INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/32

SAMOA

2024 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

January 2025

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2024 Article IV consultation with Samoa, the following documents have been released and are included in this package:

- A **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on November 27, with the officials of Samoa on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 16.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.

The documents listed below have been or will be separately released.

Selected Issues

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

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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR25/023

IMF Executive Board Concludes 2024 Article IV Consultation with Samoa

FOR IMMEDIATE RELEASE

Washington, DC – January 31, 2025: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Samoa on January 16, 2025 and endorsed the staff appraisal without a meeting on a lapse-of-time basis.[2]

Samoa's economic recovery has been remarkable. Following a 15 percent contraction over 3 years during the pandemic, GDP growth rebounded to 9.2 percent in FY2023 and accelerated further to 9.4 percent in FY2024, driven by a quick recovery in the tourism sector. Inflation has declined from double digit levels in FY2023 to 2.9 percent year-on-year in October 2024. The fiscal surplus increased further to 10.1 percent of GDP in FY2024, supported by robust grant flows, buoyant tax revenues, and restrained expenditures, including low capital spending amid capacity constraints. The current account moved to a surplus in FY2024 which, combined with continued strong grant inflows, supported a significant increase in foreign reserves.

GDP growth is projected to remain robust at 5.5 percent in FY2025, driven by an anticipated pickup in public investment and the preparations and hosting of the Commonwealth Heads of Government Meeting (CHOGM). Inflation is expected to rise moderately amid the ongoing economic recovery. While the near-term outlook remains favorable, growth is expected to slow to the historical average of around 2 percent in the medium term. Furthermore, risks to the outlook are skewed to the downside amid heightened global uncertainties and potential pressures on inflation, including from significant excess liquidity in the banking system.

Executive Board Assessment

In concluding the 2024 Article IV consultation with Samoa, Executive Directors endorsed the staff's appraisal, as follows:

Samoa's near-term economic outlook remains favorable. GDP growth in FY2025 is projected to remain well above pre-pandemic levels, supported by the preparations and hosting of CHOGM and the envisaged expansionary fiscal stance. Inflation is expected to rise moderately as the economic recovery continues. GDP growth is expected to converge towards the historical average of about 2 percent over the medium-term. Risks to the outlook are tilted to the downside, including from a slowdown in key trading partners amid heightened global uncertainty, as well as upside risks to inflation from external and domestic sources.

Samoa's recent policy mix has helped build significant economic buffers but has also presented challenges. Large fiscal surpluses have improved debt dynamics, resulting in an upgrade to Samoa's debt distress rating from high to moderate in the IMF-WB DSA, but low capital spending is undermining the economy's productive capacity. The tight fiscal stance,

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

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

coupled with high grants and remittance inflows and the exchange rate peg, has resulted in the emergence of a large current account surplus with the external sector assessed to be substantially stronger than the level implied by fundamentals and desired policy settings. The resulting large build up in foreign reserves has also created excess liquidity in the banking system.

An expansionary fiscal stance will support the economy, while fiscal reforms can improve the effectiveness of policy and mitigate risks. The focus in the near term should be overcoming capacity constraints to execute much needed public investment, including climate-related projects.

Maintaining PFM controls over the DDP, including through the election cycle, remains a priority. Improving fiscal data and implementing further PFM reforms can also help improve policy formulation, implementation, and credibility. Fully reversing the pandemic-era utility tariff cuts, while implementing any support for low-income households transparently through the budget, can help address lingering weakness in some SOEs while protecting the vulnerable.

Monetary policy normalization should continue, with an aim to guide interest rates higher. The exchange rate peg remains the appropriate nominal anchor. However, to guard against domestic inflation risks, monetary policy should aim to reduce excess liquidity to reasonable levels and push real short-term rates to positive territory.

Further strengthening financial supervision and regulation, including for PFIs, should be a priority. Financial sector risks have declined relative to the pandemic but require continued monitoring. Priorities for the banking system include operationalizing the emergency liquidity assistance framework and enhancing prudential standards. Upgrading governance and prudential regulations for PFIs is also needed to contain potential risks. Establishing an online credit registry will help advance financial inclusion.

A multi-pronged approach can help mitigate CBR pressures. Strengthening the AML/CFT legal framework and implementing effective risk-based supervision will help prepare Samoa for its APG mutual evaluation in 2027. Ensuring the timely rollout of the e-KYC facility and the National Digital ID will help improve customer due diligence. Given low ML/TF risks from remittance payments, effort should be made to streamline regulatory and supervisory requirements on both sides of main remittance corridors.

Overcoming significant structural challenges which impede the medium-term growth potential will require concerted reform efforts. Key priorities include attracting foreign investment, reducing trade facilitation costs, and mitigating the impact of the pickup in the seasonal workers program, including by enhancing human capital and raising labor force participation rates.

Table 1. Samoa: Selected Economic and Financial Indicators 1/

					Proj.				
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Output and Inflation			(12-month percent change)						
Real GDP	-7.0	-5.4	9.2	9.4	5.5	2.8	2.1	2.0	2.0
Nominal GDP	-7.5	0.0	18.0	14.9	8.7	6.0	5.2	5.0	5.1
Consumer price index (end of period)	4.1	10.8	10.7	0.8	3.5	2.6	3.0	3.0	3.0
Consumer price index (period average)	-3.0	8.7	12.0	3.6	3.1	3.0	3.0	3.0	3.0
Central Government Finances			(In percent of GDP)						
Revenue and grants	36.5	38.5	34.1	36.0	33.0	32.0	31.5	31.5	31.4
Of which: Grants	6.8	9.4	4.5	6.2	4.2	4.0	4.0	4.0	4.0
Expenditure	34.7	33.1	31.0	25.9	33.1	33.5	33.4	33.5	33.6
Of which: Expense	31.3	32.2	27.5	25.7	27.9	28.3	28.2	28.3	28.2
Of which: Net acquisition of non-financial assets	3.4	0.9	3.5	0.3	5.2	5.2	5.2	5.2	5.4
Overall balance	1.7	5.4	3.0	10.1	-0.1	-1.5	-1.9	-2.0	-2.2
Gross debt outstanding	46.3	43.7	33.3	27.7	22.5	19.3	20.4	21.5	22.6
Money and Credit Aggregates			(12-month percent change)						
Broad money (M2)	8.1	2.2	16.3	7.7	7.5	6.0	6.0	6.0	6.0
Private sector credit, commercial banks	1.5	0.2	-2.6	3.5	4.0	5.0	5.0	5.0	5.0
Private sector credit, other financial corporations	-0.9	4.9	2.9	8.2	...	...	...	...	...
Private sector credit, total financial system	2.0	0.6	-0.1	3.7	...	...	...	...	...
Private Sector Credit			(In percent of GDP)						
Commercial banks	53.1	53.2	43.9	39.5	...	...	...	...	...
Total financial system	94.0	94.6	80.1	72.3	...	...	...	...	...
Bank Financial Soundness									
Regulatory capital to risk-weighted assets, ratio	28.1	28.8	33.2	29.0	...	...	...	...	...
Non-performing loans to total gross loans, ratio	3.7	4.6	4.7	4.6	...	...	...	...	...
Balance of Payments			(In percent of GDP)						
Current account balance	-14.5	-11.3	-3.3	4.0	-0.5	-1.2	-1.3	-1.6	-2.0
Merchandise exports, f.o.b.	4.1	3.8	4.6	3.5	3.4	3.5	3.5	3.5	3.7
Merchandise imports, f.o.b.	37.8	41.4	47.1	41.3	43.0	42.9	42.7	42.5	42.5
Services (net)	-3.9	-2.9	10.8	17.6	16.4	16.0	16.0	16.0	16.0
Of which: Tourism receipts	0.0	0.0	16.4	21.0	21.9	21.5	21.5	21.5	21.5
Income (net)	-1.7	-2.6	-1.3	-2.3	-2.7	-2.8	-2.8	-2.8	-2.8
Current transfers (net)	24.8	31.7	29.6	26.4	25.4	25.1	24.6	24.1	23.7
External Reserves and Debt									
Gross official reserves (million U.S. dollars) 2/	288.5	303.2	401.7	494.3	503.8	506.2	523.9	542.9	557.5
(in months of next year's imports)	7.9	6.4	8.3	9.0	8.8	8.5	8.5	8.3	8.2
External debt (in percent of GDP)	46.1	43.6	33.3	25.9	20.9	17.8	19.0	20.3	21.5
Exchange Rates									
Market rate (tala/U.S. dollar, period average)	2.57	2.61	2.73	2.76	...	...	...	...	...
Real effective exchange rate	-0.5	6.4	9.2	-0.6	...	...	...	...	...
(12-month percent change) 3/									
Memorandum items:									
Nominal GDP (million tala)	2,169	2,170	2,562	2,943	3,200	3,391	3,568	3,748	3,938
GDP per capita (U.S. dollars)	4,136	4,032	4,498	5,070	5,474	5,728	5,945	6,160	6,440

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

1/ Fiscal years July-June.

2/ Incorporates August 2021 SDR allocation.

3/ Increase signifies appreciation.

INTERNATIONAL MONETARY FUND

SAMOA

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION

December 16, 2024

KEY ISSUES

Context: The Samoan economy has bounced back strongly over the last two years, supported by a recovery in tourism. Fiscal surpluses, in part due to high grant flows, have helped the country emerge from the pandemic with enhanced buffers. At the same time, several longstanding and emerging factors—including lack of economies of scale, climate vulnerabilities, ML/TF concerns, delays in the implementation of public investment due to capacity constraints, and rising outward migration—pose challenges to the economic outlook in the medium term.

Outlook and risks: After recording a large surplus in FY2024, fiscal policy is expected to turn expansionary, resulting in GDP expanding by 5.5 percent in FY2025, higher than the historical average. The expansionary fiscal stance and the continued recovery are also expected to raise inflation moderately and lower the current account balance. Growth is projected to slow in the medium term to about 2 percent amid longstanding structural challenges. Key risks to the outlook include a slowdown in trading partners amid heightened global uncertainty, climate-related risks, and a sudden rise in credit growth and inflation amid excess liquidity in the banking system.

Main policy recommendations:

- A near-term expansionary fiscal stance focused on executing public investment will help boost productive capacity and reduce the current account surplus. While fiscal surpluses have improved debt dynamics and resulted in an upgrade to Samoa's debt distress rating in the DSA, climate vulnerabilities pose medium-term risks, requiring a focus on preserving fiscal buffers and enhancing public finance management.
- With the economy nearing capacity, monetary policy should continue to reduce excess liquidity in the banking system and guide interest rates higher to guard against any upside risks to inflation and credit growth, with the pace of contraction dependent on the fiscal stance and inflation and credit developments.
- Financial sector policies should aim to enhance supervision and regulation, with a focus on AML/CFT frameworks to reduce pressures on CBRs.
- Strong economic performance in recent years provides a window of opportunity to push forward structural reforms to attract foreign investment, improve human capital, and mitigate the impact of migration, with an aim to raise the medium-term growth potential.

Approved By
Harald Finger and S. Jay Peiris

Discussions took place in Apia, Samoa during November 18-27, 2024. The IMF team comprised of Siddharth Kothari (head), Arpitha Bykere, Seron Shivanjali, and Zexi Sun (all APD), and Richard Berkhout and Maksym Markevych (LEG). Cecilia Marian and Miho Tanaka (both LEG) joined selected meetings virtually. Support was provided by Shikha Rao and Stella Tam (both APD).

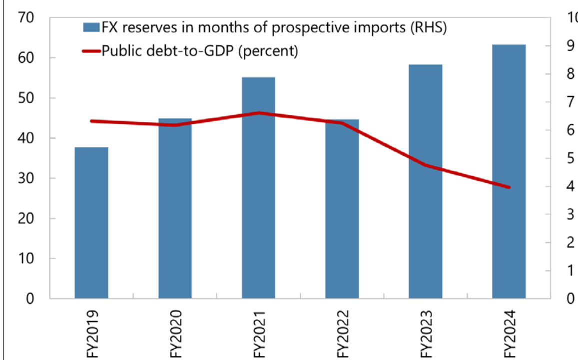
CONTENTS

ANNEXES

CONTEXT

1. **Samoa has witnessed a strong rebound in economic activity and has emerged from the pandemic with enhanced buffers.** Following a 15 percent contraction during FY2020-FY2022, GDP has recovered to pre-pandemic levels, supported by a swift recovery in tourism.[1] Sound macroeconomic management, broadly in line with past Fund advice (see Annex I), combined with external support from development partners, has helped Samoa emerge from the pandemic with strong buffers, including significantly lower public debt and higher FX reserve cover (Text Figure).

Fiscal and External Buffers



Source: Samoan authorites; and IMF staff calculations.

2. **However, the Samoan economy also faces several challenges.** While large fiscal surpluses have helped build buffers, this has come at the cost of reduced growth-enhancing capital spending, and coupled with the exchange rate peg has resulted in a large current account surplus and the buildup of excess liquidity in the banking system. Sustaining growth in the medium term will be challenging amid significant structural constraints, including Samoa's remoteness and small size. Growing migration of workers abroad has further raised concerns about medium-term growth prospects. Rising climate risks and pressures on correspondent banking relationships (CBRs) amid ML/TF concerns add to vulnerabilities.

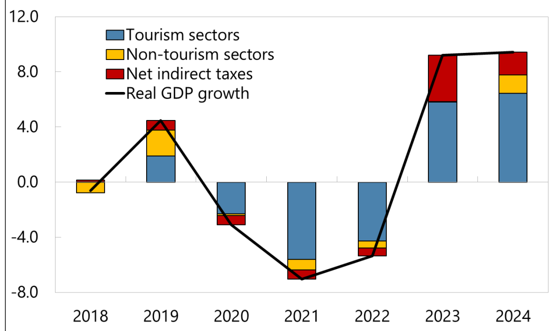
3. **The authorities are undertaking measures to address these challenges.** In particular, the authorities have focused on community development through the ambitious District Development Program (DDP); made progress in implementing public financial management (PFM) reforms; ; and remain committed to strengthen financial sector resilience and implement robust AML/CFT measures. They aim to maintain reform momentum and sound macroeconomic management to continue the strong economic performance of recent years, including through the next Parliamentary elections in early 2026.

[1] Samoa's fiscal year runs from July to June.

RECENT DEVELOPMENTS

4. Samoa has witnessed strong growth momentum post pandemic, driven by the rebound in tourism. Following three years of contraction, GDP growth rebounded to 9.2 percent in FY2023 and accelerated further to 9.4 percent in FY2024. The economic recovery has been underpinned by the faster-than-expected return of overseas tourists and visiting family members after the reopening of borders, leading to strong performance in tourism-related sectors, which grew by 20.9 percent (Text Figure). Growth in non-tourism sectors has edged up in recent quarters, suggesting positive spillovers from the tourism recovery. A substantial increase in net indirect taxes has also contributed positively to growth. From the expenditure side, consumption growth has been the key driver of the post-pandemic recovery bolstered by sustained remittances inflows, while investment contracted due to a slowdown in public projects.

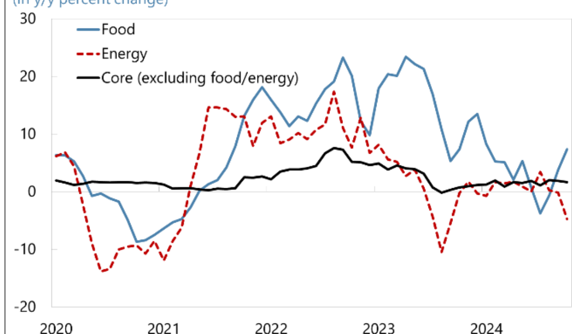
Contribution to Real GDP Growth
(In percent)



Sources: Samoan authorities; and IMF staff calculations.

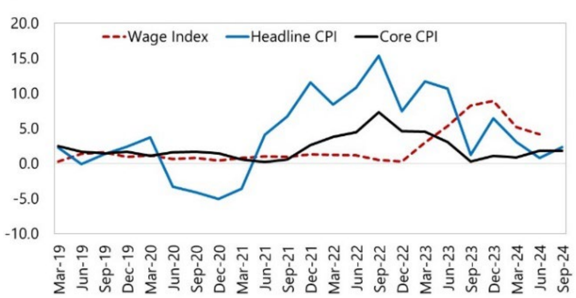
5. Inflation has declined significantly though some early signs of wage pressures may be emerging. After averaging 12.0 percent in FY2023, headline inflation declined to 0.8 percent y/y by end-FY2024, reflecting subdued food and energy inflation and large base effects, before rising moderately to 2.9 percent y/y in October.[2] Core inflation (excluding food and

Food, Energy and Core Inflation
(In y/y percent change)



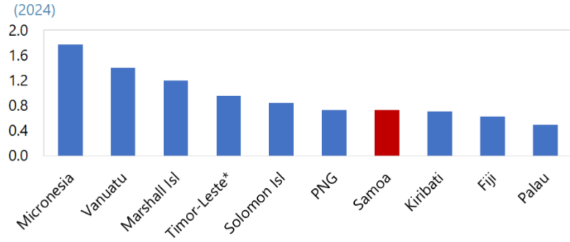
Sources: Samoan authorities; and IMF staff calculations.

Wage Index vs CPI Index
(y-o-y percent change)



Source: Samoa Bureau of Statistics

Minimum Wage Relative to Per Capita GDP
(2024)

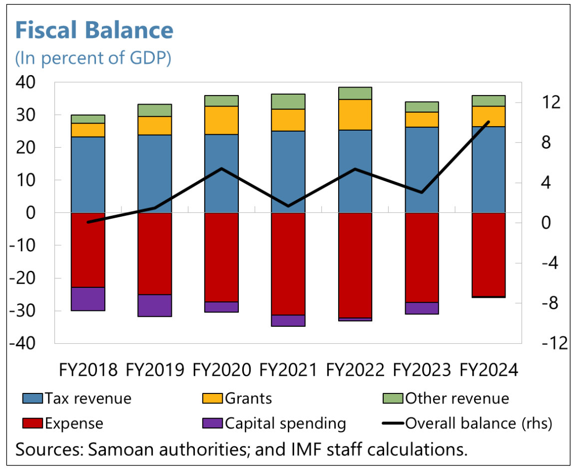


Note: No statutory minimum wage in Tonga, Tuvalu and Nauru; Timor Leste's minimum wage is provided in US$ per month; for Solomon Islands - minimum wage rate of $7.20/hr is for fishing and agriculture sectors, while $8/hr is for the rest of the sectors. For Micronesia - minimum hourly wage for national government employment is US$4.52 while it differs for government workers in different states and ranges from US$2.00-US$3.24
Source: Country Authorities and IMF Staff calculations

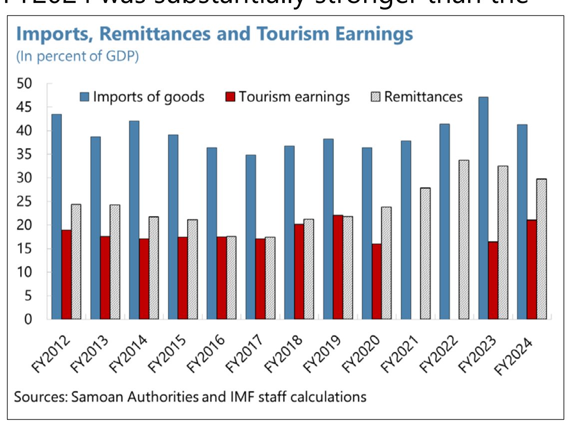
[2] In September 2023, a price control order was re-imposed on the markup of wholesale and retail prices of certain imported food products, though the impact on measured food prices seemed limited.

energy) has also declined, falling from an average of 5.0 percent in FY2023 to 1.7 percent y/y in October, while a new trimmed-mean measure of underlying price pressures developed as part of IMF TA also suggests subdued inflationary pressures (Annex II). Formal sector employment has picked up since the border re-opening, and wage growth has also increased, exceeding inflation in recent quarters. The government has announced an increase in the minimum wage from $3 to $4.84 tala per hour over two years, which is expected to affect around 15 percent of formal private sector employees. While a significant increase, Samoa's minimum wage is relatively low compared to other PICs and only about 50 percent of the average wage in Samoa (Text Figures).

6. Fiscal policy remained contractionary in FY2024. The fiscal surplus rose from 3.0 percent of GDP in FY2023 to 10.1 percent of GDP in FY2024, significantly tighter than the budgeted deficit of 3.3 percent of GDP. Grant inflows were robust and tax revenues were buoyant, driven by the strong economic performance and strengthened revenue administration, which improved the collection of current taxes and tax arrears. Expenses continued to decline from pandemic highs despite a positive cost-of-living adjustment in public wages and spending for the Commonwealth Heads of Government Meeting (CHOGM) preparations, while preliminary data suggests that capital spending was low.[3] The strong fiscal outturn has resulted in public debt declining to 27.7 percent of GDP in FY2024, the lowest level in two decades, and a significant build-up of government deposits, which rose to more than 19 percent of GDP in FY2024. The FY2025 budget envisages an expansionary fiscal stance, with a budgeted deficit of 2.1 percent of GDP.



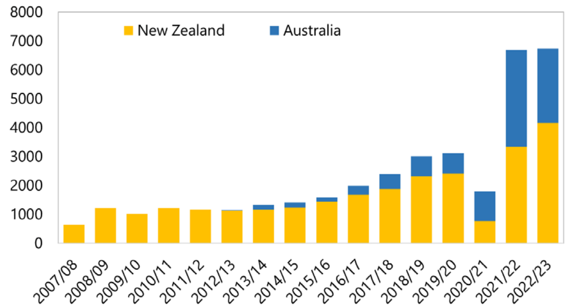
7. The external position has strengthened. The current account swung to a surplus of 4.0 percent of GDP in FY2024 from a deficit of 3.3 percent of GDP in FY2023. The EBA-lite assessment suggests that Samoa's external position in FY2024 was substantially stronger than the level implied by fundamentals and desirable policies, largely reflecting the tight fiscal policy stance (Annex III). Tourism earnings rebounded to 21 percent of GDP in FY2024, only slightly below pre-pandemic levels, while remittances continued to grow in nominal terms amidst the high number of seasonal workers abroad. A moderation in global commodity prices, reduced government imports amid low capital spending, and the unwinding of one-off imports in FY2023 helped ease total imports (Text



[3] While the Government Finance Statistics (GFS) outturn recorded capital expenditures of 0.3 percent of GDP in FY2024, this is likely an underestimate. See ¶23 and authorities' views for details.

