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EXECUTIVE BOARD MEETING

EBS/20/68

April 20, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Samoa—Request for Disbursement Under the Rapid Credit Facility**

Board Action:	Executive Directors' **consideration** (Formal)
Tentative Board Date:	**Friday, April 24, 2020**
Proposed Decision:	Page 16
Publication:	Yes*
Questions:	Mr. Cashin, APD (ext. 36104) Mr. Kashiwase, APD (ext. 34722) Ms. Lee, APD (ext. 37094) Mr. Singh, APD (+679-907-8086) Mr. Xu, APD (ext. 36150)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—Asian Development Bank, World Trade Organization

***The authorities have indicated that they consent to the Fund's publication of this paper.**

INTERNATIONAL MONETARY FUND

SAMOA

April 20, 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

EXECUTIVE SUMMARY

Context. Samoa, with a population of around 0.2 million, suffered from a severe measles outbreak in late-2019 (claimed 83 lives and resulted in over 5,700 cases), which led to a much larger economic contraction than that of past episodes of natural disasters. The global pandemic of COVID-19 has exacerbated the downturn and will devastate the Samoan economy as it heavily depends on now-banned inbound tourism. Staff supports the authorities' planned policy measures to help the private sector. The Fund's support for Samoa's balance of payment (BOP) needs (US$ 22.2 million or 100 percent of quota) will provide a significant short-term buffer.

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

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

Approved By
Paul Cashin and Chad Steinberg

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

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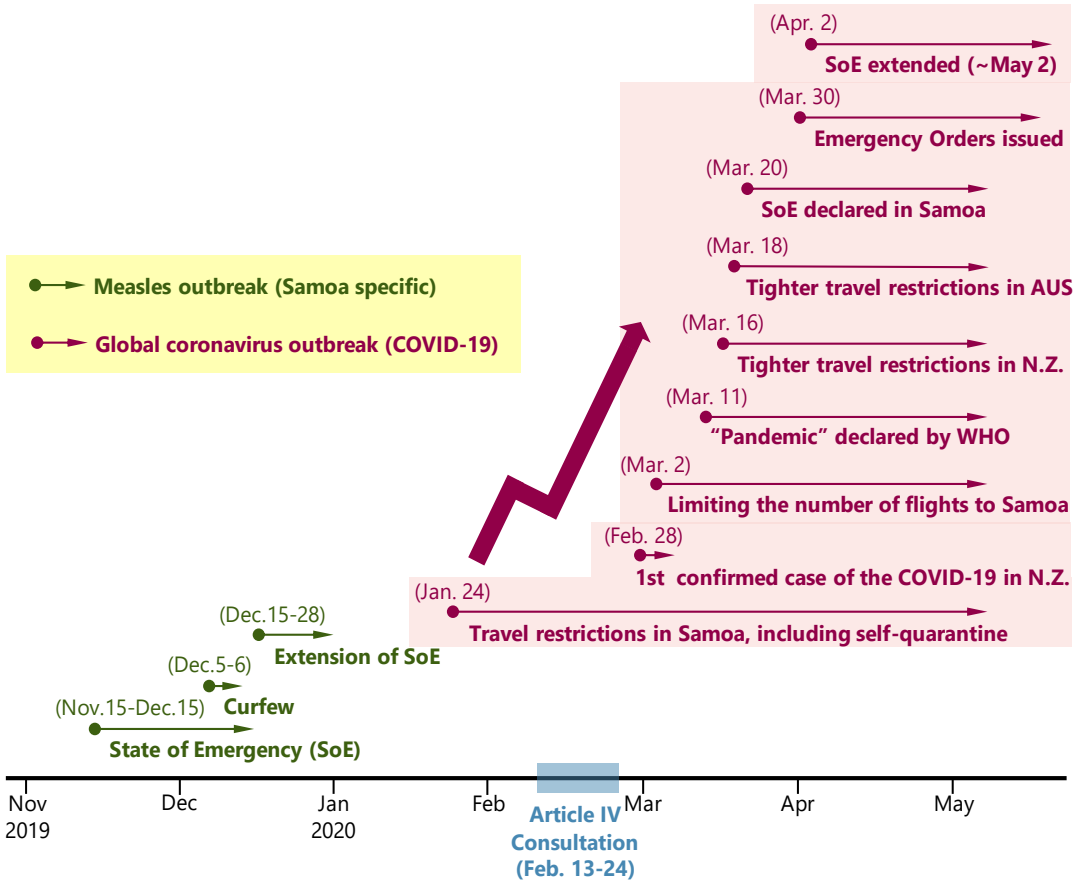
INTRODUCTION: MACROECONOMICS OF HEALTH

1. The impact of the global COVID-19 pandemic on economic activity has triggered the urgent balance of payment (BOP) needs in Samoa. The Samoan and other governments' travel restrictions to contain the pandemic, their impact on the global economy, as well as the heightened global risk aversion to flying are expected to dramatically cut tourism receipts for the FY2020 season by around 10.6 percent of GDP relative to pre-pandemic projections. In addition, the measures (e.g., social distancing) taken under a State of Emergency and related uncertainty are also affecting economic activity although no confirmed cases are yet reported in Samoa as of April 15, 2020. The impact of the shocks on the balance of payments, offset in part by lower global fuel prices and associated lower imports from the fall in tourism and construction, is substantive, and subject to further downside risks. A BOP financing gap is now estimated to amount to US$34.3 million.

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

Escalation of the Global COVID-19 Pandemic Will Exacerbate the Downturn in Samoa



Sources: Based on various announcements by the governments of Samoa, Australia, and New Zealand, and WHO.

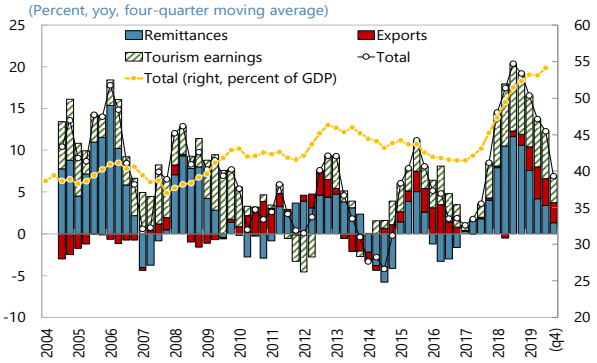
BACKGROUND: A SEA CHANGE IN THE GLOBAL ECONOMY

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

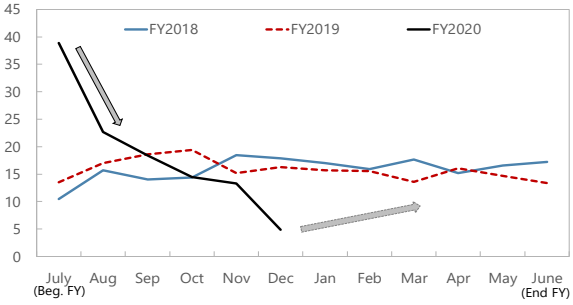
3. The Samoan economy continued to grow strongly in 2019:Q3, experienced a setback from the measles outbreak of late-2019, and was expected to rebound in 2020:H1, supported by tourism. Growth momentum continued through the Pacific Games (PG) in July 2019. Following strong growth, 4½ percent (y/y), in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

