disaster in 2012, the deficit has been reduced from 7 percent of GDP to a small surplus, and debt has been on a downward trajectory and is now slightly above the current debt target of 50 percent of GDP. Nonetheless, fiscal policy is the main game, and the Samoan authorities remain firmly committed to building fiscal resilience. Recent disasters only serve to underscore the reality of how important this really is. The authorities welcome the staff's four-pillar fiscal strategy and will consider it within the context of the 2019-20 budget that is currently under development. They are well aware of the fiscal risks that can emerge from outside the general government sector and will continue working to improve the management, monitoring, and reporting of these risks.

My authorities also appreciate the support from Directors for the interest that they have in undertaking a CCPA. My authorities have been impressed by the quality of the work done in these pilots thus far and can see value in undertaking such an assessment in a Samoan context, and they would devote the necessary resources at their end to making sure it was very valuable.

In the context of the upcoming low-income countries facilities review, because of its vulnerability to natural disasters and the tendency for them to come episodically, the Samoan authorities are very interested in the access limits that we are considering.

On monetary policy, the authorities have taken a number of steps to try to improve transmission. They appreciate the advice and assistance they have received so far, and they now do fully understand what needs to be done, but they would appreciate more granularity around how they could go about it, and in this respect, some hands-on TA as a next step would be much appreciated.

Regarding challenges from the withdrawal of CBRs, Mr. Tan best put this in his gray statement, that the challenges from CBR withdrawal keep the authorities under pressure despite their best efforts.

More Samoans live in Australia and New Zealand than live in Samoa, so it is no surprise that the Samoan economy is heavily reliant on the flow of remittances. Remittances are 20 percent of GDP, and they are also an important part of supporting family structures. Given both the limited interaction that most Samoans have with the formal financial sector and the cost of transfers through traditional banking channels, flows of remittances tend to be received through MTOs. They increase rapidly in response to a natural disaster and are in some ways an automatic stabilizer, and they are generally the first form of financial assistance Samoans receive after they have been hit by disaster.

As the Samoan authorities spend significant resources to continue to strengthen AML/CFT frameworks, MTOs report that they continue to have their bank accounts closed without warning. The authorities remain extremely concerned that even met with their best efforts, there is great uncertainty about the situation and the implications for financial inclusion, particularly in villages and on remoter islands.

Fees charged for remittances in the Pacific are some of the highest in the world and are well above the G20 objective of 5 percent, and the authorities thank the Fund for the convening role that it has played to elevate the status of this issue and greatly appreciate recent initiatives such as the Pacific Roundtable.

With such a daunting task in this area, one could easily see how authorities in the region may be tempted by what I might call the hybrid Ponzi-pyramid-cryptocurrency schemes that are being promoted around the region. However, my Samoan authorities remain vigilant against such schemes and have recently strengthened criminal law such that any person who conducts a cryptocurrency investment presentation or a workshop or are dealing without prior approval of the central bank, commits an offense and may be subject to criminal prosecution. They are quite strong on these issues.

The Samoan authorities note the call from many Directors to further strengthen the AML/CFT frameworks, including through TA missions. They will do whatever is needed. They take this very seriously, and they have made significant progress. Yes, there is more to do, and the Samoan authorities will keep working on it. As the staff recommended, the authorities increased resourcing for the financial intelligence unit. This seems quite reasonable, but in a country where they have got capacity, but it is quite thin, and it is not costless, there will be some tradeoff. The tradeoffs are quite acute. One more person in the unit is one less person helping to improve the transmission of monetary policy.

I have a few comments on this afternoon’s conversation, which I greatly appreciate, and I thank Mr. Rhee for his remarks. But as Mr. Sun responded, and I fully agree with him, this is a Fund-wide issue. It is not an APD-specific issue. It is one that has been raised more than once. I wanted to use Samoa as the example because Mr. Ganelli is moving off the Samoan desk. It is part of the overall HR strategy. We need to think about it in that context, and so I fully endorse what Mr. Sun said.

The other thing I would reiterate is that APD's response to the request to produce a more user-friendly, one-page document is greatly supported by my Samoan authorities, who asked for it specifically, but also by this chair more broadly, and I heard broad support for that in the Board. I congratulate APD on the innovation, and we would like to see it used in the Fund more broadly.