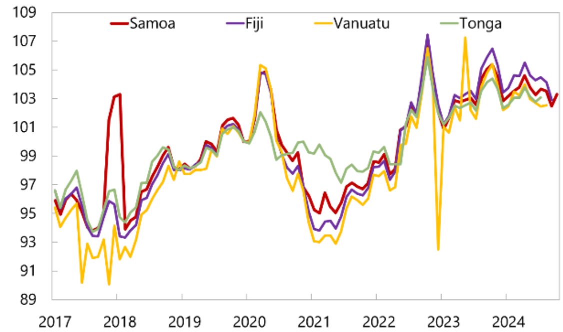
Figures).[4] The improved current account position coupled with grants and budget support helped keep FX reserves comfortable at 9 months of prospective imports at end-FY2024. The Samoan tala appreciated by an average 1.4 percent in nominal effective terms and 0.4 percent in real effective terms in FY2024 (Text Figure), however, in recent months, the tala has depreciated marginally.[5]

Samoa's Participation in the Labour Schemes
(In number of persons)



Note: The year for visa grants/arrivals runs from 01 July - 30 June
Source: E. Sharman, and C. Bedford. 2023. Samoa's shifting seasonal work priorities - Devpolicy Blog from the Development Policy Centre

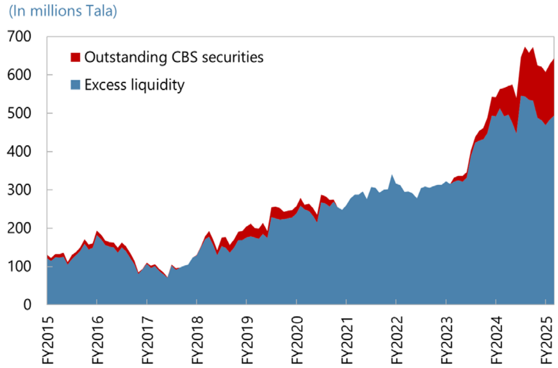
Exchange Rate
(Domestic currency per US dollar; Index, 2019 Dec = 100)



Source: IMF staff calculations.

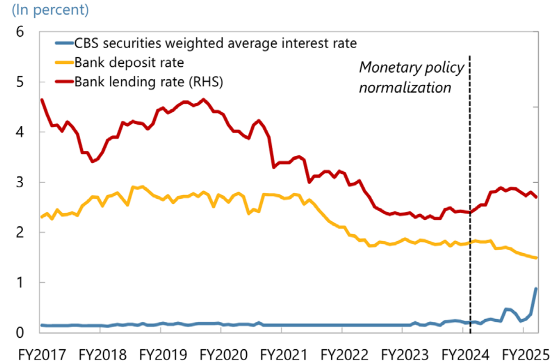
8. The CBS has started normalizing monetary policy. Liquidity in the banking system increased significantly through the pandemic, reflecting the build-up of FX reserves, increase in deposits and still low credit growth (Annex V). To absorb excess liquidity, the Central Bank of Samoa (CBS) has increased the auction of CBS securities in open market operations (OMOs), started issuing longer maturity (182-days and 365-days) securities, and introduced changes to the bidding system in OMOs. As a result, excess liquidity has stabilized though at high levels, and short-term interest rates have risen to 0.9 percent in September 2024 (Text Figures).

Commercial Banks Excess Liquidity and OMOs
(In millions Tala)



Source: Central Bank of Samoa.

Interest Rates
(In percent)



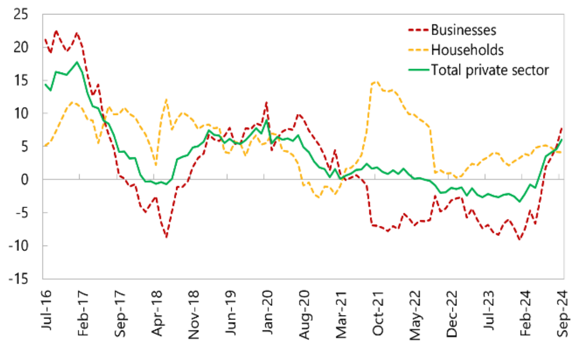
Source: Central Bank of Samoa.

9. Bank credit growth to the private sector has lagged the economic recovery but is beginning to show signs of a pickup. After 21 months of contraction, commercial bank loan growth turned positive in May 2024. The uptick in credit growth reflects a delayed recovery in lending to businesses, driven by CHOGM-related lending and gradual improvement in the financial performance of businesses. Meanwhile, Public Financial Institutions (PFIs) lending to households has remained robust, continuing the trend seen through the pandemic, while lending to businesses

[4] Imports in FY2023 included large one-off imports of tug, ferry and petrol boats worth around 2 percent of GDP.
[5] The tala is pegged against a basket of currencies, but exchange rate basket weights are not disclosed.

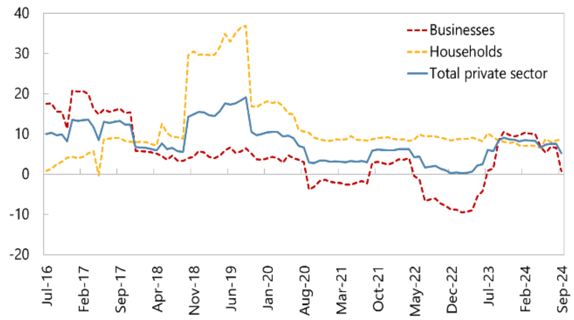
accelerated in FY2024, possibly reflecting CHOGM-related lending, before moderating recently (Text Figures).

Commercial Bank Credit to Private Sector
(In y/y percent change)



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

PFIs Credit to Private Sector
(In y/y percent change)



Sources: Central Bank of Samoa; and IMF staff calculations.
Note: PFIs include DBS, SHC and SNPF.

10. The banking sector appears stable. On aggregate, liquidity ratios and profitability have improved, while capital ratios moderated in FY2024 but remain strong. Banks' gross NPL ratio remained over 4.5 percent in FY2024, slightly above pre-pandemic levels, since loan repayments have picked up only gradually after the lapse of pandemic-related forbearance. However, banks continue to maintain high provisioning at more than 100 percent of NPLs.

OUTLOOK AND RISKS

11. The near-term economic outlook remains favorable, but growth is expected to moderate in the medium term.

- *Growth:* Real GDP is projected to expand by 5.5 percent in FY2025, supported by the preparations and hosting of CHOGM and an envisaged expansionary fiscal stance. As the economy approaches capacity, GDP growth is expected to decline to 2.8 percent in FY2026 and converge towards the historical average of about 2 percent over the medium-term.
- *Inflation:* Headline inflation is expected to rise to 3.5 percent by end-FY2025, driven by the unwinding of base effects and a continuing economic recovery. In the medium term, inflation is projected to stabilize around the CBS's indicative target of 3.0 percent, with Samoa's exchange rate arrangement continuing to provide a credible nominal anchor in the context of a closed capital account.
- *Current account:* Tourism earnings are expected to remain buoyant in FY2025, supported by the hosting of CHOGM. However, with construction projects and CHOGM-related preparations contributing to higher imports, the current account is expected to record a small deficit of 0.5 percent of GDP in FY2025. In the medium term, the current account deficit is expected to stabilize at around 2.0 percent of GDP, as remittances continue to normalize from pandemic-era highs. Capital account inflows are expected to continue, supported by government grants, while FDI inflows are expected to remain subdued in the medium term. FX reserves are expected to remain well above the optimal level (Annex III).

12. Global and domestic developments continue to pose downside risks to the economic outlook. In the near-term, growth slowdown in tourism source countries amid heightened global uncertainty could slow economic activity (Annex IV). Global commodity price volatility, disruption in supply chains, pressures from the increase in minimum wages, or an unexpected pickup in credit growth amid ample bank liquidity could result in higher price pressures, requiring tighter monetary policy. Over the medium term, prolonged delays in construction projects amid capacity constraints and sustained outflows of seasonal workers could weigh on the economy's productive capacity. Continued ML/TF risks could increase CBR pressures, raise remittance costs, and impact trade and financial flows. Samoa also faces continued risks from natural disasters and climate change. On the upside, greater impetus from the fiscal expansion, including associated with the elections in 2026, could lead to stronger economic growth.

13. Authorities' views: The authorities broadly agreed with staff on the outlook for a continued recovery, with growth projected to stay above potential in FY2025. However, they expected somewhat higher growth in the medium term compared to staff, driven by further reforms planned under the Pathway for the Development of Samoa (PDS) plan. Delays in the execution of infrastructure projects, outflow of human capital, and the uncertain global outlook were viewed as key downside risks to growth. The authorities expected inflation to remain slightly above 3 percent, and agreed with staff that risks to inflation are tilted to the upside from both domestic and external sources. They concurred with staff's assessment of the external sector.

POLICY DISCUSSIONS

Samoa's economic performance has been strong, aided by the tourism recovery. However, tight fiscal policy, coupled with the large grant and remittance inflows and the exchange rate peg, has resulted in the emergence of a high current account surplus and the buildup of excess liquidity. Going forward, a policy mix focusing on an expansionary fiscal stance geared towards executing much needed public investment and tighter monetary policy to reduce excess liquidity will help boost the economy's productive capacity while guarding against upside risks to inflation. Such a policy mix will also help lower the current account surplus, with the exchange rate peg continuing to provide a credible nominal anchor over the medium-term. Pushing forward structural reforms to attract foreign investment, improve human capital, and implement financial sector reforms, including to address ML/TF risks, are priorities.

A. Promoting Near-Term Fiscal Support while Guarding Against Medium Term Fiscal Risks

Fiscal Stance and Debt Dynamics

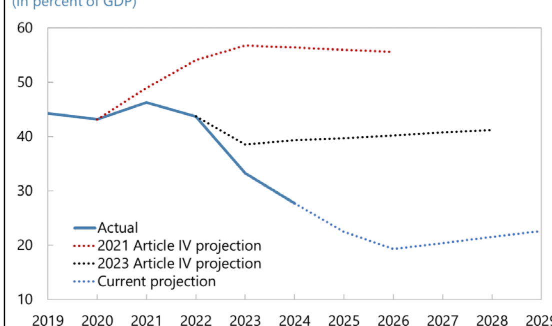
14. Persistent fiscal surpluses in recent years have improved buffers. Samoa has remarkably maintained fiscal surpluses through the COVID-19 pandemic, reflecting low capital spending due to pandemic-related disruptions, improved revenue administration, and higher grant inflows. As a result, the public debt-to-GDP ratio has declined significantly, though low expenditure levels, especially on capital spending, have also raised challenges.

15. The FY2025 budget envisages an expansionary fiscal stance. After the large surplus in FY2024, the budget projects a deficit of 2.1 percent of GDP in FY2025 owing to substantially higher expenditures, notably a recovery of capital spending. Expenses are also projected to rise, driven by the preparations and hosting of CHOGM, continued implementation of the DDP (¶19), and higher compensation of employees from the establishment of new ministries and the final phase of the cost-of-living adjustment for government salaries.

16. The envisaged expansionary fiscal stance in FY2025 is appropriate and will help boost the economy's productive capacity while also reducing the current account surplus. Compared to the budget, staff projects a smaller fiscal deficit of 0.1 percent of GDP, largely on account of more optimistic revenue forecasts reflecting the strong outturn in recent years. Continued under-execution of public capital expenditure since the pandemic, including due to capacity constraints and delays in implementing development partner projects leading up to CHOGM, is leading to scarring in the construction sector, and potentially constraining the economy's growth potential. Overcoming capacity constraints in construction activity is therefore essential to ensure the timely and efficient execution of planned projects. Scaling up social spending and effectively executing health and education related programs can also help build human capital (¶43) and strengthen social safety nets. In the event of a slowdown in key trading partners which impacts the tourism sector or higher global commodity prices, targeted fiscal support should be provided to vulnerable groups.

17. Strong fiscal outturns have improved Samoa's debt dynamics substantially and resulted in an upgrade to the debt rating in the DSA, though climate vulnerabilities will continue to pose risks to the long-term fiscal outlook. Given the high level of government cash reserves, the fiscal deficit and debt servicing needs for the next two years can be financed by drawing down on deposits. As a result, the debt-to-GDP ratio is expected to decline to 19.3 percent of GDP by FY2026, down from 44.3 percent of GDP in FY2019 (Text Figure). As government deposits decline to pre-pandemic levels, the authorities should plan to secure concessional loans to meet financing needs from FY2027. With the fiscal deficit reaching 2.2 percent of GDP in the medium term on staff projections, the debt-to-GDP ratio is projected to rise moderately to 22.6 percent of GDP by FY2029. Given the improved debt outlook, the 2024 IMF-WB Debt Sustainability Analysis (DSA) has lowered Samoa's risk of debt distress from "high" to "moderate". However, Samoa remains highly vulnerable to climate change, with stress tests suggesting that a natural disaster shock could significantly impact debt dynamics. This underscores

Actual and Projected Central Government Debt
(In percent of GDP)



Sources: Samoan authorities; and IMF staff calculations.

the need for a balanced medium-term fiscal strategy that aims to preserve fiscal space and continue reform momentum.

18. Authorities' views: The authorities agreed with staff's recommendation to implement an expansionary fiscal stance in the near term. They noted that strong tax revenue collections have been driven by improvements in tax compliance. On the expenditure side, they acknowledged challenges in implementing planned expenditures, especially capital spending given capacity constraints mainly at line ministries, but expressed commitment to adhere to the budget plan for FY2025. While noting the improved debt dynamics, they highlighted continued risks from climate change which impacts the long-term fiscal outlook.

Fiscal Reforms

19. The DDP can invigorate local development, but needs continued strong PFM controls to manage risks. Started in FY2023, the DDP aims to support grassroot development by allocating $1 million tala annually to each of Samoa's 51 districts. Given its large scale (around 2 percent of GDP annually), decentralized nature, and the limited administrative capacity at the district level, it presents various PFM and implementation challenges. The authorities have proactively introduced strict PFM controls covering project selection, procurement, accounting, and auditing requirements. These measures have helped contain risks but have also slowed implementation, with about 74 percent of the allocated amount for FY2024 spent. Despite implementation delays, maintaining strict application of PFM controls remains essential to ensure appropriate use of funds. Furthermore, the PFM measures that have been put in place could benefit from external expert reviews to identify potential gaps. Given limited implementation and absorptive capacity at the district level, the program should not be expanded.

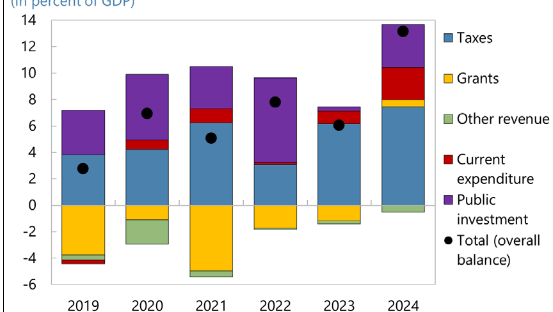
20. Scope remains to strengthen public financial management to improve fiscal policy effectiveness. The progress made in implementing PFM reforms, including recommendations from Fund technical assistance (TA), is welcome. The authorities are conducting a self-assessment of their public expenditure and financial accountability (PEFA) framework to identify reform priorities; strengthening cash flow recording, monitoring, and forecasting; and enhancing their debt management capabilities. Key additional reform priorities identified by recent TAs include improving public investment management, notably on project planning, execution, and monitoring; continued progress in implementing the Automatic Transaction System with an aim to gradually transition to the Treasury Single Account; and strengthening budget planning through greater scrutiny of budget proposals and outcomes.

21. Scaling up climate-related investment is necessary to meet the large adaptation needs and increase climate resilience. The 2022 CMAP estimated that additional financing of 6 percent of GDP per year would be necessary to fund climate spending needs. Debt-investment-growth modeling illustrated that ex-ante funding of climate-resilient infrastructure would be more cost effective than ex-post reconstruction after disasters, presenting a strong rationale for higher grants to finance climate adaptation initiatives. In addition to financing, managing climate risks would also require better integration of climate considerations into the government's budgeting and project planning processes to ensure that resources are allocated towards appropriate projects. Addressing capacity constraints, including labor shortages, that have hampered the execution of public investment since the pandemic remains a priority given the high spending required to meet climate adaptation goals (see also ¶43). In this context, Samoa should continue to make progress in implementing the recommendations of the CMAP (Annex X) in order to build climate resilience.

22. Further improvements to revenue administration can plug leakages in tax collection. Samoa has made significant strides in revenue administration, including the rollout of electronic fiscal devices and wider adoption of the Tax Invoice Monitoring System (TIMS). Further priorities identified by IMF TA include: improving the information technology system; moving towards a full self-assessment system to reduce the resource-intensive checking of returns; deepening segmentation to better tailor services to large and small taxpayers; and improving risk management to strengthen enforcement of domestic and cross-border tax compliance.

23. Improving budget estimates and fiscal data quality would enhance fiscal planning and credibility. Given notable divergence between budget projections and fiscal outturns in recent years, improving the accuracy of budget estimates, including revenue forecasts, would be helpful for fiscal planning. Enhancing the comparability between budget estimates (done by the MoF) and fiscal outturns (compiled by the Samoa Bureau of Statistics) by harmonizing the institutional coverage across the two would help improve fiscal transparency and allow for better ex-post assessment of policy implementation. Improving capital expenditure estimates, which are currently treated as a residual, by adopting alternative methods and data sources as per IMF TA recommendations should also be a priority.

Fiscal Outturn Deviation from Budget
(In percent of GDP)



Sources: Samoan authorities; and IMF staff calculations.
Note: A positive difference on spending indicates under-execution of the budget.

Fiscal Risks from SOEs

24. Progress is being made to reduce fiscal risks from SOEs. With the help of Fund TA, the authorities have implemented an SOE Health Check Tool, and have also initiated credit risk assessments of SOEs with existing government guarantees. Based on the result of these assessments, measures should be implemented to improve the financial performance and risk profile of SOEs. The use of the Health Check Tool can also be expanded to conduct forward-looking analysis and stress tests, further improving understanding of fiscal risks.

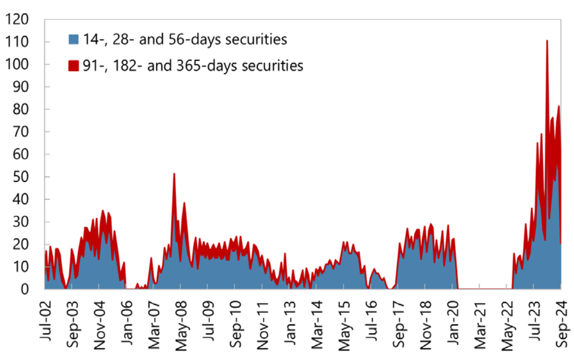
25. Reduced inflationary pressures provide room to reverse the pandemic-era electricity tariffs cuts. In 2023, the government removed the 20 percent pandemic-era electricity tariff cuts for government and commercial entities, which has helped improve cash flow for the Electric Power Corporation (EPC). However, tariff cuts for residential entities, which account for a large share of the revenue base, remain in place. Given the slowdown in inflation, tariffs should be gradually restored to put the EPC on a more sustainable financial footing and improve its investment capacity. Periodic review of tariffs by the electricity regulator should also be reinstated to align tariffs with global fuel prices. Lower tariffs could potentially continue for low-income households, but such support should be directly funded through the budget.

26. Authorities' views: The authorities concurred with the PFM reform priorities identified by staff and reiterated their commitment to maintain strict controls over the DDP, including through the general elections. Acknowledging challenges with fiscal data, they noted that planned improvements in data compilation are likely to raise capital expenditures from the low levels reported in the preliminary FY2024 GFS outturn. While highlighting the large financing needs for climate adaptation projects, they emphasized that limited implementation capacity is the key bottleneck in the near term. The authorities highlighted that the removal of tariff cuts for public and commercial entities has helped improve the EPC's financial position and stressed their commitment to continue monitoring and mitigating SOE-related risks.

B. Monetary Policy Geared Towards Addressing Liquidity Overhang

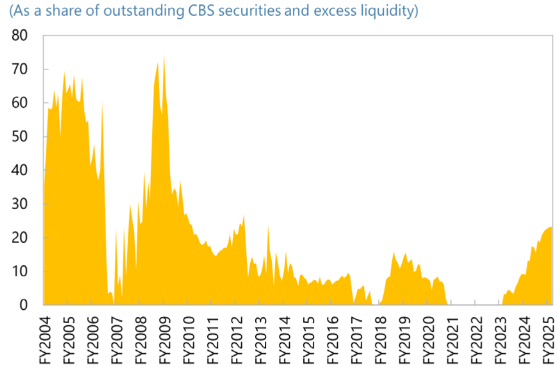
27. The monetary policy stance has remained accommodative amid significant excess liquidity in the banking system. OMOs in the current cycle have been significantly higher compared to previous tightening cycles but remain small relative to the outstanding excess liquidity in the system (Text Figures). As a result, short-term interest rates remain low. Going forward, slower FX reserves accumulation, continued recovery in bank lending, and a drawdown of government deposits as fiscal policy turns expansionary should reduce excess liquidity gradually, though liquidity levels will likely remain high in the absence of greater monetary policy effort.

Issuance of CBS Securities
(In millions Tala)



Source: Central Bank of Samoa.

Outstanding CBS Securities
(As a share of outstanding CBS securities and excess liquidity)



Source: Central Bank of Samoa.

28. The CBS should continue to normalize monetary policy. While inflationary pressures have eased, risks to the inflation outlook are high (see ¶12). The exchange rate peg remains the appropriate nominal anchor, but to guard against domestic inflation risks and build policy space to respond to future shocks, monetary policy normalization should aim to reduce liquidity to reasonable levels in order to have a material impact on interest rates.[6] As short-term rates have been close to zero for over a decade, there is considerable uncertainty regarding the impact of higher rates on the economy and the level of the neutral rate. As such, the CBS' stated plan to gradually move short-term interest rates higher is appropriate, and they should aim to steer real interest rates into positive territory. As rates increase, the CBS should carefully monitor inflation and credit developments, and reassess the pace of monetary policy normalization and potential terminal rates based on incoming data. A more rapid normalization of monetary policy would be appropriate if upside risks to inflation materialize, especially from domestic wage pressures or from a surge in credit growth. However, if the envisaged expansionary fiscal stance fails to materialize, a more gradual pace of monetary tightening would be appropriate.

29. The CBS should also improve its liquidity management and operations framework. In order to reduce excess liquidity, the CBS should further increase the size of OMOs relative to outstanding liquidity, particularly for longer maturities, and consider rolling over the securities. The CBS can consider other liquidity management tools in addition to OMOs, including raising the statutory reserve ratio, and potentially increasing the overseas investment cap for the Unit Trust of Samoa and Samoa National Provident Fund, which would reduce their deposits held at banks. The CBS should also improve its liquidity forecasting capabilities to better manage episodes of liquidity surge.

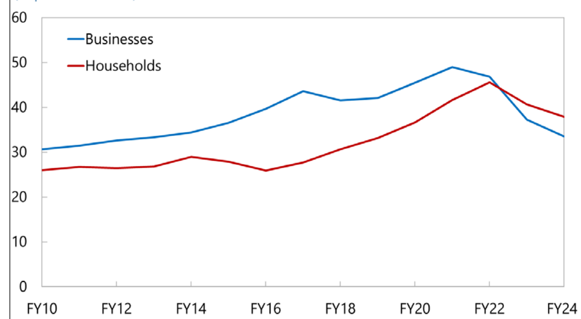
30. Authorities' views: The authorities broadly agreed with staff on the need to normalize monetary policy and aim to increase interest rates to 2-3 percent over the medium-term. They noted challenges around weak monetary transmission and the need to improve liquidity management, potentially with the help of IMF TA. The authorities reiterated that the exchange rate peg remains appropriate and continues to provide an effective nominal anchor. They will continue to regularly monitor the exchange rate regime as needed, given the ongoing downside risks from global economic uncertainties on the economy

[6] Given an inactive interbank market, unused CBS lending facilities, and uneven distribution of liquidity across banks, some level of excess liquidity over and above the minimum required level will be appropriate.