Tourism Earnings Were Expected to Turn Around in 2020:H1

Remittances, Exports, and Tourism Earnings, 2004-2019
(Percent, yoy, four-quarter moving average)



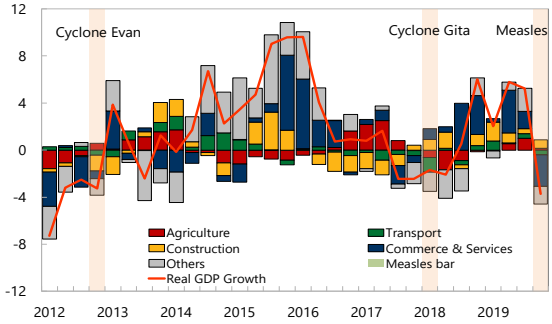
Tourism Earnings, FY2018–FY2020 (Dec.)
(In percent, cumulative growth, y/y)



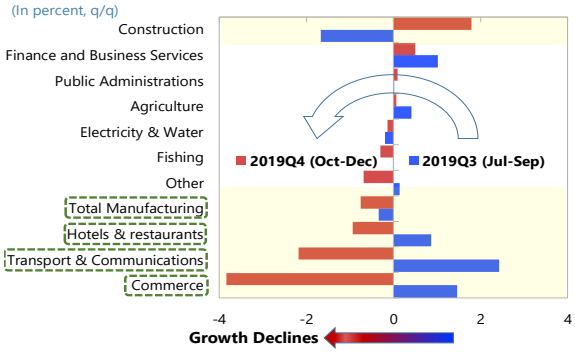
1/ For example, "Dec" shows a year-on-year percentage change of the cumulative sum of the series from July (the beginning of a fiscal year) through December.

GDP Data Released in March Revealed a Sea Change in the Samoan Economy in 2019:Q4

Real GDP Growth by Sector
(In percent, y/y)



Real GDP Growth: Quarterly Contribution by Sector
(In percent, q/q)

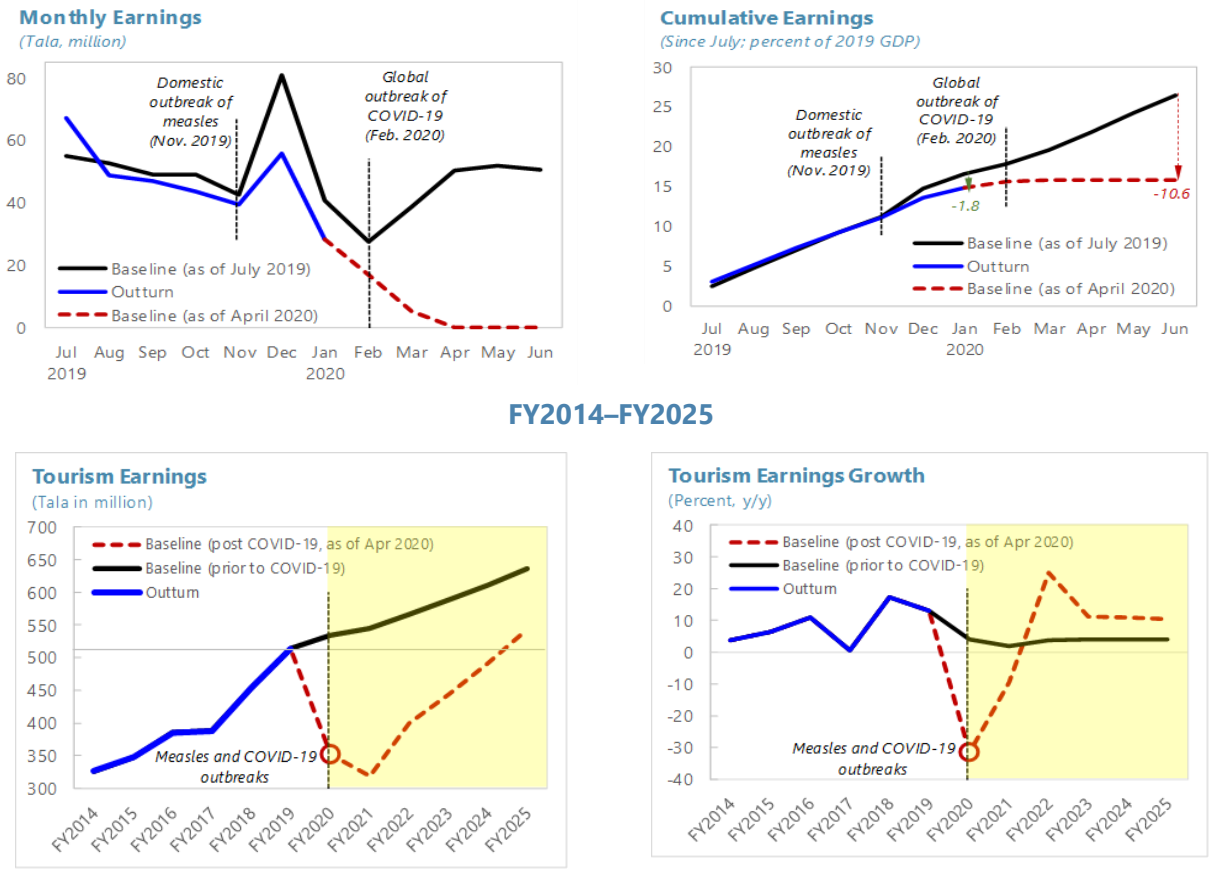


Sources: Central Bank of Samoa; and IMF staff calculations.

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

B. Post Global COVID-19 Outbreak

Tourism Continued to Decline, and Takes Longer to Recover Due to the Global Recession FY2020 (July 2019–June 2020) 1/



Sources: Samoan authorities' data; and IMF staff calculations.
1/ The baseline (as of July 2019) assumed growth of 14½ percent (y/y) for FY2020. The revised baseline (as of April 2020) assumes contraction of 83 percent (y/y) during Feb-Jun, resulting a 32 percent (y/y) decline for the year.