Lastly, on a personal note, on behalf of my authorities, they have asked me to thank the mission team, led by Mr. Ganelli, for the candid and constructive discussions with the authorities, and I believe my other remarks about traction make it clear that they value highly the team's advice, and given what I said about mission chief turnover, it is clear they are disappointed to see him move on but wish him every best wish.

The Acting Chair (Mr. Zhang) made the following statement:

Let me say a few words on the issue of the mission chief rotation. Many Directors—including Mr. Sun, Mr. Ray, Ms. Mannathoko, Mr. Josic, and many others—touched upon these issues. At the same time Directors all agreed that this is not a country-specific issue, but a Fund-wide issue. Management and the staff will take note of this issue and will discuss it in other appropriate workstreams, including the HR strategy, and we will come back to the Board for further initiatives or actions.

Another issue Directors touched upon is communications. I would refer to the Strategy, Policy, and Review Department (SPR) and the Communications Department (COM) to work on improving communications during the consultation process.

The Acting Chair (Mr. Zhang) noted that Samoa is an Article VIII member, and no decision was proposed.

The following summing up was issued:

Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities for Samoa's resilience in the face of external shocks and welcomed the expected rebound in growth. However, they noted that the risks to the outlook are tilted to the downside, largely due to the country's high vulnerability to natural disasters and the withdrawal of correspondent banking relationships (CBR). In this context, Directors highlighted the need to build fiscal buffers and continue with efforts to mitigate risks from CBR pressures, while implementing structural reforms targeted at boosting potential growth and making growth more inclusive.

Considering Samoa's vulnerability to natural disasters and high risk of debt distress, Directors called for embarking on a comprehensive fiscal strategy to ensure fiscal sustainability. They called for improving the tax administration, strengthening public financial management, lowering of the long-term debt-to-GDP target, and ensuring that newly contracted loans are consistent with the Medium-Term Debt Strategy. Directors also stressed the need to make progress in monitoring and disclosing fiscal risks, including from state-owned enterprises.

Directors considered the current accommodative monetary policy stance appropriate, but noted the need to strengthen the monetary transmission mechanism, including by improving liquidity management, re-establishing a credit bureau and implementing measures to reduce credit risk and promote lending.

Directors noted that financial sector policies should focus on completing the implementation of the 2015 Financial Sector Assessment Program recommendations. They called for upgrading the regulatory and supervisory framework, improving systemic financial stability risk monitoring and continued efforts to improve access to finance, while managing risks, including from crypto-assets. Directors welcomed the measures taken to mitigate risks from CBR pressures. They saw the need for further efforts aimed at enhancing the effectiveness of the AML/CFT regime and continued engagement with relevant stakeholders, including on tax cooperation issues. Directors encouraged establishing IT solutions for customer identification and monitoring, and reducing the risk profile of the offshore center. They also called for continued engagement with relevant stakeholders and regulators to make progress toward a regional solution to address CBR pressures.

Directors noted that the authorities' structural reform agenda should focus on building resilience to natural disasters and enhancing the business environment. They stressed that measures should include upgrading infrastructure, strengthening insolvency resolution, promoting financial inclusion, and improving the trade facilitation framework. Directors also advocated for more coordination among TA providers.

It is expected that the next Article IV consultation with Samoa will be held on the standard 12-month cycle.

APPROVAL: April 22, 2020

JIANHAI LIN
Secretary

Annex

The staff circulated the following written answers, in response to technical and factual questions from Executive Directors, prior to the Executive Board meeting:

Fiscal Policy

1. ***Could staff comment on how the proposed strategy would fit into the authorities' existing policy efforts, including the establishment of the Debt Management Unit?***

- The proposed fiscal strategy is consistent with the authorities' current fiscal policy efforts, and would help them push ahead with reforms in this area.

- The measures identified by the authorities in the 2017 Revenue Review (including broadening the tax base; improving and enforcing tax collection) are important steps toward creating a resilient fiscal framework, but require more vigorous implementation to reap its full benefits.

- With support from the Pacific Financial Technical Assistance Centre (PFTAC) Samoa has made progress in public financial management (PFM) reforms, including budget documentation, audit, and cash management. However, some areas for improvement remain, including: strengthening forecast capacity and introducing multi-year budgeting; enhancing the monitoring and the disclosure of fiscal risks; and monitoring spending outcomes to enhance efficiency through expenditure impact analysis and independent audit.