C. Strengthening Financial Sector Policies to Reduce Vulnerability to Shocks

31. Financial sector risks have declined relative to the 2023 Article IV Consultation but require continued monitoring, including risks from the expansion of PFIs. The ongoing economic recovery has helped mitigate lingering concerns regarding the financial health of borrowers. However, leverage in the economy, while on a declining trend, remains relatively high amid strong lending by PFIs (Text Figure). With a rise in interest rates, the debt servicing capacity for some households and firms may come under strain. Furthermore, with relatively anemic bank credit growth in recent years and some PFIs lending to similar borrowers as banks, the share of PFIs in total financial sector credit has continued to rise, reaching 45 percent in FY2024, up from 40 percent in FY2019.

Private Sector Debt
(In percent of GDP)



Sources: Central Bank of Samoa; and IMF staff calculations.
Note: Debt includes commercial bank and PFI (DBS, SHC and SNPF) credit.

32. Further strengthening financial supervision and advancing financial inclusion remains a priority. Progress is being made on some 2015 FSAP recommendations on financial sector reforms (Annex VI). Following the passage of legislation in FY2024, the national digital ID system is expected to be rolled out in FY2025-FY2026, which should facilitate due diligence and the delivery of essential services. The authorities also introduced a new *National Financial Inclusion Strategy 2.0* in FY2024, focusing on improving financial services access to the large unbanked population. However, other reforms have been delayed, in part due to the pandemic and a backlog of legislations. Key reform priorities include (i) establishing and operationalizing the emergency liquidity assistance framework as per Fund TA recommendations; (ii) reviewing and enhancing prudential standards in the banking sector, particularly related to capital adequacy, and liquidity, interest rate and credit risk management; (iii) establishing an online credit registry to reduce informational asymmetries among lenders and borrowers and advance financial inclusion; and (iv) improving the regulatory framework for money lenders, credit unions and micro-finance institutions to improve lending practices.

33. The growing role of PFIs in credit intermediation highlights the need for robust supervision of the sector. Revising the prudential regulations for PFIs and ensuring their strict enforcement should be a priority. In particular, the prudential regulations for PFIs should aim to ensure a level-playing field between PFIs and commercial banks, and improve governance frameworks of PFIs, including on financial decision-making. Although PFI balance sheets have improved since the pandemic, exposures to other PFIs and SOEs should continue to be monitored closely. The lending mandates of PFIs should be reviewed to clearly define objectives and minimize distortions in the financial system. In this context, although the Development Bank of Samoa (DBS) has made progress in significantly reducing its NPL ratio and re-orienting new lending toward MSMEs and agriculture sector, further efforts should be made to reduce exposure to the tourism sector and improve cash flow. Improving the governance framework at DBS and enabling more independent financial decision-making are also critical.

34. Samoa is making progress in implementing the recommendations of the safeguards assessment. An update safeguards assessment was completed in May 2021, and its recommendations have mostly been implemented. The assessment found that legal reforms in 2015 enhanced the CBS's autonomy and strengthened its governance, and that financial reporting is sound, in line with International Financial Reporting Standards. The CBS is developing the emergency liquidity assistance framework and strengthening the business continuity plan with IMF technical assistance.

35. Authorities' views: The authorities agreed with staff that financial risks have declined relative to the pandemic. They noted that NPLs remain manageable, provisioning is ample, and bank profitability is being supported by foreign exchange income amidst weak lending. They also emphasized their commitment to strengthen the regulatory and supervisory framework, with several legislations and regulations in the pipeline, most notably the credit registry bill and regulations to support the implementation of the national digital ID. The authorities recognized the risks associated with PFIs and highlighted that their governance frameworks and prudential guidelines are being reviewed, including for the DBS.

D. Improving AML/CFT Frameworks to Mitigate CBR Pressures

36. Financial integrity concerns remain prominent in Samoa, with continued pressures on CBRs for some domestic financial institutions. Two domestic banks lost their U.S. dollar CBRs in 2021, which has led to more expensive alternative arrangements; however, their Australian and New Zealand dollar CBRs remain active. Money Transfer Operators (MTOs), especially smaller ones, continue to face challenges in maintaining access to banking facilities in foreign countries. Key factors driving CBR pressures in Samoa include low profitability, weaknesses in AML/CFT supervision, and ML/TF risks, notably those arising from Samoa's banking sector, MTOs, as well as trust and company service providers (TCSPS) in the offshore sector.

37. The authorities have enhanced the AML/CFT framework, though gaps remain. An updated national ML/TF risk assessment (NRA) and a national AML/CFT strategy have been approved by cabinet in May 2024. The AML/CFT legal framework has been strengthened and the authorities are working to make further improvements.[7] Inadequate resources and capacity are constraining the ability of regulators to undertake risk-based supervision of financial institutions (FIs) and higher-risk designated non-financial business providers (DNFBPs). Samoa also remains on the EU list of non-cooperative tax jurisdictions, with the authorities planning to amend laws to address

[7] In September 2024, the Asia Pacific Group on Money Laundering (APG) approved two FATF Recommendation upgrades, and one downgrade for Samoa. These followed from amendments to the *Money Laundering Prevention Act (MLPA)* in 2018 and enactment of *Trustees Company Act* in 2017.

EU concerns, including on the preferential tax treatment of companies in the offshore center with limited economic substance in Samoa.

38. The authorities should continue to pursue a multi-pronged approach to mitigate CBR pressures, including by improving the AML/CFT legal and supervisory frameworks as well as effectiveness of implementation of policy and legal requirements. The authorities have a window of opportunity to improve their AML/CFT regime ahead of Samoa's next APG mutual evaluation in 2027. Key reform priorities include:

- *Legal framework reforms:* Amendments are needed to the *Money Laundering Prevention Act (MLPA)* and its regulations to address deficiencies in the legal framework identified by recent IMF TA. Key amendments could include additional provisions to cover: all AML/CFT preventative measures referred to in the international standards; powers for AML/CFT supervisors, including sanctioning powers; requiring FIs and DNFBPs to implement a risk-based approach to managing their ML/TF risks; establishing the FIU in law and protecting its operational independence; and broadening definitions including those of politically exposed persons (PEPs).
- *Improving supervision:* Effective implementation of risk-based supervision by all relevant AML/CFT supervisors—the CBS, Samoa International Financial Authority for the off-shore sector, and Samoa Financial Intelligence Unit—remains a priority. The focus should be on high risk sectors identified in the 2024 NRA, including banks, MTOs, TCSPs, the international financial services sector and casinos. Improving supervision will also require increased resources and capacity.
- *Digital assets:* Samoa's limited financial sector depth and modest regulatory capacity suggest that any initiatives to promote digital assets should be approached with extreme caution as they could raise significant ML/TF concerns and potentially pose risks to macroeconomic and financial stability.
- *Other priorities* include rolling out the e-KYC facility and the National Digital ID for more efficient customer due diligence, and improving the transparency of beneficial ownership including domestic legal persons, banks, MTOs, and the offshore sector.

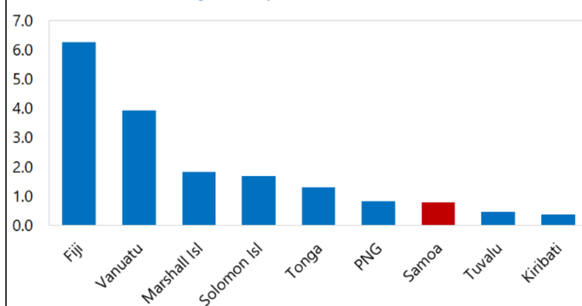
39. Given low ML/TF risks from remittance payments, effort should be made to streamline regulatory and supervisory requirements on both sides of main remittance corridors, including through outreach to the key foreign regulatory authorities. Risk assessments published by the national and foreign authorities as well as international organizations highlight low domestic and foreign ML/TF risks from cross-border payments. A targeted review of ML/TF risks pertaining to remittances confirms limited risks, suggesting potential opportunities for supervisory guidance, simplified due diligence, and regulatory harmonization to apply from both sides of the main remittance corridors (see Selected Issues Paper for more details). The authorities' outreach on CBR pressures to key foreign regulatory authorities should leverage the understanding of low ML/TF risks from remittances and focus on streamlining AML/CFT controls in line with the identified risks.

40. Authorities' views: The authorities reaffirmed their strong commitment to further strengthen the legal and institutional AML/CFT framework and to demonstrate the effectiveness of their AML/CFT system ahead of an upcoming APG mutual evaluation. They underscored efforts to ensure beneficial ownership transparency in the offshore sector and removal from the EU list of non-cooperative jurisdictions for tax purposes, including by implementing an economic substance requirement. They agreed on the importance of streamlining the AML/CFT requirements in the main remittance corridors in line with identified low ML/TF risks and will continue outreach to the key foreign regulatory authorities to address CBR and de-risking pressures.

E. Structural Policies to Foster Inclusive and Sustainable Growth

41. Samoa faces significant structural challenges which impede medium-term growth prospects. Samoa's remoteness and small size limit economies of scale and external competitiveness. Merchandize goods exports remain low at about 4 percent of GDP, while FDI inflows are low in Samoa compared to peers (Text Figure). Weak public investment since the pandemic and growing migration of workers abroad have further raised concerns about the economy's medium-term productive capacity. The latter is especially concerning given the significant number of skilled workers joining the seasonal worker program, including from key industries related to tourism (see Annex VII).

Foreign Direct Investment (Net Inflows):
(In Percent of GDP - Average over 5 years)



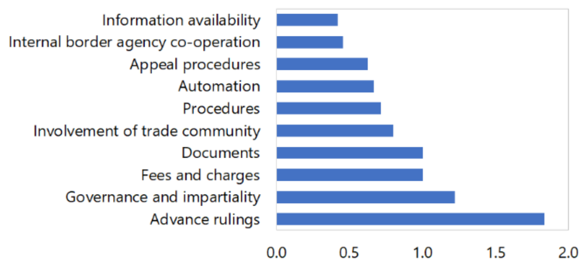
Source: World Bank
Data average for the period 2018-2022 for all countries except Tuvalu (2017-2021)

42. Guided by the PDS plan, the authorities are implementing various programs and policies to support inclusive growth. To promote export diversification and FDI, the authorities have recently established the Samoa Export Authority, published a agriculture and fisheries sector plan, and clarified investment procedures and requirements in the National Investment Policy Statement. The government also introduced the new Policy for Temporary Labour Migration under the Labour Mobility Schemes of Australia and New Zealand, with the aim to identify remedial measures for the impact of such programs on domestic labor force and worker welfare. Key reforms include tightening the recruitment process for workers and capping the number of workers that can be mobilized annually, though at a non-binding level (see Annex VII). More generally, the authorities are focused on improving labor market conditions, including through increasing minimum wages, improving educational outcomes and vocational and technical skills, and aligning labor standards with international best practices.

43. Further policy actions can help boost trade and improve human capital, including mitigating the potential negative effects of migration.

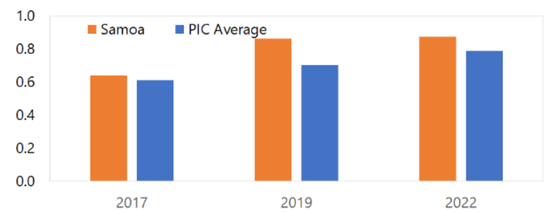
- *Boosting trade and FDI:* Reviewing foreign investment restrictions and regulations, including the restricted and reserve list, can help facilitate FDI inflows and promote job creation. Expediting customs clearance, streamlining export procedures, and consulting with the private sector on the introduction and amendment of trade-related regulations would help improve trade facilitation (Text Figure).

Trade Facilitation Indicators (TFI's) in 2022
(Index, 0-2 scale)



Source: OECD - Trade Facilitation Indicators.
Note: TFI's take values from 0 to 2, where 2 designates the best performance that can be achieved. TFI's are consistent with WTO Draft Consolidated Negotiating Text on trade facilitation. The indicators are composed of variables whose values are drawn from questionnaire replies as well as publicly available information.

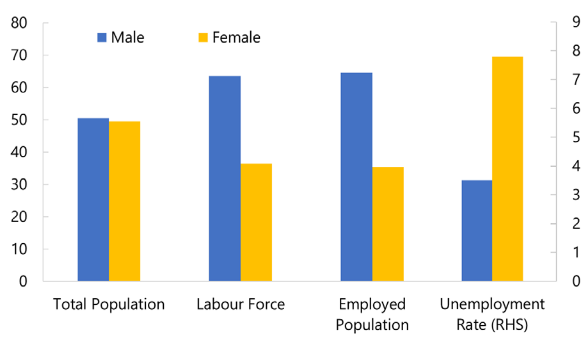
Average Trade Facilitation Performance
(Index, 0-2 scale)



Source: OECD - Trade Facilitation Indicators.
Note: TFI's take values from 0 to 2, where 2 designates the best performance that can be achieved. TFI's are consistent with WTO Draft Consolidated Negotiating Text on trade facilitation. The indicators are composed of variables whose values are drawn from questionnaire replies as well as publicly available information.
*PIC Average includes for: Fiji, FSM, Kiribati, Palau, PNG, Tonga, Vanuatu and Solomon Islands

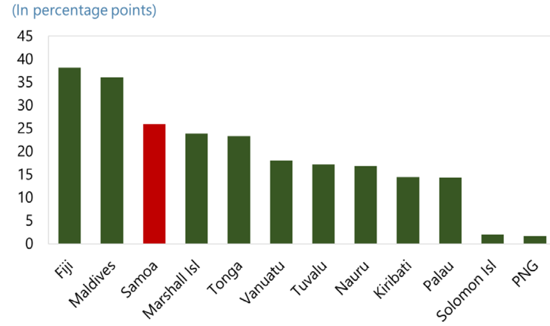
- *Mitigating effects of higher migration:* Female labor force participation is low in Samoa, suggesting policies that encourage women to enter the labor force can potentially offset the impact of higher enrollment in labor migration schemes (Text Figures). In this context, increasing enrollment in early-childhood education, providing affordable childcare facilities, and promoting flexible work environment can help. Policies should also mitigate the "push factors" of migration by improving domestic labor market conditions, including by promoting private sector development and strengthening social safety nets. Upskilling and reskilling opportunities for returning seasonal workers would help facilitate skill transfer and re-integration into the labor force. These reforms can also help mitigate the capacity constraints that are hampering capital spending, including potentially climate-related investments (see ¶21). In addition, enhancing data on migration could help formulate effective labor market and migration policies.

Population, Labour Force and Unemployment by Gender in 2022 (In percent)



Source: 2022 Samoa Labour Force and Child Labour Survey

Gender Difference in Labour Force Participation Rate
(In percentage points)



Sources: World Bank. Gender Data Portal and IMF Staff Calculations
Note: Data for all countries is for 2023, except Palau (2020), Nauru (2021), Kiribati (2020), Marshall Islands (2021) and Tuvlau (2022)

- *Up-skilling the labor force:* To address skill shortages in tourism and other affected sectors, policies should focus on industry-led training programs and skill development. Strengthening the health and education system will also help build human capital.

44. Authorities' views: The authorities noted that continued efforts on structural reforms are needed to achieve Samoa's development goals, including by improving the business environment and reducing the cost of doing business. They acknowledged the economic benefits from the temporary migration schemes but also noted social and economic challenges, including labor shortages, with the new policy aiming to balance these costs and benefits. Like staff, the authorities felt that investing in training and re-skilling as well as increasing labor force participation, including for women, can help ease the negative impact on the domestic labor market.

STAFF APPRAISAL

45. Samoa's near-term economic outlook remains favorable. GDP growth in FY2025 is projected to remain well above pre-pandemic levels, supported by the preparations and hosting of CHOGM and the envisaged expansionary fiscal stance. Inflation is expected to rise moderately as the economic recovery continues. GDP growth is expected to converge towards the historical average of about 2 percent over the medium-term. Risks to the outlook are tilted to the downside, including from a slowdown in key trading partners amid heightened global uncertainty, as well as upside risks to inflation from external and domestic sources.

46. Samoa's recent policy mix has helped build significant economic buffers but has also presented challenges. Large fiscal surpluses have improved debt dynamics, resulting in an upgrade to Samoa's debt distress rating from high to moderate in the IMF-WB DSA, but low capital spending is undermining the economy's productive capacity. The tight fiscal stance, coupled with high grants and remittance inflows and the exchange rate peg, has resulted in the emergence of a large current account surplus with the external sector assessed to be substantially stronger than the level implied by fundamentals and desired policy settings. The resulting large build up in foreign reserves has also created excess liquidity in the banking system.

47. An expansionary fiscal stance will support the economy, while fiscal reforms can improve the effectiveness of policy and mitigate risks. The focus in the near term should be overcoming capacity constraints to execute much needed public investment, including climate-related projects. Maintaining PFM controls over the DDP, including through the election cycle, remains a priority. Improving fiscal data and implementing further PFM reforms can also help improve policy formulation, implementation, and credibility. Fully reversing the pandemic-era utility tariff cuts, while implementing any support for low-income households transparently through the budget, can help address lingering weakness in some SOEs while protecting the vulnerable.

48. Monetary policy normalization should continue, with an aim to guide interest rates higher. The exchange rate peg remains the appropriate nominal anchor. However, to guard against domestic inflation risks, monetary policy should aim to reduce excess liquidity to reasonable levels and push real short-term rates to positive territory.

49. Further strengthening financial supervision and regulation, including for PFIs, should be a priority. Financial sector risks have declined relative to the pandemic but require continued monitoring. Priorities for the banking system include operationalizing the emergency liquidity assistance framework and enhancing prudential standards. Upgrading governance and prudential regulations for PFIs is also needed to contain potential risks. Establishing an online credit registry will help advance financial inclusion.

50. A multi-pronged approach can help mitigate CBR pressures. Strengthening the AML/CFT legal framework and implementing effective risk-based supervision will help prepare Samoa for its APG mutual evaluation in 2027. Ensuring the timely rollout of the e-KYC facility and the National Digital ID will help improve customer due diligence. Given low ML/TF risks from remittance payments, effort should be made to streamline regulatory and supervisory requirements on both sides of main remittance corridors.

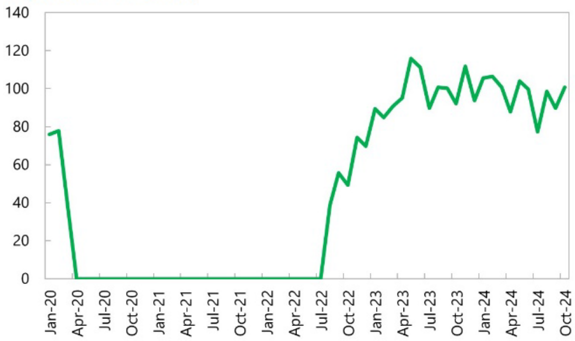
51. Overcoming significant structural challenges which impede the medium-term growth potential will require concerted reform efforts. Key priorities include attracting foreign investment, reducing trade facilitation costs, and mitigating the impact of the pickup in the seasonal workers program, including by enhancing human capital and raising labor force participation rates.

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

Figure 1. Growth and Inflation Developments

Strong rebound in tourism…

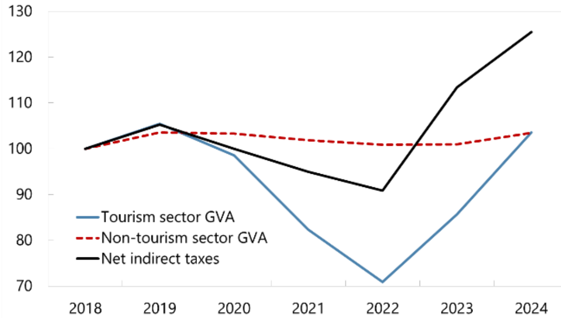
Tourist Arrivals
(In percent of FY2019 levels)



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

…and robust growth in net indirect taxes have resulted in GDP exceeding pre-pandemic levels in FY2024.

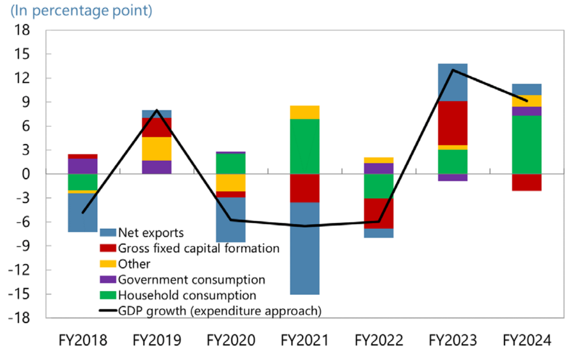
GVA and Net Indirect Taxes Growth
(Index, 2018 = 100)



Sources: Samoan authorities; and IMF staff calculations.

Consumption has remained resilient through the pandemic, while net exports also supported the recovery.

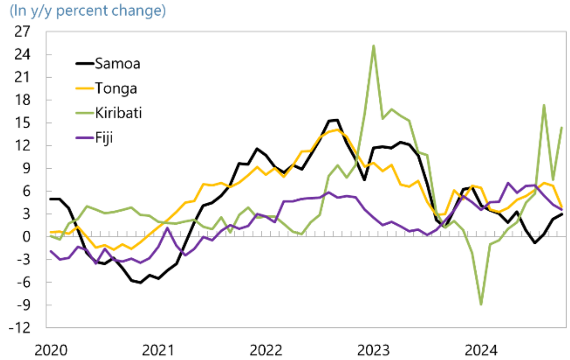
Contribution to GDP Growth by Expenditure
(In percentage point)



Sources: Samoan authorities; and IMF staff calculations.

Price pressures have eased more than in peers…

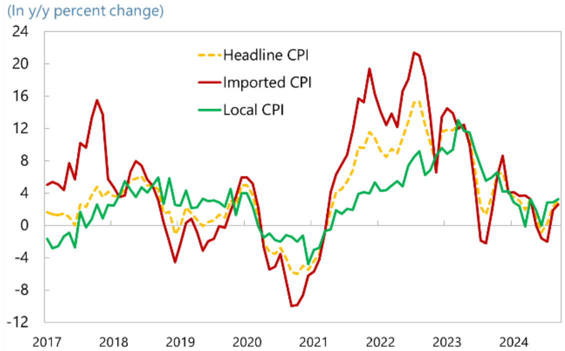
Inflation in Pacific Island Countries
(In y/y percent change)



Sources: Country authorities; and IMF staff calculations.

…but have started to rise from the recent trough.

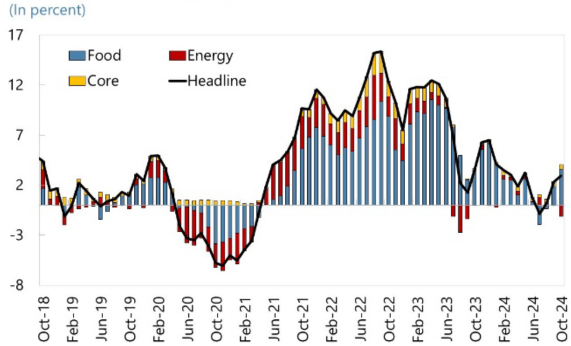
Inflation
(In y/y percent change)



Source: Samoan authorities.

Food inflation declined in FY2024 before a small uptick in recent months..

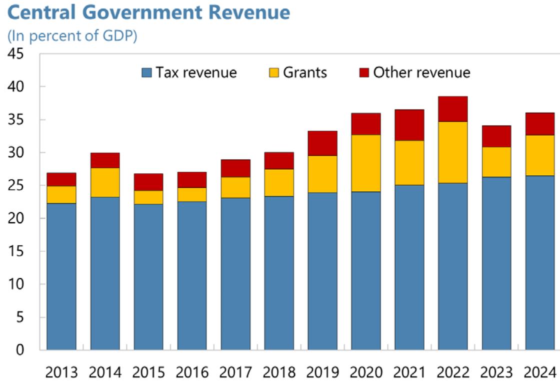
Contribution to Inflation
(In percent)



Sources: Samoan authorities; and IMF staff calculations.