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

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

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

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

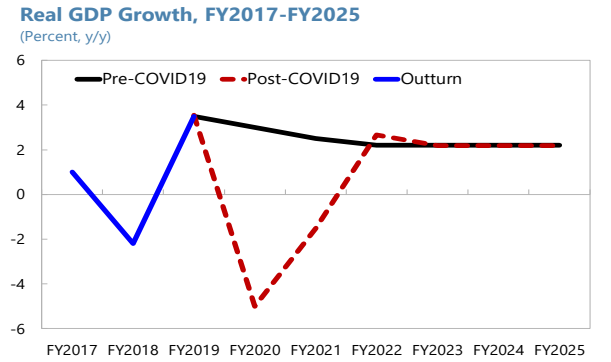
1/ The 2020 Article IV consultation mission took place during February 13-24, just before the global outbreak of COVID-19.

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

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

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

of around 7¼ percent of GDP in FY2020 and 9¾ percent of GDP in FY2021. Likewise, the current account deficit is projected to widen, reaching around 7 percent of GDP in FY2020-FY2021. The rapid and sizable deterioration of the current account balance led to precipitous falls in reserve coverage and generated urgent BOP financing needs, amounting to US$34.3 million for FY2020 alone.



Sources: Authorities' data; and IMF staff projections.

FINANCING NEEDS: PAVING THE WAY FORWARD

7. The resulting BOP financing need is assessed to be SDR 25.1 million (154¾ percent of quota), or 4.1 percent of GDP (about US$34.3 million, see Text Table 2). The global pandemic of COVID-19 has created material damage to the Samoan economy, which is assessed to be larger than the physical damage caused by two episodes (2009 and 2012) of natural disasters. Staff projects the current account deficit to widen to around 7 percent of GDP in FY2020-21, and gross international reserves to decline to 4.1 months and 2.8 months of import coverage in FY2020 and FY2021, respectively, if the total financing gap is left unmet. The sizable financing gap, if not addressed immediately, will cause Samoa to face severe economic disruptions, given the country's high dependence on imports. In addition, Samoa faces high vulnerability to natural disasters, and needs reserve coverage equivalent to at least 5 months of prospective imports (GNFS) based on the ARA metric.[1] With access of 100 percent of quota under the RCF, the drawdown of reserves would be limited. This assumes that Samoa finds additional sources of financing to meet the residual BOP financing gap of around US$12 million (54¾ percent of quota).

Text Table 2. Preliminary Assessment of Balance of Payments Needs

		Est.	Projections					
		FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
		(Millions of U.S. dollar)							
Current account balance 1/		**19.4**	**-58.7**	**-58.0**	**-23.0**	**-22.4**	**-20.7**	**-13.2**	
(In percent of GDP)		2.3	-7.1	-7.0	-2.6	-2.5	-2.2	-1.3	
Capital and financial account		**8.8**	**15.7**	**15.2**	**38.2**	**34.4**	**34.0**	**29.7**	
(In percent of GDP)		1.0	1.9	1.8	4.4	3.8	3.6	3.0	
Overall balance (+ surplus)		**1.1**	**-43.0**	**-42.8**	**15.2**	**11.9**	**13.4**	**16.5**	
(In percent of GDP)		0.1	-5.2	-5.2	1.8	1.3	1.4	1.7	
Financing		**1.1**	**-43.0**	**-42.8**	**15.2**	**11.9**	**13.4**	**16.5**	
Change in gross official reserves (+ increase)		-2.1	-10.3	-44.5	13.6	11.1	13.3	14.2	
Net use of credit		-3.3	20.6	-1.7	-1.7	-0.9	-0.1	-2.3	
o/w: IMF disbursements (+) 2/	(A)	0.0	22.2	0.0	0.0	0.0	0.0	0.0	
o/w: Repayments to the IMF (–) 3/		-3.3	-1.6	-1.7	-1.7	-0.9	-0.1	-2.3	
Financing gap (net of IMF disbursement)	(B)	0.0	12.1	0.0	0.0	0.0	0.0	0.0	
Total financing gap	(A+B)	0.0	34.3	0.0	0.0	0.0	0.0	0.0	
Gross reserves 1/ 2/		**192.8**	**182.4**	**138.0**	**151.5**	**162.6**	**175.9**	**190.1**	
(In months of prospective GNFS imports)		*5.1*	*5.0*	*3.8*	*3.9*	*3.9*	*4.0*	*4.2*	
Memorandum items:									
Nominal GDP		850.8	828.6	829.7	869.6	907.9	948.1	989.9	
USD/SDR (period average)		1.4	1.4	1.4	1.4	1.4	1.4	1.4	

Sources: Authorities' data; and IMF staff estimates and projections.
1/ Include external financial assistance by multilateral and bilateral donors to support policies to address impacts of the global COVID-19 pandemic.
2/ Include SDR$16.2 million (100 percent of quota) under the Rapid Credit Facility (RCF) in FY2020.
3/ Include the outstanding credit under the RCF, approved in 2013.

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

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

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

Text Table 3. Budget Execution and Revenue Outturns

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

Sources: Authorities' data; and IMF staff calculations.

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

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

POLICY ISSUES: TURNING ADVERSITY INTO OPPORTUNITY

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

A. Health Policy: Safeguarding Human Capital

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

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

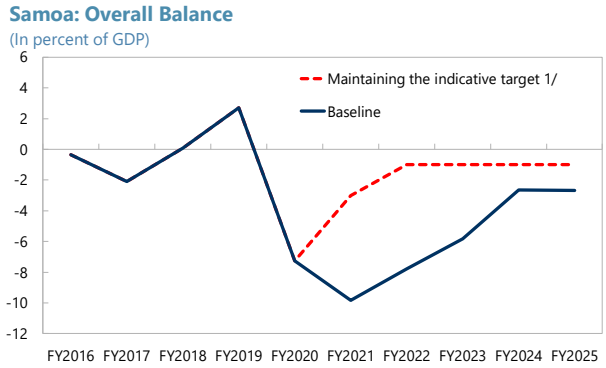
10. The Samoan authorities' multipronged strategy to support businesses and households amounts to SAT46 million (2.1 percent of GDP). The second supplementary budget aims to help affected businesses (SAT12.5 million) and households (SAT27.5 million), ensure food security (SAT3.5 million), and provide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

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

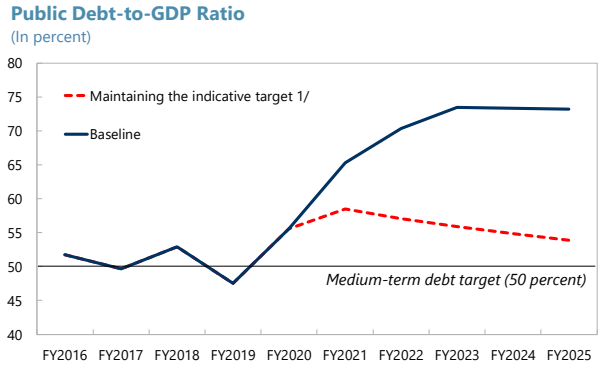
sector. Separately, the stimulus package includes time-bound principal repayments for all debtors of the Development Bank of Samoa (DBS), amounting to SAT1.9 million. Some of these debtors had non-performing loans (NPL) prior to the COVID-19 outbreak, amounting to 0.25 percent of GDP (or 19 percent of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

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

The indicative deficit target will help the authorities achieve the medium-term debt target.