- The strong commitment of the authorities to the Medium-Term Debt Strategy (MTDS 2016-20) sets a solid framework for debt sustainability management. In this regard, the creation of a new Debt Management Unit within the Ministry of Finance will help improve debt management and monitoring of fiscal risks.

2. ***Could staff elaborate on the potential structural fiscal measures the authorities could implement to fully integrate climate change in their fiscal policy (both in term of risk management and adaptation investment strategies)?***

- Samoa needs to reinforce its resilience to climate change and natural disasters, including through structural fiscal reforms. These could be embedded into a disaster risk management strategy aimed at building structural, financial, and post-disaster resilience.

- Samoa would benefit from improving its structural resilience. The Strategy for the Development of Samoa (SDS) 2016/17-2019/20 already establishes a framework to build resilient new infrastructure. Additional aid flows targeted at key high-return projects from multilateral institution and bilateral donors are likely needed to build new infrastructure resilient to adverse consequences of climate change.

- Deepening financial resilience by combining different instruments for layers of risks is key to strengthening Samoa's resilience to climate change and natural disasters. For example, Samoa is already one of the countries benefiting from the Asian Development Bank (ADB) financing line for Pacific islands and has access to a risk transfer mechanism through a regional pooling arrangement since 2013 (the Pacific Catastrophe Risk Assessment and Financing Initiative). A strategy to widen the financial instruments available for post-disaster resilience needs to be supported by improvements in the fiscal framework and debt management capacity.

3. ***We invite staff's comments on the scope for implementation of a fiscal rule.***

- Establishing a legally-binding numerical fiscal rule may be premature, given Samoa's need to improve its PFM framework. In particular, improving forecast capacity, introducing multi-year budgeting, and monitoring spending outcomes should be pre-conditions for implementing a fiscal rule.

- The implementation of the proposed deficit ceiling (detailed in Annex II of the Staff Report) during the transition period to a strengthened PFM framework could serve as a practical test for a potential future implementation of a more rule-based framework.

4. ***Given restrictions on fiscal spending, we wonder about the adequacy of social safety nets and social targeting mechanisms given the country's high vulnerability to natural disasters and considering recent job losses with the closure of the largest manufacturing employer. Staff comments are welcome.***

- Formal social safety nets and social targeting mechanisms are not well developed in Samoa and households rely mainly on informal private networks (e.g. family or community support, and remittances). This underscores the need to strengthen formal social safety nets.

- The proposed comprehensive fiscal strategy would help create additional fiscal resources, which could be partially dedicated to enhancing social spending (e.g. by ensuring greater efficiency of spending, such spending can be redirected/better targeted to social outcomes).

- The limited availability of formal social safety nets also underscores the importance to push ahead with reforms to mitigate correspondent banking risks, given the important role played by remittances in providing informal social safety nets in Samoa.

5. ***Could staff comment on the progress with improving governance and the performance of state-owned enterprises and data coverage?***

- The Minister for Public Enterprises approved the Director's Handbook in December 2018, which should help improve governance of state-owned enterprises (SOEs). The Compensation Review for Public Body Boards, amendments to the Public Bodies Act and the Recruitment and Selection Guidelines and Performance Management framework for CEOs of Public Body are in progress, and are expected to be submitted to parliament before the end of the fiscal year.

- As noted by Mr. Ray and Ms. Preston in their buff Statement, the Cabinet recently agreed to strengthen procedures for issuing guarantees to SOEs and an on-lending policy is currently under review.

- While explicitly-guaranteed SOE debt data is available (and included in the Debt Sustainability Analysis), the coverage of public debt should be widened to include non-guaranteed debt of SOEs. Data on such debt should be properly collected, and associated fiscal risks should be estimated and noted in budget documents. The planned establishment of a Debt Management Unit within the Ministry of Finance will help improve debt management and monitoring of fiscal risks, including from SOEs.

Monetary Policy

6. ***We note authorities' willingness, indicated in the buff Statement, to receive more granular advice on further improving monetary policy transmission and the effectiveness of their current efforts. Staff comments are welcome.***

- Staff will take the authorities’ request into account in the planning of future surveillance and capacity building engagement with Samoa. The more granular advice could focus on how to improve the monetary policy transmission mechanism through both the credit and interest rate channels.