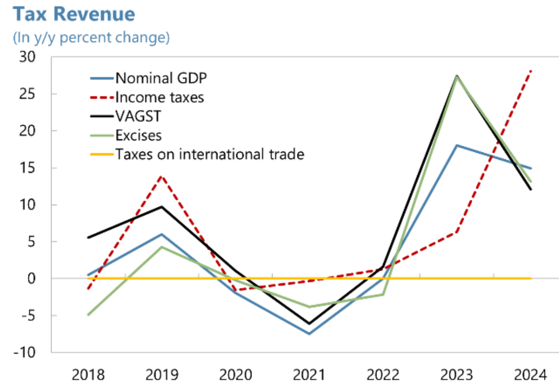
Figure 2. Fiscal Sector Developments[1]

Revenues have remained buoyant in FY2024 …



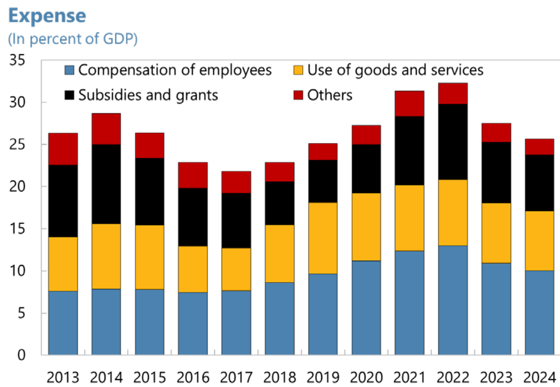
Sources: Samoan authorities; and IMF staff calculations.

… driven by strong income tax receipts.



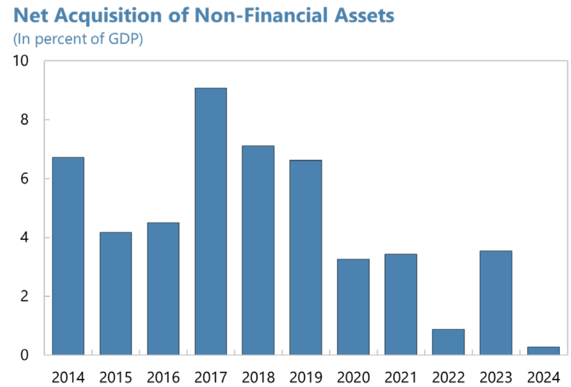
Sources: Samoan authorities; and IMF staff calculations.

Government expense has decreased from the pandemic highs …



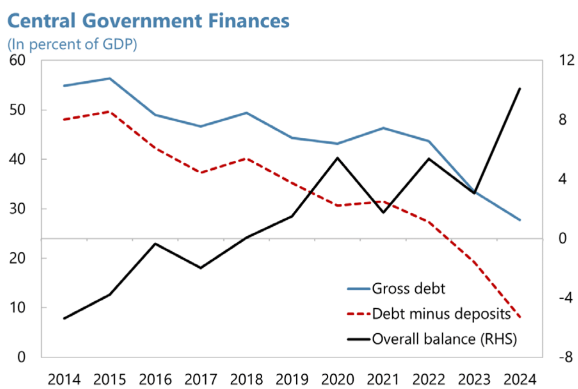
Sources: Samoan authorities; and IMF staff calculations.

…. and preliminary data suggests capital spending has been exceptionally low.



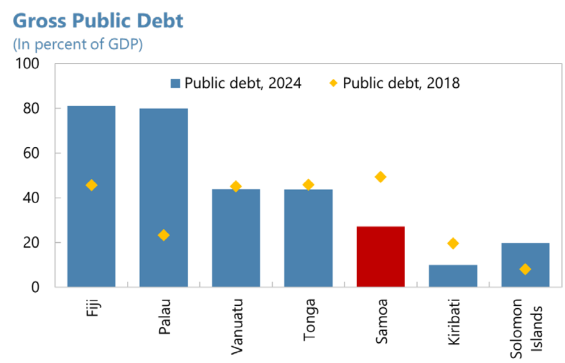
Sources: Samoan authorities; and IMF staff calculations.

Continued fiscal surpluses have driven debt levels to new lows…



Sources: Samoan authorities; and IMF staff calculations.

… in contrast to the experience of peers.



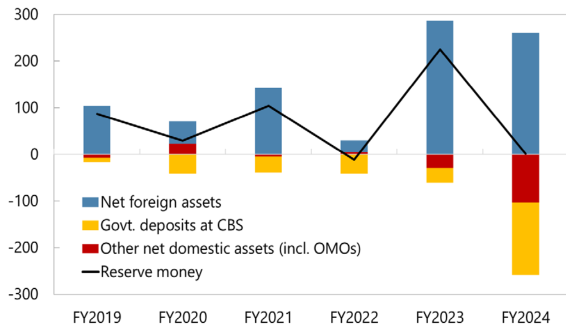
Sources: World Economic Outlook Database, Samoa Ministry of Finance; and IMF staff calculations. Note: The public debt levels in 2024 for all the countries listed, except for Samoa, are estimated figures.

1/ Data presented in the charts are based on fiscal year.

Figure 3. Monetary and Financial Sector Developments

The CBS has responded to strong FX reserve inflows and subsequent rise of government deposits with higher OMOs…

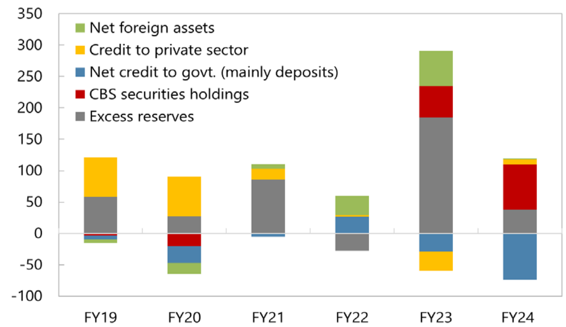
CBS Balance Sheet
(Annual change in millions Tala)



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

…which is helping absorb some of the excess liquidity at banks.

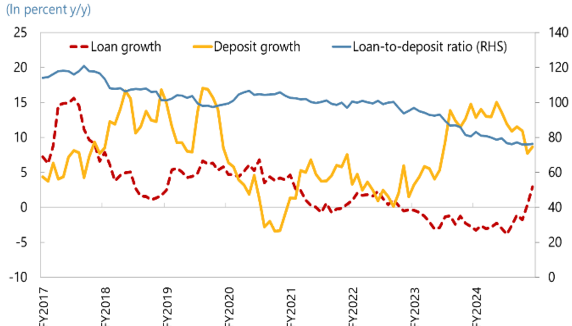
Key Items in Commercial Banks Balance Sheet
(Annual change in millions Tala)



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

With subdued credit growth and strong deposit growth, banks loan-to-deposit ratio has declined significantly…

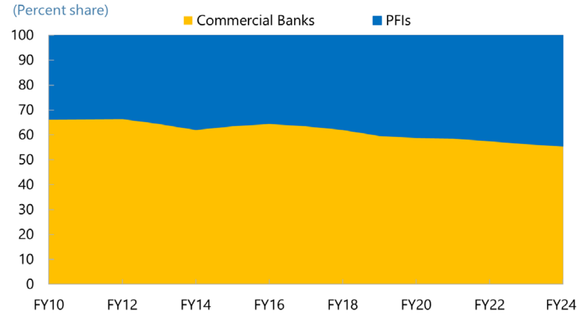
Bank Loans and Deposits
(In percent y/y)



Source: Central Bank of Samoa.

… while PFIs' share in private sector credit has increased.

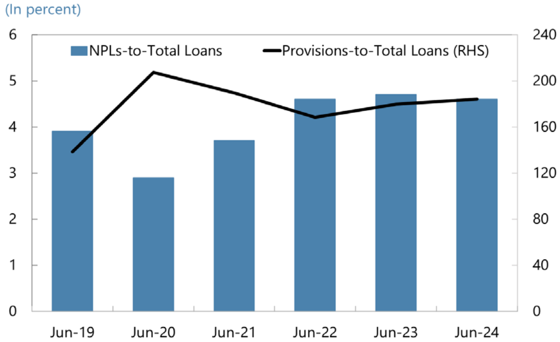
Outstanding Credit to Private Sector
(Percent share)



Sources: Central Bank of Samoa; and IMF staff calculations.
Note: PFIs include DBS, SHC and SNPF.

NPLs have remained slightly above pre- pandemic levels but loans remain well-provisioned…

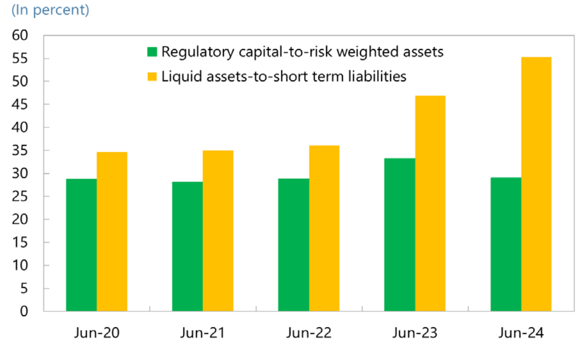
NPLs and Provisioning
(In percent)



Source: Central Bank of Samoa.

…and the banking system has remained resilient with strong capital and liquidity ratios.

Capital Adequacy and Liquidity Ratios
(In percent)

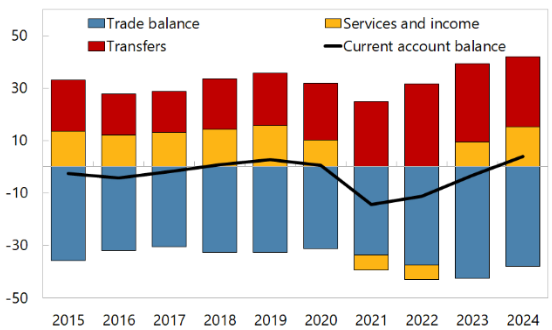


Source: Central Bank of Samoa.

Figure 4. External Sector Developments[1]

The current account position improved further, registering a surplus in FY2024……

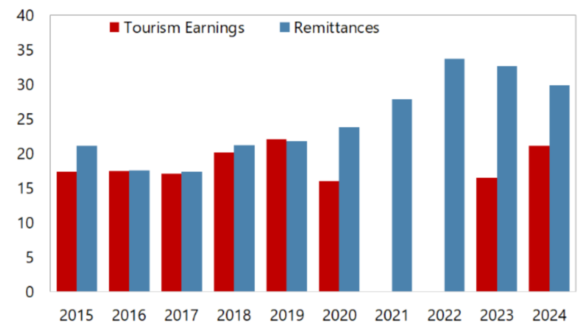
Current Account Balance
(In percent of GDP)



Sources: Samoan authorities and IMF staff calculations

…with strong recovery in tourism earnings and still high remittance inflows in nominal terms.

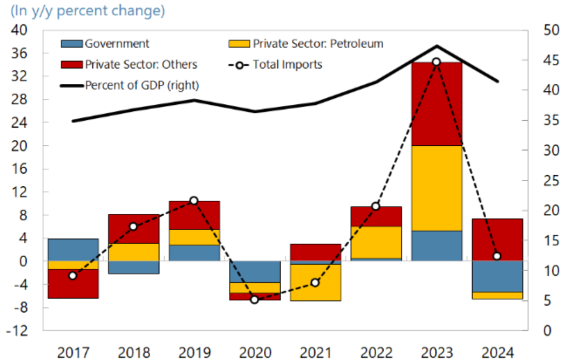
Tourism Earnings and Remittances
(In percent of GDP)



Sources: Samoan Authorities and IMF Staff Calculations

Imports growth slowed as commodity prices moderated and one-off imports were unwound

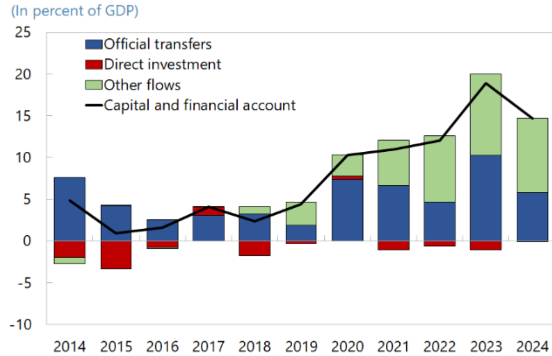
Imports: Contribution by Public and Private Sectors
(In y/y percent change)



Sources: Samoan authorities and IMF staff calculations

Capital and financial accounts remained positive driven by official transfers and 'other flows'.

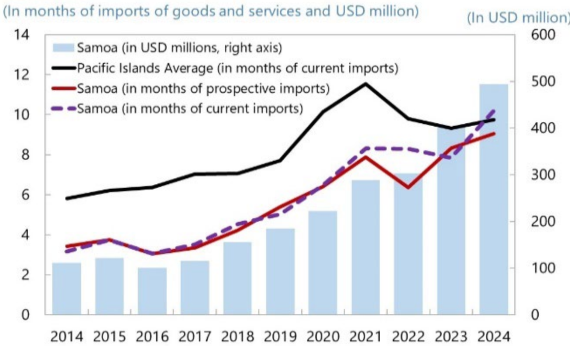
Capital and Financial Accounts
(In percent of GDP)



Sources: Samoan authorities and IMF staff calculations

FX reserves increased and coverage remained adequate at 9 months of prospective goods and services imports.

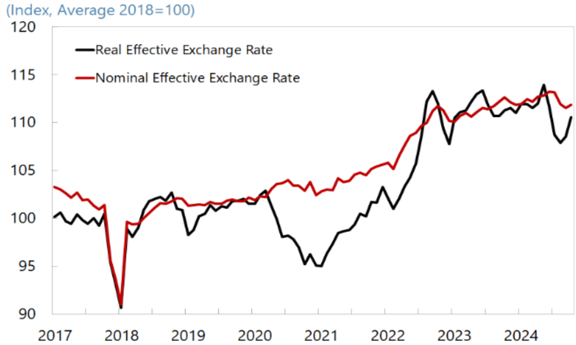
Reserves
(In months of imports of goods and services and USD million)



Sources: World Economic Outlook and IMF staff calculations

The nominal effective exchange rate appreciated in FY2024, but depreciated marginally in recent months.

Effective Exchange Rates
(Index, Average 2018=100)



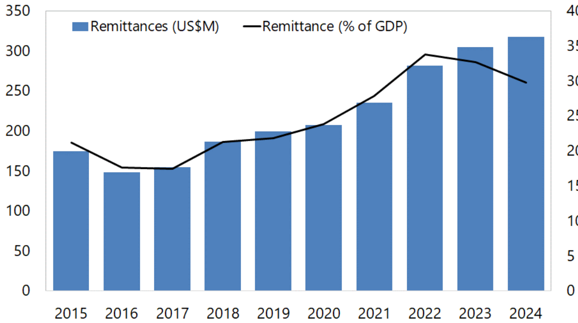
Source: International Financial Statistics

1/ The data presented in the charts are based on fiscal year, except for Effective Exchange Rates which is monthly.

Figure 5. The Role of Remittances

Remittance inflows surged during the pandemic and remain high…

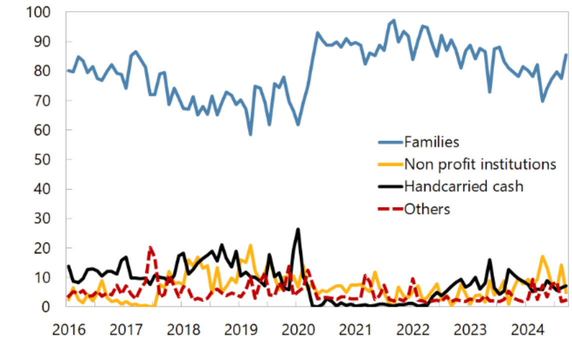
Remittances in Samoa
(in US$M and in percent of GDP)



Sources: Samoan Authorities and IMF Staff Estimates

…providing a critical source of income to families.

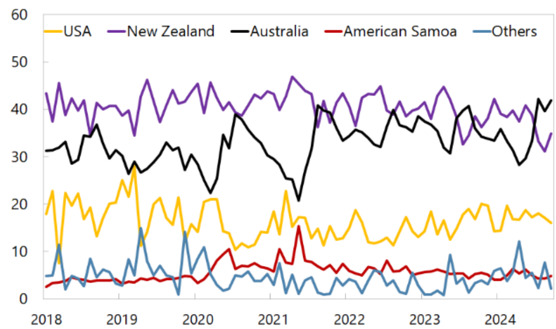
Remittances by Recipients
(In percent)



Sources: Samoan authorities and IMF staff calculations.

Australia and New Zealand continue as the two main countries for remittance inflows to Samoa.

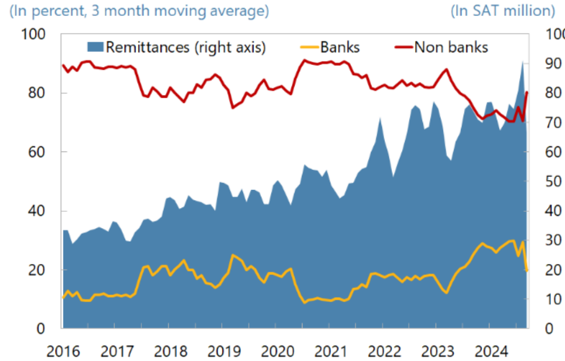
Remittances by Country of Origin
(In percent)



Sources: Samoan authorities and IMF staff calculations.

Remittances are primarily channeled through non-banks, although banks have increased their market share…

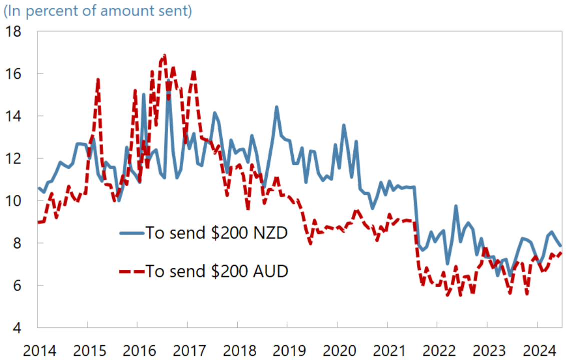
Remittances by Share
(In percent, 3 month moving average) (In SAT million)



Sources: Samoan authorities and IMF staff calculations.

While the average cost of remittance transfers has been falling, it remains above the G20 objective of 5 percent…

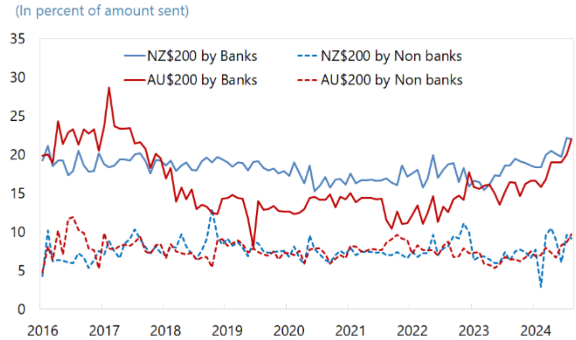
Average Cost of Remittances Across Channels
(In percent of amount sent)



Sources: Samoan authorities and IMF staff calculations.

…and the cost of receiving remittances through banks is higher than through non-banks.

Average Cost of Remittances Across Channels
(In percent of amount sent)



Sources: Samoan authorities and IMF staff calculations.

Table 1. Samoa: Selected Economic and Financial Indicators 1/

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
					Proj.				
Output and Inflation			(12-month percent change)						
Real GDP	-7.0	-5.4	9.2	9.4	5.5	2.8	2.1	2.0	2.0
Nominal GDP	-7.5	0.0	18.0	14.9	8.7	6.0	5.2	5.0	5.1
Consumer price index (end of period)	4.1	10.8	10.7	0.8	3.5	2.6	3.0	3.0	3.0
Consumer price index (period average)	-3.0	8.7	12.0	3.6	3.1	3.0	3.0	3.0	3.0
Central Government Finances			(In percent of GDP)						
Revenue and grants	36.5	38.5	34.1	36.0	33.0	32.0	31.5	31.5	31.4
Of which: Grants	6.8	9.4	4.5	6.2	4.2	4.0	4.0	4.0	4.0
Expenditure	34.7	33.1	31.0	25.9	33.1	33.5	33.4	33.5	33.6
Of which: Expense	31.3	32.2	27.5	25.7	27.9	28.3	28.2	28.3	28.2
Of which: Net acquisition of non-financial assets	3.4	0.9	3.5	0.3	5.2	5.2	5.2	5.2	5.4
Overall balance	1.7	5.4	3.0	10.1	-0.1	-1.5	-1.9	-2.0	-2.2
Gross debt outstanding	46.3	43.7	33.3	27.7	22.5	19.3	20.4	21.5	22.6
Money and Credit Aggregates			(12-month percent change)						
Broad money (M2)	8.1	2.2	16.3	7.7	7.5	6.0	6.0	6.0	6.0
Private sector credit, commercial banks	1.5	0.2	-2.6	3.5	4.0	5.0	5.0	5.0	5.0
Private sector credit, other financial corporations	-0.9	4.9	2.9	8.2	...	...	...	...	...
Private sector credit, total financial system	2.0	0.6	-0.1	3.7	...	...	...	...	...
Private Sector Credit			(In percent of GDP)						
Commercial banks	53.1	53.2	43.9	39.5	...	...	...	...	...
Total financial system	94.0	94.6	80.1	72.3	...	...	...	...	...
Bank Financial Soundness									
Regulatory capital to risk-weighted assets, ratio	28.1	28.8	33.2	29.0	...	...	...	...	...
Non-performing loans to total gross loans, ratio	3.7	4.6	4.7	4.6	...	...	...	...	...
Balance of Payments			(In percent of GDP)						
Current account balance	-14.5	-11.3	-3.3	4.0	-0.5	-1.2	-1.3	-1.6	-2.0
Merchandise exports, f.o.b.	4.1	3.8	4.6	3.5	3.4	3.5	3.5	3.5	3.7
Merchandise imports, f.o.b.	37.8	41.4	47.1	41.3	43.0	42.9	42.7	42.5	42.5
Services (net)	-3.9	-2.9	10.8	17.6	16.4	16.0	16.0	16.0	16.0
Of which: Tourism receipts	0.0	0.0	16.4	21.0	21.9	21.5	21.5	21.5	21.5
Income (net)	-1.7	-2.6	-1.3	-2.3	-2.7	-2.8	-2.8	-2.8	-2.8
Current transfers (net)	24.8	31.7	29.6	26.4	25.4	25.1	24.6	24.1	23.7
External Reserves and Debt									
Gross official reserves (million U.S. dollars) 2/	288.5	303.2	401.7	494.3	503.8	506.2	523.9	542.9	557.5
(in months of next year's imports)	7.9	6.4	8.3	9.0	8.8	8.5	8.5	8.3	8.2
External debt (in percent of GDP)	46.1	43.6	33.3	25.9	20.9	17.8	19.0	20.3	21.5
Exchange Rates									
Market rate (tala/U.S. dollar, period average)	2.57	2.61	2.73	2.76	...	...	...	...	...
Real effective exchange rate	-0.5	6.4	9.2	-0.6	...	...	...	...	...
(12-month percent change) 3/									
Memorandum items:									
Nominal GDP (million tala)	2,169	2,170	2,562	2,943	3,200	3,391	3,568	3,748	3,938
GDP per capita (U.S. dollars)	4,136	4,032	4,498	5,070	5,474	5,728	5,945	6,160	6,440

Sources: Data provided by the Samoan authorities; and IMF staff estimates and projections.
1/ Fiscal years July-June.
2/ Incorporates August 2021 SDR allocation.
3/ Increase signifies appreciation.