Sources: Samoan authorities; and IMF staff calculations.
1/ Overall fiscal deficit is maintained at 1 percent of GDP during FY2022-25 on average.



Sources: Authorities' data; and IMF staff calculations.
1/ Overall fiscal deficit is maintained at 1 percent of GDP during FY2022-25 on average.

C. Monetary and Exchange Rate Policy: Safeguarding Macroeconomic Stability

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

2020, with the excess reserves of SAT262.1 million (21¾ percent of GDP) in early April. The CBS has set up a Stand-by Credit Facility for commercial banks, during the period deemed affected by the COVID-19 pandemic, to support affected banks and businesses. Due to supply disruptions, the authorities set up the Emergency Price Control Board[2] to keep wholesale and retail prices in check, along with the State of Emergency Order (dated March 30), to enforce a price ceiling for a predetermined set of selected goods. The measure is temporary, and the government plans to remove it when the State of Emergency is lifted. In the meantime, the CBS will continue to promote a fintech solution to deepen financial inclusion, work toward re-establishing a national credit bureau, and ensure consumer protection to improve monetary policy transmission.

D. Financial Sector Policy: Maintaining Financial Soundness

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

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

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

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

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

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

MODALITIES, ACCESS, CAPACITY TO REPAY, AND SAFEGUARDS

16. Staff estimates that a single disbursement of around 100 percent of quota (SDR 16.2 million or about US$ 22.2 million) under the RCF is urgently needed to address COVID-19 economic effects. Although the amount represents only 65 percent of the total BOP financing gap (US$34.3 million or 154¾ percent of quota), the macroeconomic framework provided by the Fund would help the authorities identify financing needs and reach out to other donors to fill remaining financing needs. The positive effects of RCF disbursement will be magnified by the catalytic role of Fund assistance in helping mobilize resources from multilateral and bilateral donors.

17. Samoa faces urgent BOP needs, which, if not addressed, would result in immediate and severe economic disruption due to its high dependence on imports. Given the urgent BOP needs, and the country's high dependence on substantial imports of food, health related products, and other materials, it is not feasible to implement a UCT-quality Fund-supported program.

18. Samoa has a strong track record. The authorities maintain a good relationship with the Fund with a high level of engagement, and implement sound economic policies. The country is among the largest recipients of capacity development provided by the Pacific Financial Technical Assistance Centre (PFTAC) and follow through on key recommendations arising from the various technical assistance. Staff has confidence that the authorities will continue to cooperate with the Fund and will pursue economic policies appropriate to addressing the impacts of COVID-19.

19. Capacity to repay the Fund under such an access would remain adequate (see Table 7). In May 2019, the authorities made the last payment on the outstanding purchase in 2009 under the Rapid Access Component of the Exogenous Shocks Facility (ESF). Separately, Samoa has credit outstanding under a previous RCF disbursement approved on May 15, 2013, with an access level of

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

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

RISKS

21. Downside risks to the outlook remain (Annex 1) and have become elevated, when compared to those contemplated at the time of the 2020 Article IV mission in February 2020. Some of the risks to highlight in the context of Samoa are: (a) a more prolonged impact of the COVID-19 pandemic which would require sizable, additional fiscal stimulus; (b) a perfect storm could hit Samoa as the country faces continuing high vulnerability to natural disasters; and (c) the 2021 general election, scheduled for 2021:Q1, may contribute to increases in expenditure for the FY2021 budget without further prioritization. Against these risks, the authorities must strike the appropriate balance between growth-promoting fiscal strategy and debt sustainability over the medium- to long-term. However, when one of the risks or a combination of the risks materialize, the authorities would need to consider a possible UCT-level Fund arrangement, while seeking greater support from the international community.

STAFF APPRAISAL

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

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

23. Based on these developments, the country is facing urgent balance of payments need. Estimates point to the balance of payments need of about 4.1 percent of GDP.

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

25. Against this background, staff supports the authorities' request for a disbursement under the Rapid Credit Facility in the amount of SDR16.2 million (100 percent of quota). Staff's support is based on the urgent balance of payments needs arising from the sudden exogenous shock of COVID-19, and the authorities' existing and prospective policies to address this external shock, including their commitment to seek additional external budget financing from other development partners. The risks to the outlook are large. While Samoa's debt remains sustainable, the country faces a high level of debt distress. However, Samoa has a strong track record of economic policymaking, and its capacity to repay the Fund remains strong.

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. Samoa has requested a loan disbursement in an amount equivalent to SDR 16.2 million (100 percent of quota) under the Rapid Credit Facility of the Poverty Reduction and Growth Trust.

2. The Fund notes the intentions of Samoa as set forth in the letter from the Minister of Finance and Governor of the Central Bank of Samoa, dated April 17, 2020, and approves the disbursement in accordance with the request.