- Specific advice on the credit channel could focus on encouraging lending and access to credit. Improving access to financial services through financial education and the re-establishment of a credit bureau, and developing a secondary market for government securities, are measures that can be considered. Improving the Central Bank of Samoa’s (CBS) liquidity management, including through strengthening forecasting of FX liquidity needs, would help pre-empt liquidity squeezes in the banking sector.

- Strengthening the interest rate channel could focus on improving the pass-through from policy to market rates. Currently, there is a very low pass-through from the official interest rate to banks' lending and deposit rates. The authorities could consider measures that would make the official interest rate a more relevant and attractive tool for transmission, including by normalizing the official interest rate. The CBS has expressed its intention to normalize the policy rate as the economy rebounds. The normalization would increase the yields on securities, which would render them a more attractive investment vehicle and encourage banks to use securities as collateral in their financing operations. Legal provisions would need to be introduced to ensure the speedy processing in the liquidation process of specified securities pledged by banks as collateral.

7. ***We take positive note of the active steps taken by the authorities and staff recommendations to increase credit access and reduce banks' reluctance to lend. Given the history of this issue and the authorities' call for more granular advice in the buff statement, staff comments are welcome on the progress to date and the key impediments facing the authorities.***

- Samoa has taken concrete measures to increase credit access and reduce banks' reluctance to lend. These measures include the adoption of a financial inclusion strategy, the completion of a diagnostic assessment with the ADB for the re-establishment of a credit bureau, and the creation of a property registry. The key impediments are related to limited financial literacy, large segments of the unbanked population with no credit history, and bank's reluctance to accept customary land leases as collateral due to legal uncertainties.

Financial Sector

8. ***Is there scope for the authorities to harness domestic debt markets at reasonable cost to reduce risks associated with tightening global financial conditions? In this context, we would appreciate staff comments on whether the high levels of bank liquidity and excess reserves could be mobilized to replace some of the government's foreign debt without crowding out the private sector.***

- The scope for government borrowing from domestic debt markets is very limited as domestic financial markets are small and shallow. There is no secondary market for public or private debt securities, no market for equities, and the interbank money market is very limited. The CBS issues short-term securities but the take-up is minimal given its very low yield. The banks do not trade CBS securities in a secondary market and there are no other securities issued. The lack of securities that could be used for CBS collateralized market operations is a major constraint to developing the domestic debt market. In the long-term, the development of domestic debt markets is a desirable objective, once the necessary prerequisites have been met. These include the establishment of an efficient government domestic currency securities market; sound fiscal and monetary policies; effective legal, tax, and regulatory infrastructure; smooth and secure settlement arrangements; and a liberalized financial system with competing intermediaries.

- In addition, Samoa’s foreign debt is largely on concessional terms, which is much more favorable when compared to the domestic banks’ high lending rates. The MTDS requires new lending to be made on concessional terms to the extent possible (grant element above the MTDS minimum of 35 percent). Given the nature of Samoa’s investment needs (particularly large infrastructure projects), multilateral creditors and bilateral donors may be better placed to finance these projects than domestic banks.

9. ***Could staff comment on advances that Samoan authorities might had made regarding PFI.***

- The Minister for Public Enterprises approved the Director's Handbook in December 2018, which should help improve governance of SOEs, including public financial institutions (PFIs).

- The authorities are working towards harmonizing human resource policies and compensation across PFIs. However, they stressed that developing a unified strategy for the governance and mandate definition of all PFIs would be challenging.

Correspondent Banking Relations (CBRs)

10. ***Could staff inform of any additional steps undertaken to secure the operational independence of the Samoa International Finance Authority, and on SIFA’s capacity to supervise the large number of off-shore entities?***

- While the Samoa International Finance Authority (SIFA) still retains its promotional functions, a dedicated unit responsible for promoting the off-shore financial center (OFC) has been created in the SIFA in 2016, which is separate from the supervisory unit. Proposals are being discussed to transfer the responsibility for AML/CFT supervision of Samoan trust and company service providers (TCSPs) from SIFA to the Financial Intelligence Unit (FIU). However, more FIU staff would be required to meet the needs of any expanded supervisory function. A review of the OFC’s business model and its sustainability could also be conducted with the aim of identifying measures to lower the country’s overall risk profile.