Table 2. Samoa: Balance of Payments[1/]

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
					Projections				
				(In millions of U.S. Dollars)					
Current account balance	-122.1	-94.3	-31.1	42.3	-5.6	-14.2	-17.1	-21.5	-27.4
Trade balance	-284.4	-312.6	-398.1	-403.2	-459.5	-481.8	-499.7	-517.8	-542.5
Exports, fob	34.8	31.8	43.6	37.9	39.5	42.1	44.6	46.7	51.3
Imports, fob	319.2	344.4	441.7	441.1	499.0	524.0	544.3	564.5	593.7
Services balance, net	-33.2	-24.3	101.1	187.5	190.3	195.4	203.9	212.5	223.5
Services credits	63.8	70.4	230.3	325.4	346.9	360.3	376.0	391.8	412.6
Of which: Tourism receipts	0.0	0.0	154.2	224.4	254.1	262.6	274.0	285.5	300.9
Services debits	97.0	94.7	129.2	137.9	156.6	164.9	172.1	179.3	189.1
Primary income, net	-14.1	-21.7	-11.7	-24.3	-31.3	-34.0	-35.1	-36.5	-39.0
Secondary income, net	209.7	264.3	277.6	282.3	295.0	306.2	313.7	320.2	330.5
Official transfers, net	-0.2	-0.3	-0.4	0.3	0.3	0.2	0.2	0.2	0.2
Private transfers, net	209.9	264.6	278.0	282.0	294.7	305.9	313.6	320.1	330.4
Capital account balance	75.5	60.1	140.1	108.2	90.1	92.6	95.6	97.9	102.4
Official	56.0	38.6	96.2	61.7	45.7	46.8	48.9	50.5	53.5
Private	19.5	21.4	43.9	46.5	44.3	45.8	46.7	47.4	48.9
Financial account balance 2/	17.1	40.2	36.6	47.9	75.0	76.0	60.8	57.4	60.4
Direct investment, net	-9.0	-4.9	-9.8	-0.7	-5.8	-6.1	-6.4	-6.6	-7.0
Portfolio investment, net	-12.5	36.5	2.2	9.9	11.3	11.8	12.4	12.9	13.5
Other investment, net	38.6	8.6	44.2	38.7	69.5	70.2	54.8	51.1	53.8
Errors and omissions	92.9	72.2	-2.4	-29.0	0.0	0.0	0.0	0.0	0.0
Overall balance	29.2	-2.2	70.1	73.6	9.6	2.4	17.7	19.0	14.6
Financing	-29.2	2.2	-70.1	-73.6	-9.6	-2.4	-17.7	-19.0	-14.6
Change in gross official reserves (- is increase)	-29.2	2.2	-70.1	-73.6	-9.6	-2.4	-17.7	-19.0	-14.6
Net use of credit	-1.7	-1.7	-1.7	-1.7	-2.3	-4.5	-4.5	0.0	0.0
Of which: IMF disbursements (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Repayments to the IMF (-)	-1.7	-1.7	-1.7	-1.7	-2.3	-4.5	-4.5	0.0	0.0
Exceptional financing	0.0	0.0	0.0	0.0	-0.6	-0.6	-0.6	-0.6	0.0
				(In percent of GDP)					
Current account balance	-14.5	-11.3	-3.3	4.0	-0.5	-1.2	-1.3	-1.6	-2.0
Trade balance	-33.7	-37.5	-42.4	-37.8	-39.6	-39.5	-39.2	-39.0	-38.8
Exports, fob	4.1	3.8	4.6	3.5	3.4	3.5	3.5	3.5	3.7
Imports, fob	37.8	41.4	47.1	41.3	43.0	42.9	42.7	42.5	42.5
Services balance, net	-3.9	-2.9	10.8	17.6	16.4	16.0	16.0	16.0	16.0
Services credit	7.6	8.4	24.5	30.5	29.9	29.5	29.5	29.5	29.5
Of which: Tourism receipts	0.0	0.0	16.4	21.0	21.9	21.5	21.5	21.5	21.5
Services debit	11.5	11.4	13.8	12.9	13.5	13.5	13.5	13.5	13.5
Primary income, net	-1.7	-2.6	-1.3	-2.3	-2.7	-2.8	-2.8	-2.8	-2.8
Secondary income, net	24.8	31.7	29.6	26.4	25.4	25.1	24.6	24.1	23.7
Official transfers, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private transfers, net	24.9	31.8	29.6	26.4	25.4	25.1	24.6	24.1	23.7
Capital account balance	9.0	7.2	14.9	10.1	7.8	7.6	7.5	7.4	7.3
Official	6.6	4.6	10.3	5.8	3.9	3.8	3.8	3.8	3.8
Private	2.3	2.6	4.7	4.4	3.8	3.8	3.7	3.6	3.5
Financial account balance 2/	2.0	4.8	3.9	4.5	6.5	6.2	4.8	4.3	4.3
Direct investment, net	-1.1	-0.6	-1.0	-0.1	-0.5	-0.5	-0.5	-0.5	-0.5
Portfolio investment, net	-1.5	4.4	0.2	0.9	1.0	1.0	1.0	1.0	1.0
Other investment, net	4.6	1.0	4.7	3.6	6.0	5.8	4.3	3.9	3.9
Errors and omissions	11.0	8.7	-0.3	-2.7	0.0	0.0	0.0	0.0	0.0
Overall balance	3.5	-0.3	7.5	6.9	0.8	0.2	1.4	1.6	1.2
Financing	-3.5	0.3	-7.5	-6.9	-0.8	-0.2	-1.4	-1.6	-1.2
Change in gross official reserves (- is increase)	-3.5	0.3	-7.5	-6.9	-0.8	-0.2	-1.4	-1.6	-1.2
Net use of credit	-0.2	-0.2	-0.2	-0.2	-0.2	-0.4	-0.4	0.0	0.0
Exceptional financing	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0

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/ Excluding reserve assets.

Table 3a. Samoa: Budgetary Central Government Operations

					Projections				
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
				(In millions of tala)					
Total Revenue	791	835	873	1,060	1,056	1,085	1,122	1,179	1,237
Revenue (excluding grants)	643	632	756	879	923	949	980	1,029	1,079
Tax revenue	543	550	673	779	821	850	887	932	977
Taxes on income, profits & cap. gains	129	131	139	178	193	196	201	211	222
Taxes on property	0	0	0	0	1	1	1	1	1
Taxes on goods & services	354	352	450	514	541	564	590	620	650
Value added tax	218	221	282	316	330	345	360	378	395
Excises	127	125	159	179	195	203	214	225	236
Others	9	6	10	19	16	16	16	17	18
Taxes on int. trade & transactions	60	67	84	87	86	90	95	100	105
Grants	148	203	116	181	133	136	143	150	158
Other revenue	101	82	83	100	103	99	93	98	103
Total Expenditure	753	719	795	763	1,059	1,135	1,190	1,254	1,322
Expense	679	700	704	755	892	958	1,004	1,059	1,109
Compensation of employees	268	281	278	295	328	348	365	384	403
Use of goods and services	170	170	184	208	264	289	305	322	333
Interest	7	11	13	14	13	12	10	13	14
External	6	10	13	12	11	9	8	11	12
Domestic	0	0	0	3	3	3	2	2	2
Subsidies 1/	17	16	4	10	11	12	14	15	16
Grants 2/	159	179	180	186	230	247	256	269	283
Social benefits 3/	28	34	36	35	38	41	43	46	48
Other expense 4/	30	8	9	7	8	10	10	11	11
Transactions in nonfinancial assets	74	19	91	8	166	176	186	195	213
Gross operating balance	112	135	168	305	164	126	118	120	128
Overall balance	38	117	78	297	-3	-50	-67	-75	-85
Overall balance excluding grants	-110	-87	-39	116	-135	-186	-210	-225	-242
Primary balance	45	127	90	311	11	-38	-57	-62	-70
Financing	38	117	78	297	-3	-44	-67	-75	-85
Net acquisition of financial assets	13	61	6	212	-82	-119	0	0	0
Domestic currency and deposits	13	61	6	212	-82	-119	0	0	0
Net incurrence of liabilities	-25	-56	-71	-85	-80	-69	67	75	85
External loans (net)	-22	-53	-70	-83	-78	-67	69	77	87
Disbursement	2	0	25	0	0	6	143	142	148
Amortization	24	53	95	83	78	73	74	65	61
Domestic loans (net)	-3	-3	-1	-2	-2	-2	-2	-2	-2
Statistical discrepancy	0	0	0	0	0	0	0	0	0
Memorandum items:									
Nominal GDP	2,169	2,170	2,562	2,943	3,200	3,391	3,568	3,748	3,938
Total central government debt	1,004	948	853	815	719	655	727	808	892
Domestic debt	5	2	1	53	52	50	48	46	44
External debt	1,000	947	852	762	668	605	679	762	848
Stock of government deposits	321	356	362	574	492	373	373	373	373

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

1/ Primarily to subsidize the cost of production for public corporations.
2/ Grants paid to extra budgetary units of the central government. Includes calls on central government guarantees.
3/ To meet the direct cost of social assistance related spending that are not covered by a social security fund or provident fund.
4/ Includes current and capital transfers to meet the cost of operation for state owned enterprises, which are not part of subsidies.

Table 3b. Samoa: Budgetary Central Government Operations

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
					Projections				
				(In percent of GDP)					
Total Revenue	36.5	38.5	34.1	36.0	33.0	32.0	31.5	31.5	31.4
Revenue (excluding grants)	29.6	29.1	29.5	29.9	28.9	28.0	27.5	27.5	27.4
Tax revenue	25.0	25.3	26.3	26.5	25.6	25.1	24.9	24.9	24.8
Taxes on income, profits & cap. gains	6.0	6.0	5.4	6.0	6.0	5.8	5.6	5.6	5.6
Taxes on property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on goods and services	16.3	16.2	17.6	17.5	16.9	16.6	16.5	16.5	16.5
Value added tax	10.0	10.2	11.0	10.7	10.3	10.2	10.1	10.1	10.0
Excises	5.9	5.7	6.2	6.1	6.1	6.0	6.0	6.0	6.0
Others	0.4	0.3	0.4	0.6	0.5	0.5	0.5	0.5	0.5
Taxes on int. trade & transactions	2.8	3.1	3.3	2.9	2.7	2.7	2.7	2.7	2.7
Grants	6.8	9.4	4.5	6.2	4.2	4.0	4.0	4.0	4.0
Other revenue	4.6	3.8	3.2	3.4	3.2	2.9	2.6	2.6	2.6
Total Expenditure	34.7	33.1	31.0	25.9	33.1	33.5	33.4	33.5	33.6
Expense	31.3	32.2	27.5	25.7	27.9	28.3	28.2	28.3	28.2
Compensation of employees	12.3	13.0	10.9	10.0	10.2	10.3	10.2	10.2	10.2
Use of goods and services	7.8	7.8	7.2	7.1	8.2	8.5	8.5	8.6	8.5
Interest	0.3	0.5	0.5	0.5	0.4	0.3	0.3	0.4	0.4
Subsidies 1/	0.8	0.7	0.2	0.3	0.4	0.4	0.4	0.4	0.4
Grants 2/	7.3	8.2	7.0	6.3	7.2	7.3	7.2	7.2	7.2
Social benefits 3/	1.3	1.6	1.4	1.2	1.2	1.2	1.2	1.2	1.2
Other expense 4/	1.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Transactions in nonfinancial assets	3.4	0.9	3.5	0.3	5.2	5.2	5.2	5.2	5.4
Gross operating balance	5.2	6.2	6.6	10.4	5.1	3.7	3.3	3.2	3.2
Overall balance	1.7	5.4	3.0	10.1	-0.1	-1.5	-1.9	-2.0	-2.2
Overall balance excluding grants	-5.1	-4.0	-1.5	3.9	-4.2	-5.5	-5.9	-6.0	-6.2
Primary balance	2.1	5.9	3.5	10.6	0.3	-1.1	-1.6	-1.6	-1.8
Financing	1.7	5.4	3.0	10.1	-0.1	-1.3	-1.9	-2.0	-2.2
Net acquisition of financial assets	0.6	2.8	0.2	7.2	-2.6	-3.5	0.0	0.0	0.0
Domestic currency and deposits	0.6	2.8	0.2	7.2	-2.6	-3.5	0.0	0.0	0.0
Net incurrence of liabilities	-1.2	-2.6	-2.8	-2.9	-2.5	-2.0	1.9	2.0	2.2
External loans	-1.0	-2.4	-2.7	-2.8	-2.4	-2.0	1.9	2.1	2.2
Disbursement	0.1	0.0	1.0	0.0	0.0	0.2	4.0	3.8	3.8
Amortization	1.1	2.4	3.7	2.8	2.4	2.2	2.1	1.7	1.6
Domestic loans	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Statistical discrepancy	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)	2,169.5	2,170.2	2,561.7	2,943.5	3,200.3	3,391.2	3,567.6	3,747.7	3,938.2
Total central government debt	46.3	43.7	33.3	27.7	22.5	19.3	20.4	21.5	22.6
Domestic debt	0.2	0.1	0.0	1.8	1.6	1.5	1.3	1.2	1.1
External debt	46.1	43.6	33.3	25.9	20.9	17.8	19.0	20.3	21.5
Stock of government deposits	14.8	16.4	14.1	19.5	15.4	11.0	10.4	9.9	9.5

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

1/ Primarily to subsidize the cost of production for public corporations.
2/ Grants paid to extra budgetary units of the central government. Includes calls on central government guarantees.
3/ To meet the direct cost of social assistance related spending that are not covered by a social security fund or provident fund.
4/ Includes current and capital transfers to meet the cost of operation for state owned enterprises, which are not part of subsidies.

Table 4. Samoa: Central Bank and Commercial Bank Balance Sheets

	2019/20	2020/21	2021/22	2022/23	2023/24
	(In millions of Tala; end of period)				
Central Bank					
Net foreign assets	496	639	665	951	1,211
Net domestic assets	-59	-98	-134	-196	-454
Net credit to central government	-191	-226	-267	-299	-455
Net credit to financial corporations	137	130	125	101	6
Other items (net)	-5	-1	8	3	-5
Monetary base	437	541	530	756	757
Other Depository Corporations					
Net foreign assets	7	15	45	101	115
Net domestic assets	1,123	1,201	1,189	1,315	1,422
Net credit to central government	-89	-94	-67	-96	-155
Net credit to public nonfinancial corporations 1/	9	10	7	8	6
Credit to private sector	1,136	1,153	1,155	1,124	1,164
Net claims on central bank and other financial corporations 1/	314	396	370	577	662
Other items (net)	-246	-264	-276	-298	-254
Deposits and other liabilities	1,130	1,216	1,234	1,416	1,537
Transferable deposits	419	486	501	663	772
Other deposits	709	726	730	750	763
Depository Corporations, Consolidated					
Net foreign assets	503	653	710	1,052	1,326
Net domestic assets	722	672	645	523	372
Broad money	1,225	1,325	1,355	1,575	1,697
	(In percent of GDP; end of period)				
Central Bank					
Net foreign assets	21.2	29.5	30.6	37.1	41.1
Net domestic assets	-2.5	-4.5	-6.2	-7.6	-15.4
Monetary base	18.7	24.9	24.4	29.5	25.7
Other Depository Corporations					
Net foreign assets	0.3	0.7	2.1	3.9	3.9
Net domestic assets	47.9	55.4	54.8	51.3	48.3
Credit to private sector	48.4	53.1	53.2	43.9	39.5
Deposits	48.2	56.0	56.9	55.3	52.2
Depository Corporations, Consolidated					
Net foreign assets	21.5	30.1	32.7	41.1	45.0
Net domestic assets	30.8	31.0	29.7	20.4	12.6
Broad money	52.3	61.1	62.4	61.5	57.7
	(12-month percent change)				
Monetary and Credit Aggregates					
Monetary base	7.3	23.8	-2.0	42.5	0.2
Broad money	-0.9	8.1	2.2	16.3	7.7
Credit to private sector, commercial banks	5.9	1.5	0.2	-2.6	3.5

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

1/ Net credit is net of liquid liabilities.

Table 5. Samoa: Financial System Balance Sheet

	2019/20	2020/21	2021/22	2022/23	2023/24
	(In millions of Tala; end of period)				
Other Financial Corporations 1/					
Net foreign assets	87	100	174	185	229
Net domestic assets	1,195	1,234	1,275	1,358	1,504
Net credit to central government	39	46	51	54	60
Net credit to public nonfinancial corporations	49	40	63	68	71
Credit to private sector	861	853	895	921	997
Net credit to depository corporations	121	132	88	149	206
Other items (net)	124	163	177	167	170
Liabilities and equity	1,282	1,334	1,449	1,544	1,733
Loans	100	95	92	111	109
Technical reserves	887	912	992	1,058	1,177
Shares and other equity	296	327	364	375	447
Financial Corporations Survey 2/					
Net foreign assets	596	755	883	1,238	1,449
Net domestic assets	1,811	1,816	1,840	1,786	1,768
Net credit to central government	-247	-274	-283	-342	-427
Net credit to public nonfinancial corporations	58	50	70	76	72
Credit to private sector	2,000	2,040	2,053	2,051	2,127
	(In percent of GDP; end of period)				
Other Financial Corporations 1/	1,997	2,006	2,050	2,046	2,161
Net foreign assets	3.7	4.6	8.0	7.3	7.8
Net domestic assets	51.0	56.9	58.8	53.3	51.3
Credit to private sector	36.7	39.3	41.2	36.1	34.0
Liabilities and equity	54.7	61.5	66.8	60.5	59.1
Financial Corporations Survey 2/					
Net foreign assets	25.4	34.8	40.7	48.5	49.4
Net domestic assets	77.3	83.7	84.8	70.0	60.3
Net credit to central government	-10.5	-12.6	-13.0	-13.4	-14.6
Net credit to public nonfinancial corporations	2.5	2.3	3.2	3.0	2.5
Credit to private sector	85.3	94.0	94.6	80.4	72.6
	(12-month percent change)				
Financial System Aggregates					
Credit to private sector, other financial corporations	9.9	-0.9	4.9	2.9	8.2
Credit to private sector, total financial system	10.9	2.0	0.6	-0.1	3.7

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

1/ Other Financial Corporations include DBS, SNPF, SHC, UTOS, Samoa Life Assurance Corporation, and four General Insurance Companies.

2/ Financial Corporations Survey consolidates the accounts of Depository Corporations (Central Bank and Other Depository Corporations) and Other Financial Corporations.

Table 6. Samoa: Commercial Bank Financial Soundness Indicators

	2019/20	2020/21	2021/22	2022/23	2023/24
Capital Adequacy					
Regulatory capital to risk-weighted assets, ratio	28.7	28.1	28.8	33.2	29.0
Regulatory Tier-1 capital to risk-weighted assets, ratio	24.5	23.7	24.7	27.7	23.4
Total capital to total assets, ratio	15.2	15.1	14.9	14.2	12.7
Asset Quality					
Non-performing loans to total gross loans, ratio	2.9	3.7	4.6	4.7	4.6
Provisions to non-performing loans	207.2	189.6	168.3	179.7	184.2
Non-performing loans net of provisions to capital, ratio	-1.7	0.2	0.6	-1.8	-3.5
Large exposures to capital, ratio	49.2	53.2	38.2	27.9	38.3
Earnings and Profitability					
Return on assets, ratio	2.4	2.8	2.5	2.8	3.1
Return on equity, ratio	14.6	16.5	15.1	17.1	18.3
Net interest margin, percent	3.6	3.4	2.6	3.5	3.5
Exchange Rate Risk					
Net open position in foreign exchange to capital, ratio	23.8	-6.5	-2.1	4.0	4.3
FX loans to total loans, ratio	4.2	1.9	1.5	1.6	1.0
FX liabilities to total liabilities, ratio	10.0	10.5	14.6	16.8	15.2
Liquidity Ratios					
Liquid assets to total assets, ratio	16.8	19.9	17.7	26.0	27.5
Liquid assets to short-term liabilities, ratio	34.6	35.0	36.1	46.9	55.3
Total loans to total domestic deposits	85.6	79.8	76.8	63.5	65.9

Sources: Central Bank of Samoa; and IMF Financial Soundness Indicators Database.

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

Areas	IMF			World Bank		Asian Development Bank	
	Before 2023	2023 1/	Planned/ ongoing	2023 1/	Planned/ ongoing	2023 1/	Planned/ ongoing
Fiscal Sector							
Public Financial Management	✓	✓	✓	✓	✓	✓	✓
Expenditure framework	✓	✓	✓			✓	✓
Revenue policy and administration	✓	✓	✓		✓		✓
Macro-Financial Issues							
Financial supervision and regulation	✓	✓	✓				
Financial market development	✓					✓	✓
Correspondent Banking Relationships	✓		✓	✓	✓	✓	✓
Macro-structural issues							
Infrastructure				✓	✓	✓	✓
Private sector development				✓	✓	✓	✓
Governance issues	✓					✓	✓
Poverty/Gender/ Inequality				✓	✓	✓	✓
Climate change	✓			✓	✓	✓	✓
Natural Disaster Management				✓	✓	✓	✓
Financial inclusion measures				✓	✓		✓
Macroeconomic statistics and analysis							
Economic statistics	✓	✓	✓	✓	✓	✓	
Macro frameworks and modeling	✓	✓	✓			✓	

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

1/ Calendar year.

Annex I. Implementation of Previous IMF Recommendations

Previous IMF Recommendations	Main Policy Measures
Fiscal policy	
Maintain an expansionary fiscal stance in the near term, prioritizing timely execution of public investment.	The fiscal stance remained contractionary in FY2024 and measured public expenditure remained low. The FY2025 budget envisages an expansionary fiscal stance and an increase in capital spending to pre-pandemic levels.
Gradually reverse pandemic-related electricity tariff cuts to cover the EPC's operational costs, with any subsidies channeled through the budget. Mitigate fiscal risks from SOEs.	Electricity tariff cuts were reversed for public sector and commercial entities, but remain in place for residential entities. The SOE Health Check Tool has been implemented, and credit risk assessments are being conducted for government guaranteed loans.
Strengthen PFM, including by strengthening budget planning and execution and maintaining strict controls over the DDP.	Self-assessment of the Public Expenditure and Financial Accountability (PEFA) framework is underway, with an aim to identify reform priorities. Cash flow recording, monitoring, and forecasting are improving. Strict PFM controls on DDP continue to be enforced, reducing the associated fiscal risks.
Gradual, revenue driven, fiscal consolidation in the medium term given high risk of debt distress.	Large fiscal surpluses have helped improve debt dynamics, resulting in an improvement in Samoa's debt rating from high to moderate risk of debt distress. Revenue performance has remained strong, including due to improved revenue administration—the authorities have updated the Compliance Improvement Plan to strengthen revenue administration and collection (particularly targeting tax arrears) and the TIMS has been more widely implemented.
Monetary and financial sector policy	
Begin with gradual monetary policy normalization.	In FY2024, the Central Bank of Samoa (CBS) began normalizing monetary policy by increasing the size and tenure of securities in Open Market Operations. However, interest rates remain low amid significant excess liquidity.
Establish a National Digital ID and a credit bureau to reduce credit risk and promote financial inclusion.	The National Digital ID law was passed in FY2024, with rollout expected over the next two years. Work is in progress on the online credit registry legislation.
Strengthen risk-based AML/CFT supervision and enhance compliance with customer due diligence and	An updated national AML/CFT risk assessment (NRA) and a national AML/CFT strategy have been approved. The National Digital ID law was passed in FY2024.