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

			Estimate			Projection			
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
				(12-month percent change)					
Output and inflation									
Real GDP growth	1.0	-2.2	3.5	-5.0	-1.5	2.7	2.2	2.2	2.2
Nominal GDP	1.0	-0.2	5.8	-2.4	0.9	4.9	4.7	5.1	5.1
Consumer price index (end of period)	1.0	5.8	-0.1	2.9	1.9	2.9	2.8	2.8	2.8
Consumer price index (period average)	1.3	3.7	2.2	2.8	2.5	2.2	2.5	2.8	2.8
				(In percent of GDP)					
Central government budget									
Revenue and grants	29.3	30.6	33.9	28.4	25.5	28.1	31.5	34.9	34.9
Of which: grants	1.9	2.9	4.2	6.9	5.3	4.8	4.8	4.9	4.9
Expenditure	31.4	30.6	31.2	35.7	35.4	35.8	37.3	37.5	37.6
Of which: Expense	23.2	24.5	25.9	30.3	28.2	28.4	28.5	28.4	28.6
Of which: Net acquisition of non-financial assets	8.2	6.1	5.3	5.4	7.1	7.4	8.9	9.1	9.0
Gross operating balance	6.1	6.2	8.0	-1.8	-2.7	-0.4	3.0	6.5	6.3
Overall fiscal balance	-2.1	0.1	2.7	-7.3	-9.8	-7.8	-5.8	-2.6	-2.7
Overall fiscal balance excl. grants	-4.0	-2.8	-1.5	-14.2	-15.2	-12.6	-10.6	-7.6	-7.6
Public debt	49.7	52.9	47.5	52.9	62.8	68.0	71.3	71.2	71.3
				(12-month percent change)					
Macrofinancial variables									
Broad money (M2)	7.8	16.5	9.9	-2.5	0.9	4.9	4.7	4.7	4.7
Net domestic assets	0.7	0.9	2.1	...	...	...	...	...	...
Private sector credit, Commercial banks	9.5	1.6	6.1	2.6	2.9	4.3	4.3	4.3	4.3
Total loan growth, Commercial banks	6.6	1.7	5.8	...	...	...	...	...	...
Total loan growth, Public financial institutions	12.8	6.0	17.2	...	...	...	...	...	...
				(Ratio)					
Private credit to GDP, Commercial banks	48.2	48.0	48.2	...	..	...	...	...	...
Private credit to GDP, Public financial institutions	27.6	29.3	32.6	...	...	...	...	...	...
Total capital to risk-weighted exposures	25.1	27.3	27.5	...	...	...	...	...	...
Non-performing loans	4.1	4.3	3.9	...	...	...	...	...	...
				(In millions of U.S. dollars)					
Balance of payments									
Current account balance	-16.6	6.8	19.4	-58.7	-58.0	-23.0	-22.4	-20.7	-13.2
(In percent of GDP)	-2.0	0.8	2.3	-7.1	-7.0	-2.6	-2.5	-2.2	-1.3
Merchandise exports, f.o.b. 2/	38.0	36.3	50.0	44.9	45.4	47.2	49.3	51.5	53.8
Merchandise imports, f.o.b.	308.6	328.9	349.4	349.9	343.6	347.1	370.8	401.0	424.8
Services (net)	140.6	158.4	174.8	97.4	95.1	122.7	136.9	152.1	168.4
Income (net)	-26.6	-30.0	-37.3	-36.9	-34.2	-30.4	-34.0	-31.8	-32.1
Current transfers	140.0	171.1	181.3	185.8	179.3	184.6	196.1	208.6	221.5
External reserves and debt									
Gross official reserves 3/	122.3	163.1	192.8	182.4	137.9	151.5	162.6	175.9	190.1
(In months of next year's imports of GNFS)	3.5	4.4	5.1	5.0	3.8	3.9	3.9	4.0	4.2
Public debt (in millions of tala) 4/	1,047.4	1,113.8	1,059.3	1,209.4	1,434.3	1,620.3	1,772.2	1,857.5	1,948.9
(In percent of GDP)	49.7	52.9	47.6	55.6	65.3	70.4	73.5	73.3	73.2
External debt (in percent of GDP)	48.3	52.0	46.9	52.9	62.8	68.0	71.3	71.2	71.3
Exchange rates									
Market rate (tala/U.S. dollar, period average) 5/	2.54	2.52	2.62	2.67	...	...	...	...	...
Market rate (tala/U.S. dollar, end period) 5/	2.51	2.60	2.63	2.70	...	...	...	...	...
Nominal effective exchange rate (2010 = 100) 5/	110.1	106.3	109.1	109.3	...	...	...	...	...
Real effective exchange rate (2010 = 100) 5/	104.3	102.4	105.2	106.3	...	...	...	...	...
Memorandum items:									
Nominal GDP (in millions of tala)	2,109	2,106	2,227	2,175	2,195	2,303	2,411	2,533	2,661
GDP per capita (U.S. dollars)	4,210	4,193	4,231	4,084	4,053	4,211	4,357	4,510	4,667

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

1/ Fiscal year beginning July.

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

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

4/ Includes domestic and external public debt.

5/ IMF, Information Notice System.

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

	Estimates				Projections				
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	In millions of US dollars								
Current Account Balance	-16.6	6.8	19.4	-58.7	-58.0	-23.0	-22.4	-20.7	-13.2
Exports of goods 2/	38.0	36.3	50.0	44.9	45.4	47.2	49.3	51.5	53.8
Imports of goods	308.6	328.9	349.4	349.9	343.6	347.1	370.8	401.0	424.8
Services credit	224.5	249.8	266.4	197.2	185.2	216.3	234.5	254.1	275.0
Tourism earnings	151.3	180.3	196.4	134.5	121.9	152.3	169.3	187.6	207.1
Services Debit	83.8	91.3	91.6	99.8	90.1	93.5	97.7	102.1	106.6
Primary income credit	7.4	5.3	6.5	8.0	3.9	6.2	6.0	6.1	6.0
Primary income debit	34.0	35.3	43.8	44.9	38.2	36.6	39.9	37.9	38.2
Secondary income credit	159.1	194.1	205.3	207.6	202.2	207.5	218.7	231.4	244.2
Private transfers credit 3/	154.1	190.1	199.1	181.2	187.7	197.0	208.0	220.3	233.1
Official transfers credit 4/	5.0	4.0	6.1	26.4	14.5	10.5	10.7	11.1	11.1
Secondary income debit	19.1	23.0	24.0	21.8	22.9	22.9	22.6	22.8	22.8
Private transfers debit	18.4	22.8	23.7	21.6	22.7	22.7	22.4	22.6	22.5
Official transfers debit	0.7	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Capital Account Balance	43.2	32.4	26.8	30.6	30.8	31.0	31.8	32.0	32.3
Credit	44.7	33.1	27.1	31.4	31.4	31.6	32.5	32.7	32.9
Debit	1.5	0.7	0.3	0.8	0.6	0.6	0.7	0.6	0.6
Financial Account Balance (excludes reserve assets)	5.0	-16.1	18.1	14.9	15.6	-7.2	-2.6	-2.0	2.5
Direct Investment	8.5	-15.7	-2.6	-13.0	-7.3	-1.8	-6.5	-1.2	-4.0
Abroad (Assets)	9.6	0.1	3.4	2.6	1.2	1.4	1.7	3.7	2.1
In Samoa (Liabilities)	1.0	15.9	6.0	15.6	8.5	3.2	8.2	4.9	6.1
Portfolio Investment	5.6	-3.7	-1.5	1.0	3.3	2.9	7.2	0.3	0.3
Abroad (Assets)	5.6	-3.7	-0.8	1.7	4.0	3.6	7.2	0.3	0.3
In Samoa (Liabilities)	0.0	0.0	0.7	0.7	0.7	0.7	0.0	0.0	0.0
Other Investment	-9.2	3.4	22.1	26.9	19.5	-8.3	-3.3	-1.1	6.2
Abroad (Assets)	-19.0	-20.4	-6.0	-5.0	-5.1	-5.1	-5.2	-5.2	-5.3
In Samoa (Liabilities)	-9.8	-23.7	-28.1	-31.9	-24.6	3.2	-1.8	-4.1	-11.5
Errors and Omissions	-12.8	-15.6	-27.1	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-8.9	-39.8	-1.1	43.0	42.8	-15.2	-11.9	-13.4	-16.5
Financing	8.9	39.8	1.1	-43.0	-42.8	15.2	11.9	13.4	16.5
Reserve Assets	7.3	37.3	-2.1	-10.3	-44.5	13.6	11.1	13.3	14.2
Net use of IMF Credit	-1.6	-2.5	-3.3	20.6	-1.7	-1.7	-0.9	-0.1	-2.3
Of which: IMF disbursements 5/	0.0	0.0	0.0	22.2	0.0	0.0	0.0	0.0	0.0
Of which: Repayments to the IMF	-1.6	-2.5	-3.3	-1.6	-1.7	-1.7	-0.9	-0.1	-2.3
Financing gap (net of IMF credit) 6/	0.0	0.0	0.0	12.1	0.0	0.0	0.0	0.0	0.0
Total Financing gap 5/ 6/	0.0	0.0	0.0	34.3	0.0	0.0	0.0	0.0	0.0
Memorandum Items:									
Nominal GDP (in millions of USD)	831.9	835.8	850.8	828.6	829.7	869.6	907.9	948.1	989.9
Current account balance (in percent of GDP)	-2.0	0.8	2.3	-7.1	-7.0	-2.6	-2.5	-2.2	-1.3
Gross official reserves (in million of U.S. dollars)	122.3	163.1	192.8	182.4	137.9	151.5	162.6	175.9	190.1
(In months of prospective imports of GNFS)	3.5	4.4	5.1	5.0	3.8	3.9	3.9	4.0	4.2
Total Financing gap (in percent of GDP) 5/ 6/	0.0	0.0	0.0	4.1	0.0	0.0	0.0	0.0	0.0
Exports of goods (annual percentage change)	2.9	-4.6	37.9	-10.2	1.0	4.1	4.4	4.5	4.5
Imports of goods (annual percentage change)	0.5	6.6	6.2	0.2	-1.8	1.0	6.8	8.2	5.9
Remittances (in percent of GDP) 7/	18.5	22.7	23.4	21.9	22.6	22.7	22.9	23.2	23.5
Tourism earnings (in percent of GDP)	18.2	21.6	23.1	16.2	14.7	17.5	18.6	19.8	20.9