11. ***Staff has identified money transfer operators (MTOs) as macro-critical in Samoa and there has been a significant decline in MTOs over the past five years. Could staff comment on this development in the context of potential increase in remittance costs and the development of informal channels and given the potential social, financial inclusion and natural disaster concerns associated with loss of remittance channels?***

- Despite pressures on correspondent banking relationships (CBRs), Samoa's remittance flows have thus far shown resilience. While the number of MTOs have declined, costs for sending remittances have remained stable (although the average costs to remit are still comparably high). Increased compliance costs and reduced market share in smaller MTOs continue to pose challenges for the sector. However, CBR pressures have also contributed to market consolidation of MTOs, leading to efficiency gains. MTOs that have invested in compliance and long-standing bank relationships with foreign banks have been able to retain CBRs. Banks continue to provide an alternative for sending and receiving remittances (albeit at a higher cost than MTOs). Mobile-enabled remittances solutions introduced by telecommunication companies provide lower cost-options, but may need time to gain popularity and more widespread use.

12. ***Albeit the progress on this front as expressed in the buff statement, the European Union continues to include Samoa in the list of non-cooperative tax jurisdictions. Staff's comments on this issue are welcome.***

13. ***Assessments of compliance need to allow for capacity constraints and implementation challenges to avoid making things even more difficult for countries struggling to comply. While we recognize that staff do not lead the assessment process, we hope, nevertheless that there is a way to help member countries on this issue. Staff comments are welcome.***

- The assessment methodology adopted by the Financial Action Task Force, the international AML/CFT standard-setter, places significant emphasis on understanding the country's risk and context. In evaluating the effectiveness of the country's AML/CFT regime, assessors need to consider the following factors: the nature and extent of the money laundering and terrorist financing risk factors in the country; the relative importance of different parts of the financial sector (materiality); the structural elements underpinning the AML/CFT regime; and other contextual factors that could influence the way AML/CFT measures are implemented and how effective they are.

- The concern with respect to the existing modalities for the design and enforcement of international taxation standards is well noted. The staff view to date has been that the Fund fully supports transparency in taxation and the avoidance of adverse spillovers from national tax policies. However, it does not, itself, engage in the black or grey listing of countries for tax purposes or in other areas, but staff stand ready as always to consider requests from member countries for technical assistance as needed to improve the overall efficiency and transparency of their tax systems, in line with international good practice and standards. Staff also continue to stress the importance of fully inclusive cooperation in international tax matters and have highlighted the supportive role that the Fund can play in this context, including by drawing on its capacity building work to inform the standard setting that others lead, while also stressing the importance of cooperation among the international organizations active in this area, including through the Platform for Collaboration on Tax, a joint effort launched in 2016 by the Fund, the OECD, the UN and the World Bank Group.

14. ***Actions to alleviate spillovers from the partial withdrawal of Correspondent Banking Relationships (CBRs) and to continue reforms have been implemented. Additionally, Samoa was selected as an IMF pilot in 2017 in this topic. Is there an update on developments of such pilot?***

- Staff will respond orally to this question.

15. ***Could staff elaborate on any ongoing or future work by the Fund to support Samoa's efforts in addressing risks of CBR withdrawal?***

- Staff will respond orally to this question.

16. ***Like staff, we encourage the authorities to continue to work with all stakeholders towards developing regional solutions to address CBR pressures. Could staff elaborate on the way forward in this regard?***

- Staff will respond orally to this question.

Climate Change Policy and Sustainable Development Goals

17. ***We take note that the authorities have expressed interest in undertaking a Climate Change Policy Assessment (CCPA). Could staff indicate the reasons why Samoa was not chosen among the pilot countries in the Pacific?***

18. ***We also note that the authorities expressed interest in undertaking a Climate Change Policy Assessment. Could staff comment on the prospects for a CCPA?***

19. ***Are there plans for conducting a CCPA in Samoa?***

- Pilot countries were selected in response to requests from the authorities and taking into account availability of staff resources for the limited number of CCPA pilots. The pilot was intended to cover only 4-6 countries in total. These should be completed in 2019 following completion of the Federated States of Micronesia and Tonga assessments, which were formally requested and planned before Samoa expressed its interest in February. Experience with the pilot will be reviewed in late 2019 and next steps decided upon, including taking into account the recent Board discussion on Disaster Resilience Strategies. Staff will also follow up on Samoa's interest in the topic ahead of the next Article IV consultation.