Previous IMF Recommendations	**Main Policy Measures**
suspicious transaction reporting obligations.	Work towards an establishment of the e-Know-Your-Customer facility is ongoing.
Improve credit intermediation and reduce fiscal risks by strengthening the DBS balance sheet and reorienting its operations.	Capital injections have been made into DBS in recent years. NPLs have been restructured and operations are being reoriented away from large tourism projects toward small businesses and agriculture.
Improve the bank resolution framework and Emergency Liquidity Assistance (ELA) framework.	The CBS is working on preparing draft amendments to the *Financial Institutions Act* and regulations to establish the ELA framework (based on Fund TA).
Structural reforms and climate change	
Implement the priorities of Pathway for the Development of Samoa five-year plan and take advantage of the PACER-PLUS agreement covering regional trade to diversify exports by improving the business environment, promoting private sector participation, and further reducing trade facilitation costs.	Samoa Export Authority has been established and the FY2022-2027 *Agriculture and Fisheries Sector Plan*, focuses on improving agriculture and fisheries production at the district level with an aim to raise exports. The FY2025-2029 *Trade, Commerce and Manufacturing Sector Plan* outlines policies and outcomes to prioritize private sector growth, trade arrangements, and exports. Samoa continues to implement the WTO Trade Facilitation Agreement. To help facilitate foreign and private sector investment, the government published the National Investment Policy Statement and the Samoa Investment Guide.
Training programs should be expanded to rebuild skilled labor supply, especially among the youth. In the tourism sector, expanding training programs and providing greater access to credit for facility renovations could help restore capacity.	Tourism sector has recovered to pre-pandemic level though some labor shortages persist. The government has made efforts to build and expand the Technical and Vocational Educational and Training (TVET) programs by partnering with local universities and other institutions such as the Australia Pacific Training Coalition (APTC). The *Labor and Employment Relations Amendment Act 2023* aims to further align with international labor standards, improve worker protection, and adjust the minimum wage every two years.
Increase climate-related investments by securing additional financing through grants or highly concessional loans. Strengthen climate resilience by improving natural disaster preparedness and response capabilities.	Projects aimed at improving climate resilience are being implemented, though limited capacity remains a key challenge. Efforts are being made to integrate climate risk considerations into the planning and procurement phases of public investment projects.

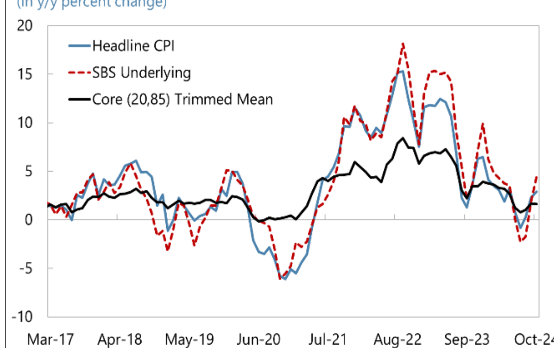
Annex II. Core Inflation Estimation in Samoa: Output of IMF TA[1]

1. Headline inflation and the Samoa Bureau of Statistics (SBS) measure of underlying inflation display significant volatility in Samoa. Samoa's peg to a basket of currencies has helped anchor its inflation rate in the medium term to around that of its trading partners, with inflation averaging just under three percent over the past two decades. Nevertheless, headline CPI inflation has displayed significant volatility due to shocks such as the domestic measles outbreak in 2019, the COVID-19 pandemic, and commodity and shipping cost volatility. Part of the volatility in headline CPI arises from fluctuations in volatile food, fuel and administered prices. However, the SBSs underlying CPI index that excludes most items of these categories has been more volatile than headline CPI since 2017.[2] Given the volatility of the SBS underlying inflation measures, a more appropriate measure of core inflation would be helpful in guiding monetary policy decisions.

2. The CBS and ICD have collaborated in the estimation of a core CPI inflation measure that could provide a useful indication of the path of underlying inflation in Samoa. As part of its technical assistance program, an ICD team has been supporting the CBS to develop a Forecasting and Policy Analysis system, including a suite of near-term and nowcasting tools and a measure of core inflation. Using CPI group and individual item price indices, the team calculated several candidate core inflation series based on a range of volatility-weighted and trimmed mean estimating techniques. These series were then evaluated by testing for biasedness (relative to headline inflation), volatility, and usefulness in predicting future inflation. Based on these tests, an asymmetric trimmed mean (ATM) measure that excluded the bottom 20 percent and top 15 percent of the weighted distribution of price changes, was selected as the preferred measure of core inflation.[3] The selected ATM measure is less volatile than headline CPI inflation and appears to be useful for predicting the future path of inflation. Moreover, when the headline and ATM core measures diverge, headline CPI tends to adjust back to the ATM core rather than *vice-versa*.

3. Recent core inflation estimates suggest underlying inflation remains subdued. Since September 2023, headline CPI inflation has fluctuated between 6.5 percent and –0.8 percent, while the SBS underlying inflation measure has been even more volatile. However, the trimmed mean measure has averaged around 3 percent, falling to 0.8 percent in July 2024 and currently at 1.6 percent in October 2024 (Text Figure).

Headline and Core Inflation Estimates, 2017-2024
(In y/y percent change)



Sources: Samoa Bureau of Statistics and IMF staff calculations.

[1] Prepared by Geoffrey Heenan and Ivy Sabuga (both ICD), in collaboration with CBS staff.

[2] The SBS underlying measure excludes fresh fish and vegetables, alcoholic beverages, tobacco products, government rents, utility charges, public transport fares, school and hospital fees, diesel and petrol. The excluded items comprise 41 percent of the CPI basket.

[3] The calculation and evaluation of the core inflation estimates are detailed in a forthcoming IMF Working Paper.

Annex III. External Sector Assessment[1]

Overall Assessment: *The external position of Samoa in 2024 is assessed to be substantially stronger than the level implied by medium term fundamentals and desirable policies, in large part reflecting the tight fiscal stance. The current account (CA) recorded a significant surplus in FY2024, after three consecutive years of being in deficit. The outcome was underpinned by the strong recovery in tourism, still high remittances, and a moderation in global commodity prices from their highs in 2022. FX reserves cover is assessed as adequate according to the ARA metric for credit constrained economies. However, these assessments are subject to substantial uncertainty given large errors and omissions in the balance of payments, frequent data revisions and the volatile nature of the balance of payment flows.*

Potential Policy Responses: *Normalizing fiscal policy, including by scaling up public investment, especially climate-related investment, will help lower the current account surplus.*

Foreign Assets and Liabilities: Position and Trajectory

Data quality on net international investment position (NIIP) hampers the assessment of the position and trajectory of foreign assets and liabilities. With support from IMF technical assistance, Samoa has made progress in updating estimates of IIP data and have submitted a revised series to the IMF's Statistics Department. However, the authorities currently do not publish a full set of IIP data. Nonetheless, gross international reserves are assessed as adequate (see below) and external government debt is considered sustainable, with a moderate risk of debt distress in the long term (see Debt Sustainability Analysis).

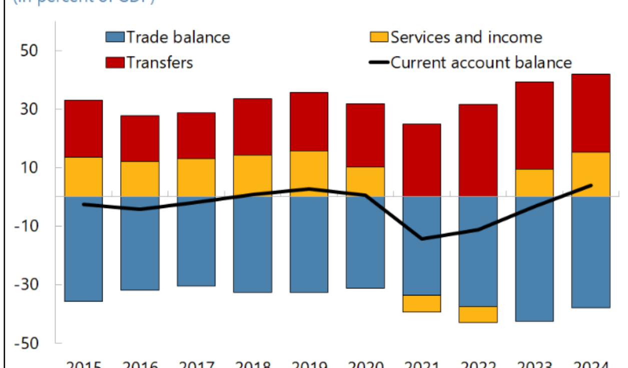
Additionally, foreign assets held by Samoan residents have grown in recent years as the Samoan National Provident Fund (SNPF) and Unit Trust Organization of Samoa (UTOS) have invested growing amounts overseas. Their total foreign assets reached 7.9 percent of GDP in FY2024 compared to 3.3 percent of GDP in FY2019.

Current Account

Background

Samoa's external position has improved. Samoa reopened its borders in August 2022 and has seen a swift turnaround in tourism and economic activity. The current account has improved significantly from a deficit of 11.3 percent of GDP in FY2022 to a deficit of 3.3 percent of GDP in FY2023 and now a surplus of 4 percent of GDP in FY2024. The improvement in the external position in FY2024 reflects continued strong recovery in tourism, coupled with still high remittance inflows (although it slowed as a share of GDP from pandemic-era highs) and an improvement in the trade deficit. The latter was driven by a decline in global commodity prices and the unwinding of one-off imports (including tug, ferry, and patrol boats) from FY2023.

Current Account Balance
(In percent of GDP)



Sources: Samoan authorities and IMF staff calculations

[1] Prepared by Seron Shivanjali.

Assessment

The external position in 2024 is assessed to be substantially stronger than the level implied by fundamentals and desirable policies. In the EBA-Lite CA model, an adjustment was made to the CA norm given Samoa's large migrant share, which is significantly higher than other countries with comparable remittance inflows. After this adjustment, the model estimates an adjusted CA norm of -3.9 percent of GDP for FY2024, a positive CA gap of 8 percent of GDP, and a policy gap of 10.4 percent of GDP. The policy gap is largely driven by fiscal policy (fiscal surplus of over 10 percent of GDP in FY2024 due to strong tax revenue collections and subdued capital expenditure) and FX reserve accumulation.

EBA-lite Model Results, 2024

	CA model 1/ (in percent of GDP)
CA-Actual	**4.0**
Cyclical contributions (from model) (-)	-0.2
Natural disasters and conflicts (-)	0.0
Adjusted CA	**4.1**
CA Norm (from model) 2/	**-8.9**
Adjustments to the norm (+) 3/	5.0
Adjusted CA Norm	**-3.9**
CA Gap	**8.0**
o/w Relative policy gap	10.4
Elasticity	-0.2
REER Gap (in percent)	**-32.2**

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.
3/ The norm adjustor reflects the countries unusally high stock of outward migrants relative to the domestic population, which is significantly higher than other countries with similar levels of remittance inflows. Remittance income is generally associated with a higher average propensity to consume and invest, which would be reflected in a lower current account balance.

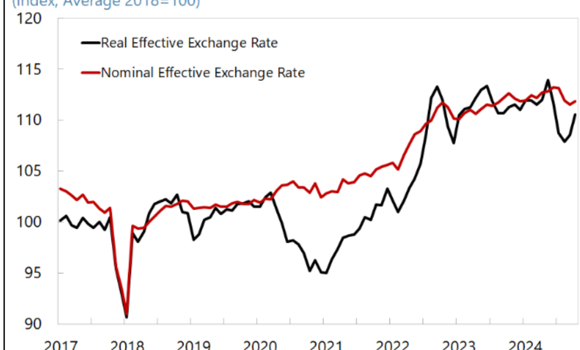
Looking ahead, the current account is projected to record a small deficit in FY2025 of -0.5 percent of GDP. The forecasted deterioration in the current account is largely due to higher imports for construction projects and CHOGM-related preparations, and continued normalization of remittances. In the medium term, remittances are expected to decline further but remain above pre-pandemic levels due to the increase in seasonal workers abroad, while the current account deficit is expected to stabilize at around 2.0 percent of GDP.

Real Exchange Rate

Background

Samoa follows a 'conventional peg' exchange rate regime. The tala is pegged to a basket of four currencies – the Australian dollar (AUD), New Zealand dollar (NZD), US dollar (USD) and the euro (EUR). The weights in the basket are determined by trade, tourism, and other external flows and the tala fluctuates with the movement of the currencies in the basket. In FY2024, the tala depreciated against the USD and the euro but appreciated against other currencies, supporting an appreciation of the nominal effective exchange rate (NEER) by an average 1.4 percent. This, combined with the inflation outcome (period average of 3.6 percent for FY2024) led to the real exchange rate appreciating (REER) by an average 0.4 percent. In more recent months (June-October 2024), the REER depreciated marginally due to a depreciation in the NEER.

Effective Exchange Rates
(Index, Average 2018=100)



Source: International Financial Statistics

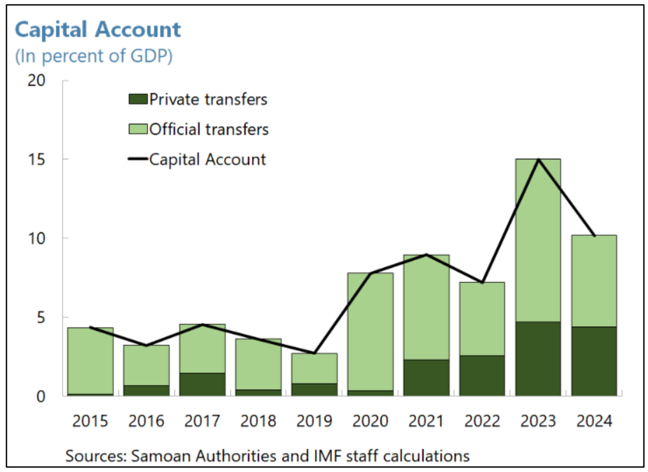
Assessment

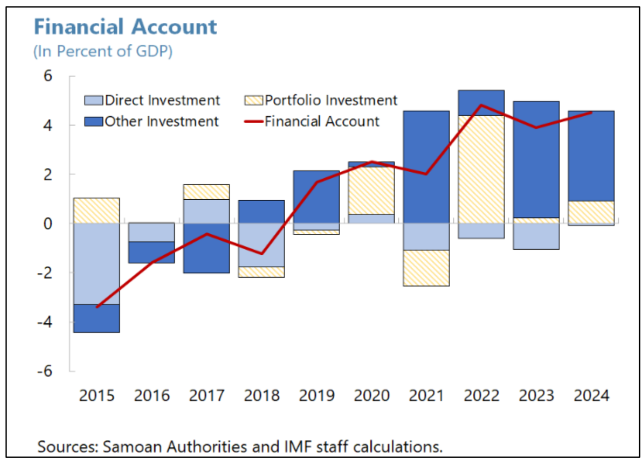
Due to data limitations, the REER and external sustainability approaches under EBA-Lite were not used. Results from the CA approach indicate a REER gap of -32.2 percent (based on elasticity of -0.2), indicating that the real exchange rate is assessed to be undervalued. However, as the fiscal policy gap explains much of the CA gap, the model results do not indicate the need for an exchange rate adjustment.

Capital and Financial Accounts: Flows and Policy Measures

Background

Samoa's capital and financial account flows are largely driven by capital grants and other investment assets. The capital account recorded a surplus of 10.1 percent of GDP in FY2024, driven by official transfers for general government (5.8 percent of GDP) and private transfers (4.4 percent of GDP). Private transfers have been increasing in line with remittance inflows since FY2021 as it captures remittances used to invest in housing. The financial account balance is positive, mainly due to the accumulation of other investment assets. Foreign direct investment in Samoa has been modest due to its remoteness and distance from major markets, while portfolio investments are volatile and largely reflect Public Financial Institutions purchase of assets abroad.





Assessment

Risks from the capital and financial account remain contained. Capital account inflows are expected to continue, supported by government grants, while FDI inflows are expected to remain subdued in the medium term. Samoa maintains a closed financial account and capital transfers and payments require the Central Bank's approval. In addition, external liabilities are in the form of concessional loans (with long repayment schedules), thus, financing requirements are low.

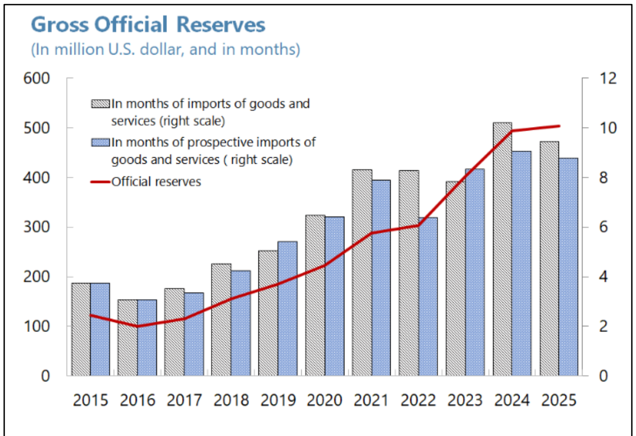
FX Intervention and Reserves Level

Background

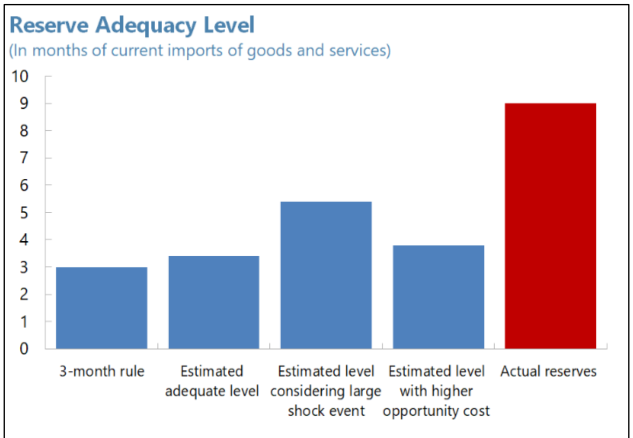
Gross international reserves increased to US$494 million (9 months of prospective imports) at the end of FY2024, from US$402 million at the end of FY2023. The increase was driven by the large current account surplus as well as grants and budget support.

Assessment

Reserve coverage in FY2024 remained well above adequate levels. Based on the Assessing Reserve Adequacy (ARA) metric for small state economies (with fixed exchange rate and a 50 percent probability of a large shock), the optimal level of reserves for Samoa is between 2.3 and 3.8 months of current imports, depending on the assumed cost of holding reserves (6.2 or 4.0 percent, respectively). Incorporating Samoa's higher natural disaster vulnerability (by raising the probability of a large shock to 70 percent) moves up the optimal reserve range to between 3.4 and 5.4 months of imports. In FY2024, the reserves level for Samoa remained above the optimal levels implied by the ARA metric. Over the medium term, although reserves are forecast to decline gradually in months of prospective imports, they are projected to remain well above the ARA metric levels.



Sources: Samoan Authorities and IMF staff calculations.



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

Annex IV. Risk Assessment Matrix[1]

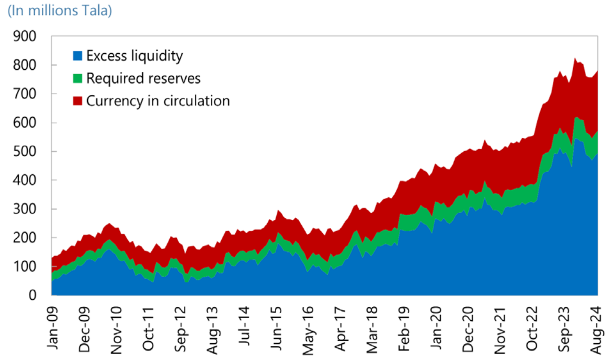
Source of Risks	Relative Likelihood	Expected Impact	Policy Recommendations
Domestic risks			
Domestic inflation risks	**Medium**	**High:** Strong economic recovery, an expected expansionary fiscal policy, acceleration in credit growth amid high bank liquidity, and wage pressures due to minimum wage hikes and labor market recovery leads to domestic inflationary pressures.	Implement a more rapid pace of monetary policy normalization.
Loss of Correspondent Banking Relationships (CBRs)	**High**	**Medium:** The global regulatory landscape results in continued pressures on CBRs, with closure of correspondent bank accounts held by MTOs and the local banks, potentially limiting flow of U.S. dollars, hampering international payments, and raising remittance costs. Foreign banks in Samoa could provide some offset.	Improve AML/CFT legal framework and implementation of AML/CFT supervision, in line with international standards. Roll-out e-KYC utility and national digital ID to strengthen customer due diligence. Improve beneficial ownership transparency.
External risks			
Climate change	**Medium**	**High:** Extreme climate events driven by rising temperature cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. Reconstruction costs add to public debt.	Preserve fiscal and external buffers. Increase investment in climate-resilient infrastructure. Strengthen natural disaster preparedness and response capacities.
Global slowdown	**Medium:**	**High:** Global slowdown in major economies leads to adverse spillovers through trade and financial channels. In particular, a growth slowdown in tourism source countries could weigh on tourism activity and broader economic growth, significantly lower exports and have negative spillovers on the financial sector.	Implement targeted fiscal measures to cushion vulnerable households and businesses. Seek concessional loans and grants for budget support and external buffers. Diversify tourism activity and source markets, and exports. Strengthen the prudential standards for banks, revise and enforce the prudential regulations for PFIs, and establish the emergency liquidity assistance framework.
Commodity price volatility	**High:**	**High:** Supply and demand fluctuations cause recurrent commodity price volatility, external and fiscal pressures, and social and economic instability.	Provide targeted support to low-income households, funded through the budget. Seek additional concessional loans and grants in case of negative shocks. Continue measures to shift to renewable energy sources. Improve local agriculture production and supply-chain.
Intensification of regional conflicts	**High**	**High:** Escalation of regional conflicts disrupts trade (commodities, tourism, supply-chains) and financial flows. Higher import prices could lead to strong inflationary pressures, increased local production costs, reduced household purchasing power, and a deterioration in the current account balance.	Provide targeted support to low-income households, funded through the budget. Seek additional concessional loans and grants for budget support and external buffers. Continue measures to shift to renewable energy sources. Improve local agriculture production and supply-chain.
Deepening geo-economic fragmentation	**High**	**Medium:** Broader conflicts, inward policies and weakened international cooperation result in a less efficient configuration of trade and FDI, supply disruptions and higher shipping and input costs, protectionism, and a fracturing of international monetary system. In Samoa, this could weigh on tourism, remittances and import costs, and increase CBR pressures	Improve trade facilitation and FDI inflows, including by reviewing the regulations, restrictions and reserve list for foreign investors. Facilitate manufacturing sector growth and private sector development.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the most likely scenario 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 10-30 percent, and "high" a probability of 30 percent or more). The RAM reflects staff views on 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.