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

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

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

3/ Excluding reserve assets.

4/ Including external financial assistance by multilateral and bilateral donors to support policies to address impacts of the global COVID-19 pandemic (see Table 5).

5/ Including the IMF disbursement of SDR16.2 million (100 percent of quota) under the Rapid Credit Facility (RCF).

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

7/ Including other current transfers.

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

			Estimates	Revised Budget 1/			Projections			
	2016/17	2017/18	2018/19	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
					(In millions of tala)					
Total Revenue	617.4	645.4	754.6	812.1	618.2	560.0	646.1	759.8	882.9	929.5
Revenue (excluding grants)	576.6	584.3	661.8	583.1	467.3	442.7	535.2	643.9	758.2	799.3
Tax revenue	517.5	525.8	572.5	464.7	413.1	383.8	471.1	573.7	684.5	721.8
Taxes on income, profits and capital gains	117.0	115.5	131.6	119.3	91.1	82.9	106.2	122.2	140.7	146.5
Payable by individuals	68.7	68.0	67.8	70.2	49.9	45.8	60.4	69.5	79.0	81.7
Payable by corporations and other enterprises	48.3	47.5	63.8	49.1	41.2	37.1	45.8	52.7	61.7	64.8
Taxes on property	3.3	2.6	0.8	0.8	0.8	0.8	0.9	0.9	1.0	1.0
Taxes on goods and services	342.2	348.9	376.6	300.4	275.7	258.6	313.8	390.7	476.2	502.9
Value added tax	198.1	209.1	229.4	165.5	177.8	170.1	195.4	238.6	290.5	307.8
Excises	133.8	127.3	132.7	131.7	86.7	78.5	106.2	136.6	169.6	178.2
Others	10.3	12.5	14.5	12.5	11.2	10.0	12.2	15.5	16.1	16.9
Taxes on international trade and transactions	54.9	58.8	63.5	44.1	45.5	41.4	50.3	59.9	66.7	71.4
Grants	40.8	61.1	92.9	229.0	150.9	117.3	110.9	115.9	124.7	130.2
Other revenue	59.1	58.4	89.3	118.4	54.2	58.9	64.1	70.2	73.7	77.4
Sales of goods and services	41.3	40.4	67.4	...	41.2	45.8	50.3	55.8	58.6	61.6
Fines, penalties and forfeits	11.4	11.0	0.2	...	10.8	10.9	11.5	12.0	12.5	13.2
Property income	6.4	7.0	21.7	...	2.2	2.2	2.3	2.4	2.5	2.7
Total Expenditure	661.5	643.9	694.2	848.0	776.0	776.1	825.2	900.4	949.8	1,000.6
Expense	489.0	515.5	576.7	655.6	658.1	619.2	654.3	687.0	719.5	761.2
Compensation of employees 2/	171.2	194.4	230.7	301.5	242.2	244.4	256.4	268.5	280.1	294.3
Wages and salaries	158.8	180.2	214.0	...	223.2	225.3	236.3	247.5	258.0	271.1
Employers' social contributions	12.3	14.2	16.7	...	19.0	19.1	20.1	21.0	22.1	23.2
Use of goods and services 2/	113.4	154.5	186.4	253.8	230.8	185.6	196.7	206.0	215.2	228.8
Interest	17.2	17.3	16.5	17.5	17.3	19.7	23.4	26.4	28.9	30.3
External	14.3	15.3	15.1	...	17.0	18.8	22.5	25.5	28.0	29.4
Domestic	2.9	2.0	1.4	...	0.2	1.0	0.9	0.9	0.9	0.9
Subsidies 3/	9.1	5.1	4.7	21.5	19.2	19.4	20.3	21.3	22.4	23.5
Grants 4/ 2/	137.3	109.7	106.5	10.2	102.8	103.7	108.8	113.9	119.6	128.3
Social benefits 5/	18.1	18.6	19.9	34.1	34.1	34.4	36.1	37.8	39.7	41.7
Other expense 6/	22.8	15.8	12.0	17.0	11.8	11.9	12.5	13.1	13.8	14.5
Transactions in nonfinancial assets	172.4	128.4	117.5	192.4	117.8	156.9	171.0	213.4	230.3	239.3
Gross operating balance	128.4	129.9	177.9	156.5	-40.0	-59.2	-8.2	72.8	163.4	168.2
Overall balance	-44.1	1.5	60.4	-35.9	-157.8	-216.1	-179.1	-140.7	-66.9	-71.1
Overall balance excluding grants	-84.9	-59.6	-32.4	-264.9	-308.7	-333.4	-290.0	-256.6	-191.6	-201.3
Primary balance	-26.9	18.8	76.9	-18.4	-140.6	-196.4	-155.8	-114.3	-38.0	-40.8
Financing	-44.1	1.5	60.4	-35.9	-157.8	-216.1	-179.1	-140.7	-66.9	-71.1
Net financial assets	-50.8	19.3	7.3	-74.8	-10.6	-7.3	-2.3	-1.9	-1.3	-1.2
Domestic currency and deposits	-50.8	19.3	7.3	-74.8	-11.0	-7.3	-2.3	-1.9	-1.3	-1.2
Net incurrence of liabilities	-6.8	17.8	-53.1	-38.9	147.2	208.8	176.9	138.8	65.6	69.9
External loans (net)	2.8	27.6	-43.8	-34.8	109.5	217.5	186.5	148.3	76.1	80.4
Disbursement	...	97.6	27.2	40.2	184.5	297.5	264.5	223.9	152.3	157.4
Amortization	...	70.0	71.0	75.0	75.0	80.0	78.0	75.6	76.2	77.0
Domestic loans (net)	-9.5	-9.8	-9.3	-4.1	37.7	-8.7	-9.7	-9.6	-10.5	-10.5
Disbursement	...	...	...	8.2	50.0	0.0	0.0	0.0	0.0	0.0
Amortization	...	...	...	12.3	12.3	8.7	9.7	9.6	10.5	10.5
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Nominal GDP (in millions of tala)	2,109.4	2,105.7	2,227.5	2,174.9	2,174.9	2,195.1	2,302.7	2,411.1	2,532.9	2,661.4
Compensation of employees										
in percent of GDP	8.1	9.2	10.4	13.9	11.1	11.1	11.1	11.1	11.1	11.1
in percent of domestic revenue	29.7	33.3	34.9	51.7	51.8	55.2	47.9	41.7	36.9	36.8
in percent of current expense	35.0	37.7	40.0	46.0	36.8	39.5	39.2	39.1	38.9	38.7
Total central government debt outstanding	1,047.3	1,113.8	1,058.6	976.2	1,209.4	1,434.3	1,620.3	1,772.2	1,857.5	1,948.9
Domestic debt	29.4	19.5	14.9	15.2	58.6	56.8	55.2	54.1	53.1	52.5
External debt	1,018.0	1,094.3	1,043.7	961.0	1,150.8	1,377.5	1,565.1	1,718.1	1,804.4	1,896.3