20. ***We also note the authorities' interest in a CCPA. Could staff elaborate on the authorities' administrative capacity in this regard?***

- Samoa would benefit from a CCPA mission in light of its existing structural reform agenda focusing on climate resilience. The Strategy for the Development of Samoa (SDS) 2016/17-2019/20 includes important measures to increase resilience to natural disasters. Priority measures noted by IMF staff in the 2018 Samoa Article IV Staff Report include upgrading health and education facilities to be fully compliant with disaster and climate resilience plans; upgrading key infrastructure to prevent flooding, including through implementation of the Green Climate project; and mainstreaming and integrating climate and disaster resilience into all sectors plans, Ministry and implementing agencies' corporate plans, and into transport, ICT, energy, and utility planning and systems.

- Technical assistance is being delivered by PFTAC on enhancing medium-term forecasting for budget preparation, which will be useful to strengthen the authorities capacity to integrate climate resilience in their budget process.

21. ***We note that in the paper Building Resilience in Developing Countries Vulnerable to Large Natural Disasters, recently discussed at the Board, Samoa has contingent financing lines and belongs to the PCRFI, a Regional Sovereign Insurance Pool. Could staff comment on further actions Samoa should prioritize to increase its resilience.***

- Samoa needs to reinforce its resilience to climate change and natural disasters, including through structural fiscal reforms. These could be embedded into a disaster risk management strategy aimed at building structural, financial, and post-disaster resilience.

- Samoa would benefit from improving its structural resilience. The Strategy for the Development of Samoa (SDS) 2016/17-2019/20 already sets a framework to build resilient new infrastructure. Additional aid flows targeted at key high-return projects from multilateral institution and bilateral donors are likely needed to build new large infrastructure resilient to adverse consequences of climate change. Strengthening public financial management (PFM) would help Samoa to fully reap the benefits of such infrastructure investment.

- Deepening financial resilience by combining different instruments for layers of risks is key to strengthen resilience to climate change and natural disasters. For example, Samoa is already among the countries benefiting from the Asian Development Bank (ADB) financing line for Pacific islands, and has access to a risk transfer mechanism through a regional pooling arrangement since 2013 (the Pacific Catastrophe Risk Assessment and Financing Initiative). A strategy to widen the range of financial instruments available for post-disaster resilience needs to be supported by improvements in the fiscal framework and debt management capacity.

22. ***What has been the country's progress on the SDGs since then and what is the country's status on gender issues?***

- Following its graduation from least developed country (LDC) status in 2014, Samoa has made steady progress in raising its health and education achievements. In its 2018 report on Monitoring of Graduated and Graduating Countries from the Least Developed Country Category, the UN notes that Samoa belongs to the group of countries with the highest human assets index (HAI) scores, and that Samoa continues to maintain high levels of human capital. In addition, among twelve Pacific island countries, Samoa is ranked third in terms of the overall HAI for 2018, behind Palau and Tonga.

	2011	2012	2013	2014	2015	2016	2017	2018
Human assets index	93.5	94.5	94.2	94.1	94.3	94.5	94.1	94.1
Maternal mortality rate (per 100,000 live births)	66.3	63.6	61.3	58.6	56.2	53.4	51.3	51.3
Under-five mortality rate (per 1,000 live births)	24.4	18.9	18.9	18.7	18.4	18.1	17.7	17.3
Percentage of population undernourished	3.5	3.4	3.3	3.1	3	3	3.2	3.2
Adult literacy rate (%)	98.9	98.9	99	99	99	99	99	99
Gross secondary enrolment ratio (%)	86.1	87.7	86.4	85.7	86.3	86.9	85	85

Source: United Nations Committee for Development Policy, 20th Plenary Session

- Female labor force participation is below 30 percent in Samoa, on the lower end of the regional distribution. Lack of affordable childcare facilities, in particular in the capital city of Apia, often prevents women from joining the labor force.

Other Issues

23. ***Could staff share on any alternative measures or existing mechanisms that could help enhance the continuity of staff's work?***

- On mission chief turnover, APD established the Small States Division to support greater continuity in analysis and policy advice for small states, and to provide backup for circumstances where there is mission chief and team turnover. The tenure of mission chiefs working on APD's small states is around two years, which strikes a balance between continuity for the authorities against management of scarce resources and career development for staff. Other efforts to improve communication and continuity of staff advice include: regular meetings with Executive Directors; closer engagement between country teams and PFTAC to integrate surveillance and capacity development; and regional workshops including roundtables on correspondent banking issues.