Annex V. Managing Excess Liquidity in Samoa

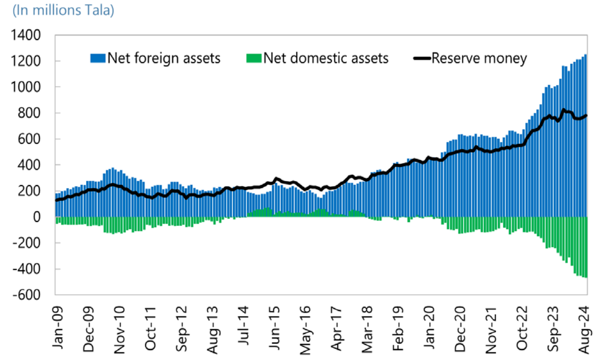
1. **After staying around $100-$200 million tala during 2009-2018, liquidity in Samoa's banking system began rising in 2019 and continued to grow steadily during the pandemic, hovering around $250-$350 million tala.** Liquidity surged further in 2023 and peaked at over $500 million Tala in early-2024 (Text Figure). Assessing the *autonomous factors* on central bank balance sheet that drive liquidity shows that the increase in liquidity in recent years is largely driven by the significant rise in Net Foreign Assets (NFA) (Text Figures).[1] The increase in NFA led by FX reserve inflows has been fueled by a marked increase in government grants and budget support from bilateral and multilateral partners during the pandemic, and high FX purchases from banks owing to strong remittances and a robust recovery in tourism earnings in 2023-2024. However, the impact of government-related FX inflows on liquidity has been somewhat mitigated by the corresponding increase in the government's net position with the CBS, particularly since mid-2023. This includes government deposits related to budget support received from abroad through the CBS and the government's external payment obligations processed through the CBS.[2, 3]

Reserve Money
(In millions Tala)



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

Central Bank of Samoa Balance Sheet
(In millions Tala)



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

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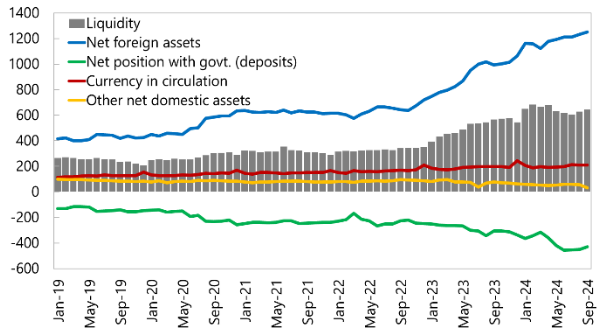
[1]Liquidity conditions are determined by *autonomous factors* on the central bank's balance sheet not controlled by its monetary policy role. With the central bank being the unique creator of liquidity, transactions that affect *aggregate* liquidity are those affecting central bank balance sheet, while transactions between economic actors affect only the *distribution* of liquidity (See IMF TA Report 19/114).

[2]The deposits are interest-bearing local-currency and foreign currency demand deposits.

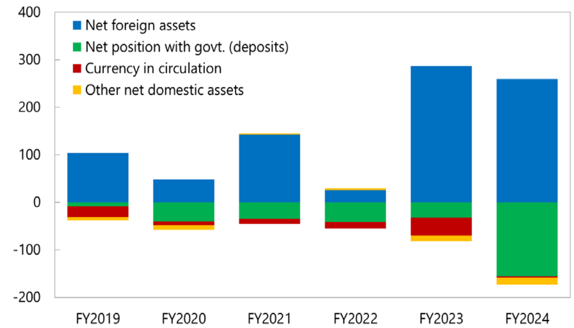
[3]The CBS has not extended any credit to the government during this period.

Autonomous Drivers of Liquidity
(In millions Tala)



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

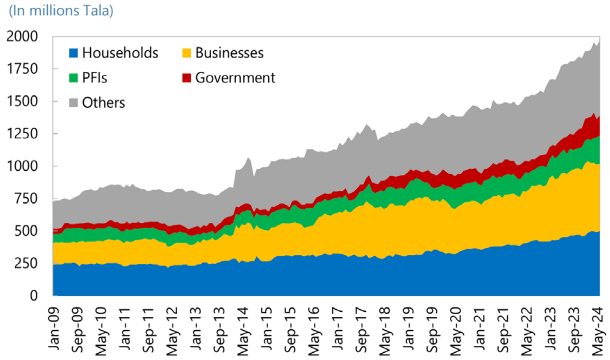
Autonomous Drivers of Changes in Liquidity
(In millions Tala)



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

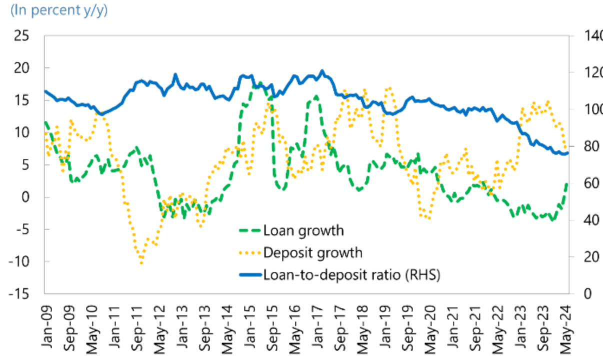
2. **Following the rise in NFA, commercial bank balance sheet has witnessed a sharp increase in deposits in the recent years (Text Figure).** This has been largely driven by the large expansion in household deposits relative to the historical norm, as well as businesses deposits (including foreign-currency deposits), possibly reflecting strong remittances and tourism-related revenues. More recently, government deposits have also risen relative to the historical norm amid budget under-execution. Meanwhile, notwithstanding outward investment by PFIs like SNPF and UTOS in recent years, PFI deposits have continued to grow steadily.[4] Strong deposit growth together with subdued bank lending since the pandemic has caused the bank loan-to-deposit ratio to fall below 80 percent from more than 100 percent in the pre-pandemic years. These factors have kept bank liquidity elevated despite a notable increase in OMOs of CBS securities (Text Figures).

Commercial Banks Deposits
(In millions Tala)



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

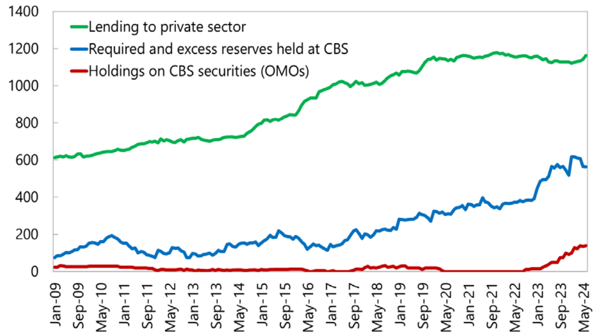
Commercial Banks Loans and Deposits
(In percent y/y)



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

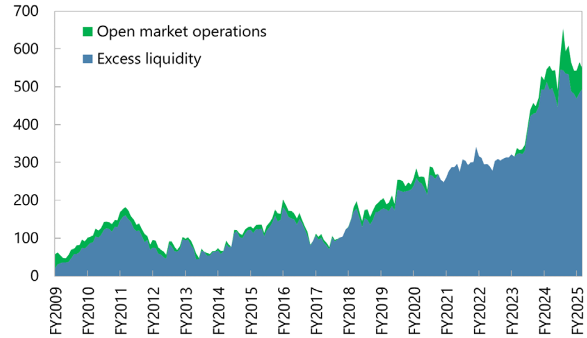
[4] Due to a bank deposit rate cap introduced during the pandemic to improve monetary transmission and reduce competition for PFI deposits among banks, SNPF and UTOS also increased outward investments in view of the limited investment opportunities in the local market.

Key Assets on Commercial Banks Balance Sheet
(In millions Tala)



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

Commercial Banks Excess Reserves and OMOs
(In millions Tala)



Source: Central Bank of Samoa.

3. **Going forward, slower FX reserve accumulation with a normalization in tourism earnings growth and remittances from their recent highs is expected to help contain further surges in liquidity.** This should be supported by the continued recovery in bank lending and a decline in government deposits at banks owing to an expansionary fiscal stance and external debt repayments. However, at the current scale of OMOs, liquidity is likely to remain at elevated levels in the near-term, suggesting that additional liquidity management measures may be needed to absorb excess liquidity.

Policy Measures to Address High Excess Liquidity

4. **Similar to the experience of many small states, liquidity management framework and operations in Samoa are constrained by several challenges (Box 1).** This includes: A less active inter-bank market, the absence of government and private securities markets, lack of adequate collateral, an inactive secondary market for CBS securities, the presence of only four banks of which two are foreign banks with headquarter limits on local exposure, uneven distribution of liquidity among banks, and a less developed monetary policy framework. In addition to the ongoing OMOs, additional liquidity management measures could be considered to improve monetary operations.

- Currently, OMOs remain small relative to the outstanding excess liquidity and about two-thirds of the OMOs are undertaken for short-term maturities (14, 28 and 56 days).[5] To increase the outstanding stock of CBS securities relative to excess liquidity, the scale of OMOs could be increased further with a greater focus on longer-term maturities. Since CBS securities are not traded among banks and held until maturity, the CBS could consider the option to rollover the securities upon maturity to smoothen liquidity operations.

- In the FY2024 Monetary Policy Statement, the CBS indicated that it aims to bring the weighted average yield for OMOs to 2-3 percent compared to 0.9 percent as of September 2024. In case the temporary drivers of liquidity prevail longer, posing challenges to steer interest rates to 2-3 percent, additional liquidity absorption tools could be considered. For instance, the CBS could

[5] CBS securities of 14-days, 28-days, 56-days, 91-days, 182-days and 365-days maturities are auctioned in OMOs.

consider fixed-rate full-allotment OMOs, where CBS securities are auctioned at a specified rate and full amounts of securities demanded by banks are provided by the CBS. However, such operations on top of the ongoing OMOs would entail higher costs for the CBS with fiscal implications.[6]

- The statutory reserve deposit (SRD) ratio was last raised in 2008 to 4.5 percent. Given that SRD deposits are not remunerated, the SRD ratio could be increased to help absorb some of the liquidity overhang at a low cost to the CBS, and reversed as needed going forward based on liquidity and credit conditions. However, the uneven distribution of liquidity across banks could reduce the SRD ratio's effectiveness.

- To reduce the liquidity driven by PFI deposits, outward investment by Unit Trust of Samoa (UTOS) and Samoa National Provident Fund (SNPF) could be increased further. However, UTOS and SNPF have prudential limits on outward investments, and increased investment abroad should be accompanied by strengthening risk management practices and capacity to manage any external volatility.

- The CBS's Reserve Money Program Committee meets on a monthly basis to discuss factors impacting liquidity and decide the CBS securities issuance target.[7] Further efforts could be made to improve the liquidity forecasting framework and strengthen high-frequency forecasting for the autonomous drivers of liquidity, in particular government cash flow.

- The development of a secondary market for CBS securities could be encouraged. In the absence of government securities, making CBS securities eligible as collateral, to some extent, could help promote inter-bank lending.

- Improving the functioning of CBS lending facilities could help improve banks' liquidity management and reduce their need for holding large precautionary liquidity. Aligning the lending facilities with the CBS monetary policy stance could also help improve monetary operations.[8]

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[6] According to the *CBS Act (2015)*, a share of the CBSs net profit is to be paid as dividend to the government; however, in case of a net loss, the entire amount would be absorbed by the CBS General Reserve Account.

[7] With an exchange rate basket peg and a closed capital account, the CBS targets monetary aggregates.

[8] The CBS currently has four standing lending facilities: the rediscount facility, repurchase facility, SRD-linked borrowing, and SRD overnight credit facility.

Box 1. Recent Policy Measures in Small States to Manage Liquidity

Many small states and Pacific Island countries face similar challenges as Samoa in managing the high liquidity driven by large government-related inflows, remittances, and private capital. Absorbing persistently high liquidity and improving monetary transmission is also constrained by many similar challenges: Uneven distribution of liquidity among banks, less-developed inter-bank market and government bond market, and weak bank lending. However, many countries have undertaken measures in recent years to enhance the liquidity management framework and improve transmission across short-term interest rates.

Country	**Liquidity and Monetary Policy Measures**
Barbados	The central bank is continuing its work to enhance the monetary policy framework, in particular through exploring establishing a benchmark policy rate, consistent with the peg. In parallel, the central bank's new liquidity forecasting unit is setting up a daily liquidity forecasting framework to monitor changes in reserve money and estimate banks' demand for precautionary reserves.
Bhutan	A new liquidity framework with liquidity forecasting capabilities and liquidity management through overnight, weekly and 90-day operations has been developed, though not yet operational, along with a structure to establish an interest rate corridor. The "sweeping" of project-related (hydro-power generation) government accounts held at banks back to the Monetary Authority at the end of day acts as an automatic and non-conventional sterilization.
Cabo Verde	Cabo Verde is facing challenges with structural excess liquidity and the effectiveness of the monetary policy transmission. Structural factors like the very low turnover in the interbank market and the limited development of the government securities market continue to hinder the transmission mechanism. The OMOs are not geared at the optimal absorption of excess liquidity. The Central Bank of Cabo Verde (BCV) tries to achieve at least 8 percent of sterilization compared to the international reserves (liquidity injected through reserve accumulation). Budget constraints limit the BCV's ability to conduct more active monetary policy operations. In 2017, the BCV began issuing the long-term sterilization instrument in OMOs at fixed-rate tenders instead of variable-rate tenders to re-link the interest rate on the instrument to the policy rate. In 2019, the BCV reduced the overnight interest rate corridor and made it symmetric, with the overnight rates linked to the policy rate.
São Tomé and Príncipe	To manage high liquidity post-pandemic and sustain monetary policy effectiveness, the central bank has reduced banks' excess reserves in local currency to below STN 200 million through the issuance of CDs at variable rates. The central bank will maintain this level of banks' excess reserves through the issuance of CDs until the six-month moving average of core inflation declines below 3 percent and will start offering 6-month and 12-month CDs in addition to the current 1-month and 3-month ones.
Tonga	In 2023, the Reserve Bank increased the statutory reserve deposit ratio, and introduced a deposit facility for the public pension fund to move its deposits from banks to the Reserve Bank. The deposit facility was ceased in 2024 to support liquidity and bank lending. Pre-pandemic, the pension fund was permitted to transfer balances abroad with the understanding that these funds could be repatriated during episodes of stress. Following an amendment to the Reserve Bank Act, a portion of the Reserve Bank's revaluation reserves can be used to remunerate required reserves, such that the remuneration rate could become an effective policy rate by functioning as a floor.
Papua New Guinea	The Kina Facility Rate (the official interest rate) and cash reserve requirement have been adjusted. The central bank has also increased the volume of OMOs and started fixed-rate full-allotment auctions, aligning the interest rate (the rate on 7-day Central Bank bills) with the Kina Facility Rate. Other liquidity management instruments newly implemented by the central bank in 2024 include overnight standing facilities and reserve averaging. To reduce public sector deposits held outside of the central bank, the authorities are planning to gradually implement a treasury single account. Revenues of statutory bodies held at commercial banks have been transferred to a Consolidated Revenue Fund at the central bank.
Vanuatu	The central bank raised the statutory reserve deposit ratio in 2024 and has conducted OMOs to mop up excess liquidity.
Solomon Islands	The central bank has used cash reserve requirements and OMOs through the issuance of central bank-backed bills and Treasury bills to manage liquidity.

Sources: Country Teams and Article IV Staff Reports.

Annex VI. Key 2015 FSAP Recommendations

Recommendation	Actions Taken
Overarching issues	
Improve the quality and coverage of data. CBS to collect granular data on banks, PFIs, insurers, and other financial intermediaries for prudential and financial stability analysis.	Financial Soundness Indicators are being produced for commercial banks and PFIs broadly in line with international standards. The CBS is improving the coverage and granularity of data with help from IMF TA.
Upgrade the regulatory and supervisory frameworks to modern standards, including amending the Financial Institutions Act and Central Bank Act to support corrective actions and resolution.	The CBS Act (1984) was amended in 2015 and commercial bank prudential guidelines were revised in January 2021. The CBS is working on draft amendments to the Financial Institutions Act (1996), which incorporate corrective actions, resolution options, enforcement, governor's discretion, etc., and plans to include issues such as cyber risk and green financing.
CBS should raise capacity and hire additional staff for financial oversight, and over time assume supervision and regulation of all financial intermediaries.	This is a continuous process. The number of staff has increased gradually but capacity remains a challenge. The CBS continues to train staff on report forms, licensing process, and onsite inspections.
Banking supervision and regulation	
Conduct regular on-site inspections, and in-depth assessments of financial statements (including asset quality reviews, of potentially vulnerable banks).	This is a continuous process. Regular on-site inspections and assessment of financial statements of commercial banks is being conducted.
Upgrade supervisory guidance to banks, especially regarding risk management and NPL write-offs.	Completed. The revised commercial bank prudential guidelines were issued in January 2021.
PFIs - supervision and regulation	
CBS to produce periodic financial soundness indicators for PFIs and ensure proper IFRS accounting, especially for loan classification, NPLs, and provisioning.	This is a continuous process. Financial Soundness Indicators are being produced for all PFIs, and the CBS analyzes their financial statements on a quarterly basis.
CBS to issue and upgrade prudential regulations for PFIs.	The CBS issued prudential regulations for insurance companies and SHC in 2020. The CBS is reviewing the prudential standards for DBS and SNPF.
CBS to start on-site inspections of PFIs.	This is a continuous process. The CBS has begun conducting on-site inspection of PFIs and plans to undertake inspections periodically.
Offshore bank regulation and supervision	
Enhance operational independence of Samoa International Finance Authority (SIFA) to supervise international banks and remove potential for conflict between SIFA's promotional and supervisory roles.	In October 2016, the SIFA created a separate division, Invest Samoa, focusing solely on promotion. In December 2020, the Cabinet approved establishing a separate company solely responsible for promotion and marketing, which will allow the SIFA to focus on its supervisory role.

Recommendation	Actions Taken
PFIs – governance	
Government to reform mandates and governance of PFIs for defined policy objectives based on cost-benefit assessments, and to ensure efficient operations.	While there have been no reforms to the mandates of PFIs, the government is currently reviewing the mandate of DBS to reorient lending toward MSMEs and agriculture.
Crisis preparedness	
Adopt a full set of enforcement and resolution instruments.	The CBS is working on draft amendments to the Financial Institutions Act (1996), which incorporates corrective actions, resolution options, enforcement, governor's discretion, etc., and plans to include issues such as cyber risk and green financing..
Create an appropriate scheme and operational framework for Emergency Liquidity Assistance (ELA).	With help from IMF TA, the CBS is working on regulations and policy framework to establish the Emergency Liquidity Assistance framework.
Systemic financial stability	
CBS and Ministry of Finance to create financial stability and contingency planning committees.	The Financial Stability Committee has been created but only one meeting has taken place. Regular meetings are contingent on additional stress test results.
CBS to analyze systemic risks, including stress testing and macro-financial mapping.	An in-house preliminary and unofficial stress testing exercise was conducted by CBS staff in 2018. Macro-financial mapping has not been undertaken thus far.
Central bank policies and operations	
CBS to unwind lending to Development Bank of Samoa (DBS) and Samoa Housing Corporation (SHC).	There has been no new lending to DBS and SHC via the credit line facility (CLF) since May 2018. DBS and SHC are making repayments on previous CLF loans.
Access to finance	
Focus on indirect measures to enhance access to finance, including credit bureau, economic use of customary land, and complete setting up a personal property registry.	Work is in progress on the credit registry bill. A personal property registry was implemented in 2016.
Insurance	
CBS to develop insurance supervisory strategy and capacity building plans.	The CBS has implemented several measures to establish a risk-based system of supervision. The CBS is working on draft amendments to the Insurance Act (2007) covering supervisory issues.
Payment system and financial market infrastructure	
CBS to implement the new National Payment Systems.	The Automated Transfer System (ATS) and Central Securities Depository (CSD) were established in 2023 and are being used by banks. The CBS is working to onboard the Ministry of Finance and the Ministry of Customs and Revenue into the system, and to activate the Immediate Funds Transfer (IFT).

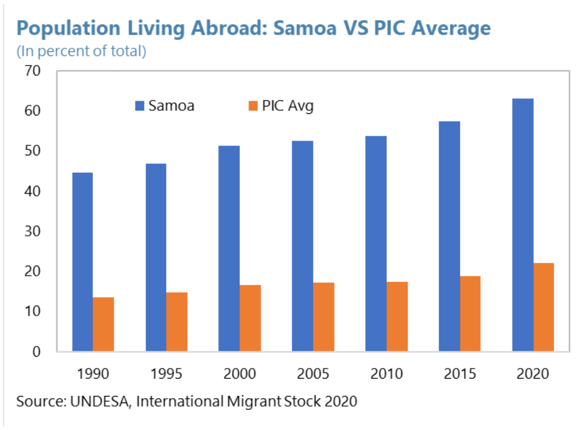
Annex VII. Tradeoffs from Higher Migration: Remittances vs Human Capital Loss

Trends in Migration

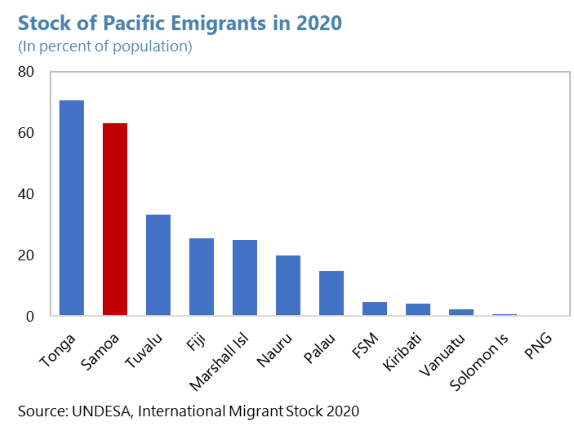
1. **Samoa has one of the largest diasporas in the Pacific, with a significant share of the population living abroad.** Permanent emigration from Samoa increased significantly from around 40 percent of the total population in 1990 to over 60 percent in 2020, with only Tonga having a higher emigration share in the region (Figure 1).[1] The largest Samoan diaspora is in New Zealand, given historical links with New Zealand's administration of Samoa from 1920 until 1961, while Australia and American Samoa also have large Samoan emigrant populations.

Figure 1. Samoa: Permanent Migration

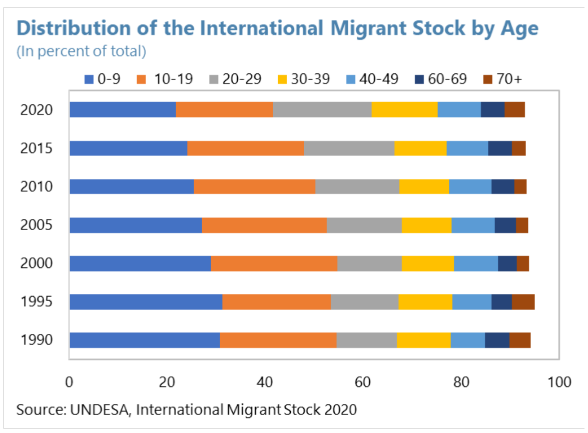
Permanent emigration from Samoa has increased significantly since 1990…



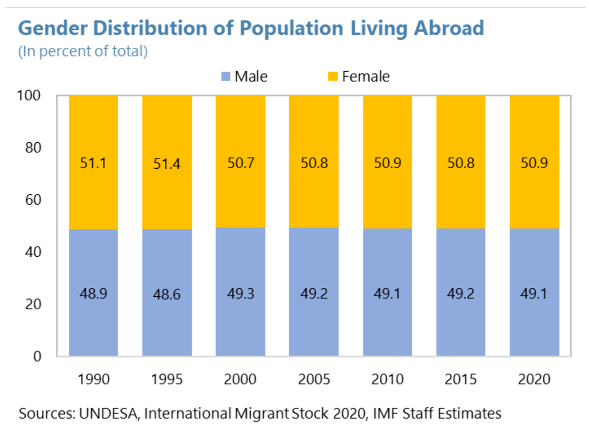
…and remains one of the highest in the Pacific, after Tonga



Majority of the Samoans settled abroad are relatively young (less than 30 years old)…



…with slightly more Samoan females living abroad than males.



[1] The comparison across countries of statistics on international migration is difficult as countries use different concepts and definitions.