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

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

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

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

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

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

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

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

			Estimates	Revised Budget 1/			Projections			
	2016/17	2017/18	2018/19	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
					(In percent of GDP)					
Total Revenue	29.3	30.6	33.9	37.3	28.4	25.5	28.1	31.5	34.9	34.9
Tax revenue	24.5	25.0	25.7	21.4	19.0	17.5	20.5	23.8	27.0	27.1
Taxes on income, profits and capital gains	5.5	5.5	5.9	5.5	4.2	3.8	4.6	5.1	5.6	5.5
Payable by individuals	3.3	3.2	3.0	3.2	2.3	2.1	2.6	2.9	3.1	3.1
Payable by corporations and other enterprises	2.3	2.3	2.9	2.3	1.9	1.7	2.0	2.2	2.4	2.4
Taxes on property	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on goods and services	16.2	16.6	16.9	13.8	12.7	11.8	13.6	16.2	18.8	18.9
Value added tax	9.4	9.9	10.3	7.6	8.2	7.8	8.5	9.9	11.5	11.6
Excises	6.3	6.0	6.0	6.1	4.0	3.6	4.6	5.7	6.7	6.7
Others	0.5	0.6	0.7	0.6	0.5	0.5	0.5	0.6	0.6	0.6
Taxes on specific services	0.5	0.6	0.7	0.5	0.4	0.4	0.5	0.6	0.6	0.6
Taxes on use of goods, permission to use goods	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Taxes on international trade and transactions	2.6	2.8	2.8	2.0	2.1	1.9	2.2	2.5	2.6	2.7
Grants	1.9	2.9	4.2	10.5	6.9	5.3	4.8	4.8	4.9	4.9
Other revenue	2.8	2.8	4.0	5.4	2.5	2.7	2.8	2.9	2.9	2.9
Sales of goods and services	2.0	1.9	3.0	...	1.9	2.1	2.2	2.3	2.3	2.3
Fines, penalties and forfeits	0.5	0.5	0.0	...	0.5	0.5	0.5	0.5	0.5	0.5
Property income	0.3	0.3	1.0	...	0.1	0.1	0.1	0.1	0.1	0.1
Total Expenditure	31.4	30.6	31.2	39.0	35.7	35.4	35.8	37.3	37.5	37.6
Expense	23.2	24.5	25.9	30.1	30.3	28.2	28.4	28.5	28.4	28.6
Compensation of employees 2/	8.1	9.2	10.4	13.9	11.1	11.1	11.1	11.1	11.1	11.1
Wages and salaries	7.5	8.6	9.6	...	10.3	10.3	10.3	10.3	10.2	10.2
Employers' social contributions	0.6	0.7	0.7	...	0.9	0.9	0.9	0.9	0.9	0.9
Use of goods and services 2/	5.4	7.3	8.4	11.7	10.6	8.5	8.5	8.5	8.5	8.6
Interest	0.8	0.8	0.7	0.8	0.8	0.9	1.0	1.1	1.1	1.1
External	0.7	0.7	0.7	...	0.8	0.9	1.0	1.1	1.1	1.1
Domestic	0.1	0.1	0.1	...	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies 3/	0.4	0.2	0.2	1.0	0.9	0.9	0.9	0.9	0.9	0.9
Grants 4/ 2/	6.5	5.2	4.8	0.5	4.7	4.7	4.7	4.7	4.7	4.8
Social benefits 5/	0.9	0.9	0.9	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Other expense 6/	1.1	0.8	0.5	0.8	0.5	0.5	0.5	0.5	0.5	0.5
Transactions in nonfinancial assets	8.2	6.1	5.3	8.8	5.4	7.1	7.4	8.9	9.1	9.0
Gross operating balance	6.1	6.2	8.0	7.2	-1.8	-2.7	-0.4	3.0	6.5	6.3
Overall balance	-2.1	0.1	2.7	-1.7	-7.3	-9.8	-7.8	-5.8	-2.6	-2.7
Overall balance excluding grants	-4.0	-2.8	-1.5	-12.2	-14.2	-15.2	-12.6	-10.6	-7.6	-7.6
Primary balance	-1.3	0.9	3.5	-0.8	-6.5	-8.9	-6.8	-4.7	-1.5	-1.5
Financing	-2.1	0.1	2.7	-1.7	-7.3	-9.8	-7.8	-5.8	-2.6	-2.7
Net financial assets	-2.4	0.9	0.3	-3.4	-0.5	-0.3	-0.1	-0.1	-0.1	0.0
Domestic currency and deposits	-2.4	0.9	0.3	-3.4	-0.5	-0.3	-0.1	-0.1	-0.1	0.0
Net incurrence of liabilities	-0.3	0.8	-2.4	-1.8	6.8	9.5	7.7	5.8	2.6	2.6
External loans	0.1	1.3	-2.0	-1.6	5.0	9.9	8.1	6.2	3.0	3.0
Disbursement	...	4.6	1.2	1.8	8.5	13.6	11.5	9.3	6.0	5.9
Amortization	...	3.3	3.2	3.4	3.4	3.6	3.4	3.1	3.0	2.9
Domestic loans	-0.5	-0.5	-0.4	-0.2	1.7	-0.4	-0.4	-0.4	-0.4	-0.4
Disbursement	...	...	...	0.4	2.3	0.0	0.0	0.0	0.0	0.0
Amortization	...	...	...	0.6	0.6	0.4	0.4	0.4	0.4	0.4
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Nominal GDP (in millions of tala)	2,109.4	2,105.7	2,227.5	2,174.9	2,174.9	2,195.1	2,302.7	2,411.1	2,532.9	2,661.4
Total central government debt outstanding	49.7	52.9	47.5	44.9	55.6	65.3	70.4	73.5	73.3	73.2
Domestic debt	1.4	0.9	0.7	0.7	2.7	2.6	2.4	2.2	2.1	2.0
External debt	48.3	52.0	46.9	44.2	52.9	62.8	68.0	71.3	71.2	71.3

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

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

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

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

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

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

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

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

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

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

1/ Ratio of GDP to broad money.
2/ Ratio of broad money to monetary base.
3/ Includes commercial bank credit only.
4/ Weighted average, as of Jan 2020.

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

Institution	Type	Amount (in million)		Percent of GDP	Details
		Tala	USD		
World Bank	Catastrophe Deferred Drawdown (Cat DDO)	14.4	5.4	0.7	• Samoa has US$ 8.7 million access, of which US$ 3.6 million was used for the measles outbreak of late-2019.The remaining balance was disbursed in March 2020.
	IPF-COVID19	7.1	2.7	0.3	• Procurement of goods and services required to combat the COVID19 to ensure poverty reduction and sustainable development. The first disbursement of the US$9.3 million committed during FY2020-26 for the Samoa Health System Strengthening Program, funded under a P4R (program for results) project.
Asian Development Bank	Contingency Disaster Facility	8.2	3.1	0.4	Established to assist member countries' immediate response to natural disasters. Due to the catastrophic effects of the Coronavirus, the facility is now opened to include the pandemic and released to assist in preparatory and preventative measures of all member countries including Samoa.
Government of New Zealand	Budget Support	9.1	3.4	0.4	This assistance is injected directly into the Budget to assist in any sectoral response to the Coronavirus.
Government of Japan	Health Equipment	1.8	0.7	0.1	Direct assistance from the Government of Japan to assist in the procurement of medical equipment for the hospital.

Source: Samoan authorities; and IMF staff calculations.

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

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

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

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

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

Sources: Fund staff estimates and projections.
1/ Fiscal year in Samoa runs from July 1 to June 30.
2/ Repayments under the Rapid-Access Component of the Exogenous Shocks Facility (ESF-RAC), approved on December 7, 2009, have been completed in 2019 as scheduled.
3/ Assuming a disbursement of SDR 16.2 million (100 percent of quota) under the Rapid Credit Facility (RCF) in 2020/21, and including external financial assistance by multilateral and bilateral donors to support policies to address impacts of the global COVID-19 pandemic (see Table 5).
4/ Total debt service includes IMF repurchases and repayments.

Annex I. Risk Assessment Matrix[1]

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

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

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

Appendix I. Letter of Intent

April 17, 2020

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

Dear Ms. Georgieva:

1. Samoa experienced a devastating measles outbreak in late-2019, which claimed 83 lives of mostly young children, and involved over 5,700 reported cases. Samoa, which has a population of around 200,000 persons, declared a State of Emergency in mid-November which was in effect through end-December. This had large economic repercussions on a broad range of economic sectors, and tourism receipts in particular plunged. The historically large magnitude of the economic downfall experienced in the last quarter of 2019 was a sea change from the previous quarter which showed, in contrast, a strong economic expansion supported by Samoa's hosting of the Pacific Games in July 2019.

2. Immediately following the detrimental impact caused by the measles outbreak, Samoa was hit hard by the global pandemic of coronavirus (COVID-19). Samoa was among the first countries in the world to require 14-day self-quarantine for travelers from COVID-19-affected economies, and introduced other travel restrictions. The early actions taken by the government, along with social distancing measures enforced under the State of Emergency declared on March 20, 2020, have contributed positively thus far, with no confirmed Samoan cases of COVID-19 yet reported as of April 16. However, the pandemic has brought a heavy toll on the Samoan economy, and created urgent balance of payments needs.

3. Our preliminary projections suggest that real GDP growth in 2020 could decline by 1.6 percent owing to the adverse supply and demand shocks caused by the COVID-19 pandemic. We anticipate a robust rebound in activity once the immediate crisis has passed, and foreign visitors resume their normal travel patterns. Our fiscal deficit is likely to reach 1.7 percent of GDP this fiscal year (from a surplus of 2.7 percent of GDP in 2018/19) and the current account deficit could reach SAT200 million (around 9 percent of GDP) in 2020. Given the fluid and fast-deteriorating macroeconomic environment globally, and the rapid development of the COVID-19 pandemic, we anticipate that Samoa's macroeconomic outlook for FY2020 and beyond is subject to further revisions and a high degree of uncertainty.

4. Against this background, the Government of Samoa requests emergency financing from the IMF under the Rapid Credit Facility (RCF) in the equivalent of SDR16.2 million (100 percent of our

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

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

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

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

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

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

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

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

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

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

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

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

Sincerely yours,

/s/

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

/s/

Maiava Atalina Emma Ainuu-Enari
Governor
Central Bank of Samoa