2. In addition to permanent emigration, a crucial development in Samoa's migration pathway was the rollout of temporary migration programs through labor mobility schemes. Samoa is part of the established bilateral schemes: the Recognized Seasonal Employer (RSE) Scheme which officially began in New Zealand in 2007, and the Pacific Labour Scheme (PLS) and the Seasonal Workers Program (SWP) of Australia, which were consolidated into a single program—the Pacific Australia Labour Mobility (PALM) scheme in 2022. Apart from the established bilateral schemes with Australia and New Zealand, there are temporary migration pathways for New Zealand under essential skills category. Recruitment to these programs is allowed through a work-ready pool2 and directly by employers, facilitated by the Labor and Employment Export Program (LEEP) Division of the government.

Labour Mobility Schemes Currently Accessed by Samoa	
Pacific Labour Scheme (PLS) Australia	Established in 2018, opportunities for low and semi-skilled workers to participate in employment for up to three years in rural and regional Australia in accommodation and food services, health care and social assistance, and non-seasonal agriculture, forestry, and fishing.
Seasonal Workers Program (SWP) Australia	Seasonal work in the agriculture sector as well as the accommodation and tourism sectors for up to nine months at a time.
Recognized Seasonal Employer (RSE) Scheme New Zealand	Established in 2007 in the horticulture and viticulture industries for up to seven months in any 11-month period. Most workers are based in Nelson, Marlborough, Hawkes Bay, and the Bay of Plenty regions.
Pacific Trade Partnership New Zealand	An initiative to connect New Zealand construction employers experiencing labour shortages with skilled and experienced carpenters and hammer hands from Samoa on temporary work visas for up to three years.
Accredited Employer Work Visa (AEWV) New Zealand	The Labour & Employment Export Program (LEEP) Division also facilitates employment of Samoan workers for select New Zealand employers. This is a visa pathway (establised in August 2022) and Employers must have NZ accreditation to recruit workers to fill occupations where there is a genuine labour skills shortage or no New Zealand citizens or residence class visa holders are available to carry out work.

Source: Government of Samoa, 2023. Samoa's Policy for Temporary Labour Migration under the Labour Mobility Schemes of Australia and New Zealand.

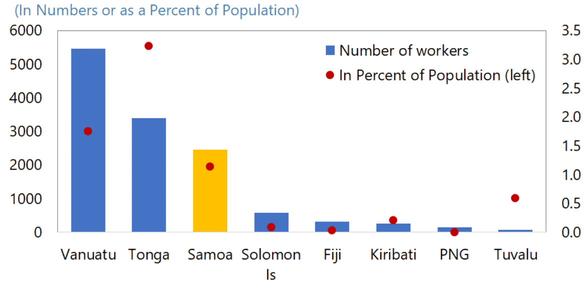
3. Samoa is a major supplier of workers to the Australian and New Zealand labor mobility schemes, with a significant increase seen in recent years. Samoa has been the third largest supplier to the labor mobility scheme—both in terms of absolute number of workers and as a share of its own population—with only Tonga and Vanuatu being larger users of the schemes. Pre-COVID, the number of Samoan workers participating in these schemes was gradually increasing, reaching about 1.5 percent of the population in 2019. After a temporary decline in 2020-21 due to border closures and travel restrictions, the number of workers in the mobility schemes picked up significantly, exceeding 3 percent of Samoa's population (Figure 2). Samoan workers usually work in agriculture, fishing, tourism and meat processing sectors in Australia and New Zealand, with women constituting only around 5 percent of participants from Samoa, one of the lowest in the region.

[2] Aims to prioritize the unemployed, with each worker to enter an MOU with the Government.

Figure 2. Samoa: Temporary Migration for Labor Mobility Schemes

Samoa is the third largest supplier of labor in the Pacific…

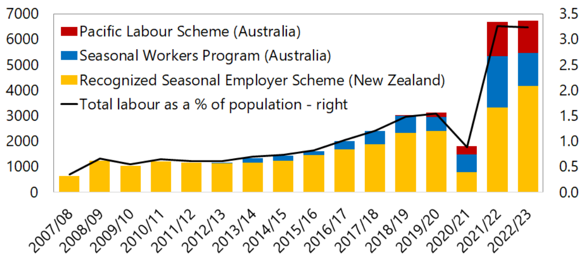
Seasonal Workers from PIC's Under the RSE and SWP Schemes (Average per year for the period: 2012-2022)
(In Numbers or as a Percent of Population)



Sources: International Labour Organization. 2022. Seasonal Worker Schemes in the Pacific Through the Lens of International Human Rights and Labour Standards. Technical Report; World Bank and IMF Staff Estimates

…with the number of Samoan workers in Australia and New Zealand increasing significantly post pandemic

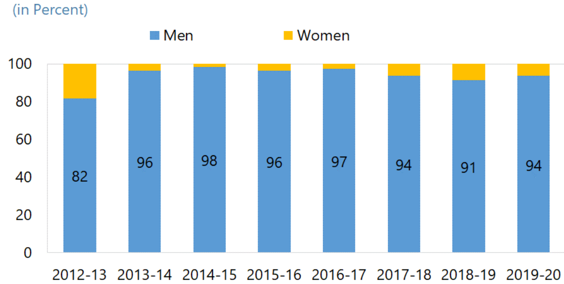
Samoa's Participation in the Labour Schemes (2007-2023)
(in Numbers or as a Percent of Population)



Note: The year for visa grants/arrivals runs from 01 July - 30 June
Sources: E. Sharman, and C. Bedford. 2023. Samoa's shifting seasonal work priorities - Devpolicy Blog from the Development Policy Centre; World Bank and IMF Staff Estimates

Participation in these schemes is heavily dominated by men….

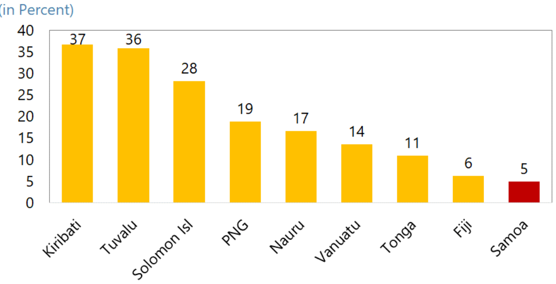
Number of Workers under SWP Scheme by Gender
(in Percent)



Sources: International Labour Organization. (2022). Seasonal worker schemes in the Pacific through the lens of international human rights and labour standards. Technical Report.; IMF Staff Estimates

…and the participation of Samoan women in the labor schemes remain low relative to other PIC's

Participation of Pacific Women in the RSE Scheme (2007-2022)
(in Percent)



Source: C. Bedford, and R. Bedford. 2023. Pacific seasonal workers' participation in the RSE scheme: the numbers and their implications - Devpolicy Blog from the Development Policy Centre

Economic Benefits and Costs

4. **Both the permanent and temporary migration pathways have facilitated employment and income earning opportunities, with labor scheme participants earning significant premiums compared to domestic wages.** The main economic benefit from migration is the support to families and communities in Samoa through remittance inflows and compensation of employees.[3] Samoa is the second largest recipient of remittances in the Pacific after Tonga, with around 80 percent of Samoan households receiving remittances.[4] Following the pandemic, remittance inflows surged, in part due to the rise in participation in the labor mobility schemes, with remittances playing a counter-cyclical role and providing an important source of support to affected

[3] As per BOP data standards, compensation of employees includes earnings of seasonal workers and other short-term workers abroad, while remittances include transfers from permanent emigrants.
[4] Market Development Facility. Annual Report. 2021. Cashing in on Pacific Remittances.

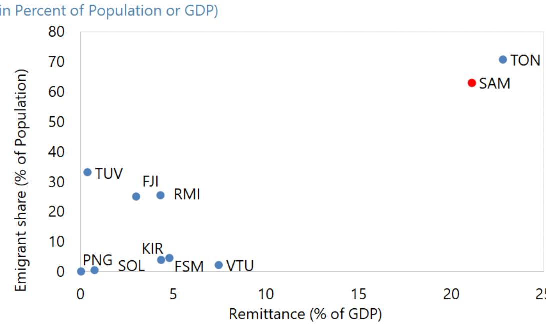
households when tourism collapsed. Staff estimates indicate that seasonal workers earn between 3.5 to 4.5 times higher wages per hour than the average wage in Samoa.[5] Furthermore, estimates suggest that unskilled worker's average residual income (i.e. income available for savings after deductions and consumption abroad) is comparable to the annual average earnings of formal sector workers in Samoa.[6]

Figure 3. Remittance Inflows

Samoa is the second largest recipient of remittances in the Pacific, reflecting the large emigrant population…

Emigrant Share and Remittance Inflows

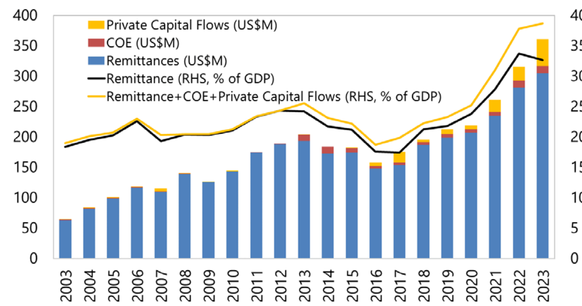
(in Percent of Population or GDP)



Note: Remittance data for the period 2010-2023 (average) for all countries except RMI (2010-2022) and FSM (2010-2019); emigrant share in population as of 2020
Source: Country Authorities and IMF Staff Estimates

… significant growth was experienced in remittance inflows into Samoa during the pandemic….

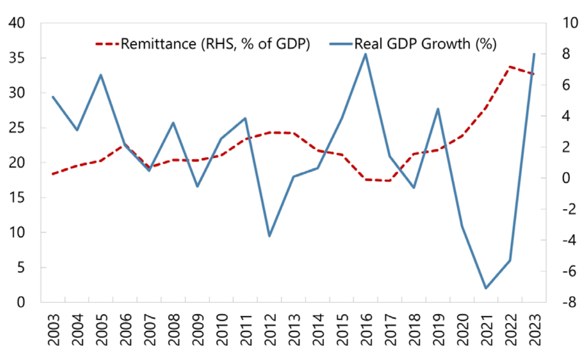
Remittance Trends in Samoa



Notes: COE - Compensation of Employees (covers seasonal workers transfers); private capital flows also include remittances used to purchase homes.
Sources: Samoa Bureau of Statistics, Central Bank of Samoa and IMF Staff Estimates

with remittances playing a counter-cyclical role in providing support to households during the pandemic.

Remittance and Economic Growth



Sources: Samoa Bureau of Statistics, Central Bank of Samoa and IMF Staff Estimates.

Remittances tend to be used for consumption as well as investment in human capital and housing in the Pacific.

Usage of Remittances

(In percent of households)

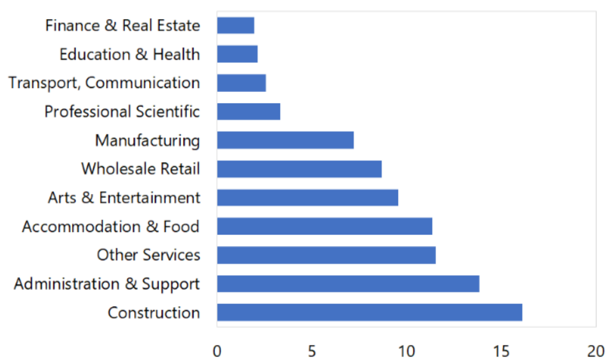
Source: World Bank. 2023. Pacific Economic Update. Recovering in the Midst of Uncertainty. Special Focus: Harnessing the Benefits of Pacific Migration.

[5] Estimations for seasonal workers earnings are calculated using data provided by the LEEP Division (average hours of work per week; average salary per hour in AU$ and NZ$) and the prevailing exchange rates for Australia and New Zealand. Estimations of average monthly gross income in Samoa is taken from the 2022 Labour Force and Child Labour Survey.

[6] For RSE, the average residual income for a Samoan fruit picker during 2017-2018 period was $14,601 to $18,723 tala—see MCIL Annual Report (2019-2020). This compares to the average gross monthly income in Samoa for paid employment of around $1,444 tala (or on an annual basis of SAT$17,328).

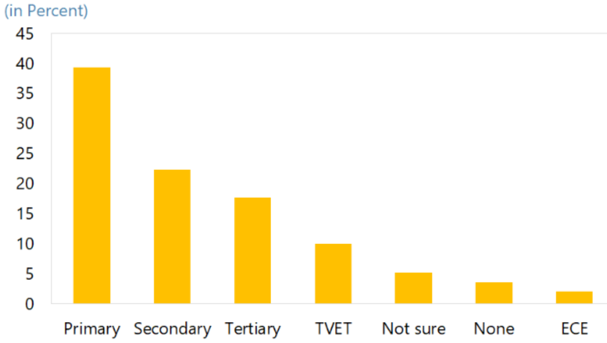
5. At the same time, the rise in emigration and labor scheme participation has implications for domestic labor market. The labor mobility schemes were traditionally designed to target low and unskilled workers. However, both New Zealand and Australia have expanded their schemes, with the PALM scheme now targeting more skilled workers in the hospitality, aged care, and tourism sectors.[7] Data from Samoa's 2022 Labour Market Survey suggests a significant proportion of skilled workers leaving jobs in Samoa's key industries to work overseas (Text Figures). Construction and tourism related sectors saw significant resignations of workers who joined the labor mobility schemes, while around 28 percent of returned migrant workers had tertiary levels of education or technical/vocational training.

Resignation for Labour Mobility Work by Industry: 2022
(in Percent of Formal Private Sector Workforce)



Source: Labour Market Survey (2022) and IMF Staff calculations

Returned Migrant Workers by Highest Level of Education: 2022
(in Percent)



Source: Samoa Bureau of Statistics. 2022 Labour Force and Child Labour Survey

Policies

6. Following a review, the government released a new policy that governs Samoa's participation in the labor mobility schemes. The main objectives of the review were to establish an accreditation process for employers recruiting from Samoa; ensure safety and security and appropriate compensation for workers; and enforce return of workers to Samoa upon completion of the period of employment. In August 2023, Samoa's new "Policy for Temporary Labour Migration under the Labour Mobility Schemes of Australia and New Zealand" was unveiled. Key reforms include: (i) capping the number of workers mobilized annually to 6000 for New Zealand and another 6,000 for Australia; (ii) tightening the selection process to ensure that the most vulnerable communities are prioritized (those unemployed and living below the basic needs poverty line of 55.80 tala per week); (iii) the involvement of District Development Committees in the selection process; and (iv) imposing cost recovery measures by charging an administration fee for workers ($50 tala) and participation fee for constituency committees ($1000 tala).[8] The cap on workers is currently not binding and should not significantly impact the migration scheme. Other changes to

[7] Source: The Guardian (2023). 'A very big gap': Pacific businesses desperate for staff as workers leave for Australia and New Zealand.

[8] Since the release of the policy, the authorities have worked on socialization of the policy with all local stakeholders and the approved employers in Australia and New Zealand, as well as implemented the annual participation fee for District Councils and workers while the accreditation and charging of fees for agents and approved employers is pending and currently under discussion.

the scheme, including the involvement of District Committees should be monitored to ensure smooth operations of the scheme while protecting worker interests.

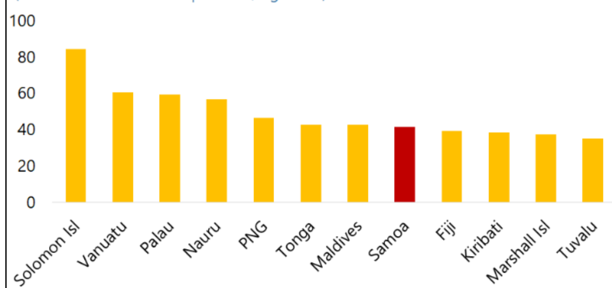
7. Further policy reform measures can help to ease the negative impact of labor migration from Samoa whilst also enhancing its benefits:

- ***Improving domestic labor market conditions to mitigate incentive for outward migration:*** The authorities should continue efforts to make the domestic labor market more attractive by implementing labor and product market reforms. The focus should be on promoting private sector development and diversification to create more local investment and employment. Relatedly, reviewing foreign investment restrictions and regulations can help facilitate FDI inflows and diversification, boosting job creation. Strengthening social safety nets, education and training, and aligning training needs to the sectors that face significant labor shortages can also help limit migration pressures.

- **Encouraging female labor force participation to offset the decline in labor force:** There is potential to increase female labor force participation rate in Samoa by increasing enrollment in early-childhood education, increasing childcare availability, and prompting businesses to offer flexible work environment. In addition, Samoa could also try to replicate good practices from Kiribati to increase the proportion of its women participating in the labor mobility schemes (Box 1).

Female Labour Force Participation Rate

(in Percent of Female Population, Age 15+)



Source: World Bank. Gender Data Portal

Note: Data for all countries is for 2023, except Palau (2020), Nauru (2021), Kiribati (2020), Marshall Islands (2021) and Tuvalu (2022)

- ***Reintegration support*** – upskilling and re-skilling opportunities can be provided to the returned seasonal workers to facilitate skills transfer and re-integration into the labor market.

- ***Financial literacy programs*** – increasing financial literacy of seasonal workers and their families to enable them to make informed decisions related to the use of income, saving, and investing.

- ***Need to enhance data collection on migration*** – data on migration flows for Samoa are currently limited.[9] Lack of detailed data limits the understanding of the complex dynamics and impacts of migration. Having updated and reliable data would enable the formulation of relevant and effective migration policies.

[9] The Samoa Bureau of Statistics only provides total departures (by sea and air) and net migration.

Box 1. Kiribati – Example of Good Practice in Enhancing Women's Participation.

For Kiribati, migration is seen as a long-term climate adaptation strategy, including for women. The Government adopted a National Labour Migration Policy (NLMP) and Action Plan in 2015 to promote opportunities for decent foreign employment as well as protect its workers. The NLMP outlines a clear objective, 'to create equal opportunities for overseas employment for disadvantaged groups, including women' and includes action plan to undertake assessment of access of seasonal work schemes by women. The action plan also outlines a possibility of introducing quotas if women are inadequately represented.

Kiribati has the highest share of women in its seasonal worker population in the Pacific. Between 2007-2022, women accounted for 37 percent of the total number of Kiribati recruits for the RSE scheme. The higher share of women recruits is credited to the Government establishing a dedicated Overseas Employment Unit which has made considerable effort to secure new employers, especially for women. The Ministry of Business Innovation and Enterprise (MBIE) also encourages accredited employers and contractors to provide more work opportunities for women.

Sources:

C. Bedford, and R. Bedford. 2023. Pacific seasonal workers' participation in the RSE scheme: the numbers and their implications - Devpolicy Blog from the Development Policy Centre;

International Labour Organization. 2019. Labour Mobility in Pacific Island Countries.

Annex VIII. Country Engagement Box

1. The key medium-term policy objectives for the Samoan economy are set out in the five-year Pathway for the Development of Samoa (PDS) plan. The PDS focuses on fostering human and community development, promoting diversification, building resilience to shocks including from climate change, and ensuring adequate provision of public goods and services. Other key priorities that the authorities are pursuing include tackling AML/CFT-related concerns on financial integrity particularly to preserve CBRs, improving the effectiveness of monetary policy operations and financial supervision, and enhancing economic data to support evidence-based policy making.

2. Making progress on the policy objectives will require overcoming several challenges. Samoa's remoteness and small size limits economies of scale and increases vulnerabilities to external shocks. While capacity constraints in Samoa are less acute than some peers, limited trained staff and key person risk remains a challenge for policy formulation and implementation. Given large prospective climate adaptation needs, financing could become a challenge going forward though bottlenecks in executing public investment is the key constraints in the near term. External factors, such as the global regulatory environment for AML/CFT, may also be a constraint to meeting policy objectives.

3. IMF engagement with Samoa will integrate surveillance and capacity development (CD) in the following key areas, coordinating with development partners (DPs) as needed.

- *Medium-term growth*: The policies needed to promote diversification and overcome the structural challenges that impede growth will be a focus of surveillance. Key priorities will include improving labor market outcomes, attracting FDI, and scaling up public investment. Staff will coordinate with other DPs with expertise in these areas, including the WB and ADB.
- *Climate resilience:* The CMAP has identified large investment needs and other reform priorities to build climate resilience, and other DPs are also active in this area. Staff will continue engaging with the authorities and DPs on climate-related policies, including on financing needs, capacity to undertake adaptation related investment, and PFM reforms to better reflect climate challenges in budget and project planning.
- *Public financial management:* Staff will engage extensively with authorities through surveillance and CD projects on key PFM reforms to improve fiscal policy formulation and effectiveness, including on expenditure management and assessment, cash and debt management, budget planning and execution, and managing risks from SOEs.
- *Monetary policy and financial supervision:* Staff surveillance and CD programs will assist with the modernization and enhancement of monetary operations and liquidity management and aim to strengthen supervisory frameworks and regulatory capabilities for the financial sector.
- *AML/CFT:* Staff surveillance and CD will focus on improving the AML/CFT regime, ahead of Samoa's next APG Mutual Evaluation in 2027. Staff will also coordinate with other DPs who are assisting the authorities in implementing key projects that will help with financial integrity concerns such as the KYC utility and the credit registry.

- *Data:* Data provided to the Fund has some shortcomings but is broadly adequate for surveillance. However, continued effort to improve data quality can help to better assess economic conditions and formulate appropriate policies. IMF CD engagement in this area, with follow ups in surveillance, is expected to continue.

Annex IX. Data Issues

Table 1. Data Adequacy Assessment Rating 1/

B							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	B	B	C	C	B	B	B
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	B	C	B	B		
Granularity 3/	B		D	C	B		
			A		C		
Consistency			C	C		B	
Frequency and Timeliness	B	A	A	A	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund is adequate for surveillance.
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. The data provided to the Fund has some shortcomings but is broadly adequate for surveillance. Core macroeconomic and monetary data are regularly provided to the IMF, and published on official websites. National accounts data has improved in recent years, with quarterly production side data and annual expenditure data published regularly. Planned work with the help of IMF TA to produce a SUT and rebase GDP and the CPI will help further improve real sector data. There is significant scope to enhance fiscal data including by: (i) improving the measurement of capital expenditure, which is currently treated as a residual between above-the-line and below-the-line items, making it unsuitable for use in surveillance; and (ii) harmonizing the institutional coverage in the budget and the GFS outturns to improve fiscal transparency and allow for better policy assessment. Given the importance of scaling up the current low levels of public investments in order to boost the economy's productive capacity and meet climate adaptation needs, improving capital expenditure data should be a priority. For external sector statistics (ESS), notable improvements have been made over the years which have positioned Samoa more favourably in comparison to other countries in the region, including in the compilation and submission of IIP data to STA, creation and maintenance of external debt database, proper recording of the Debt Services Suspension Initiative, and inclusion of estimates of in-kind grants in the external statistics. However, errors and omissions have been large in recent years, and further enhancements are needed in some areas, including remittances, travel credits, direct investment, and improving consistency in recording of non-cash grants. Given weakness in fiscal and extarnal data, staff liaise closely with the authorities and TA experts to best assess latest develpments. Detailed and high-frequency monetary and financial sector (MFS) data is available with a one-quarter lag, though the coverage of some institutions and some definitional issues could be addressed. Specifically, the quality of FSI data should be improved, and some FSI data available with the central bank could be published and shared with the Fund.

Changes since the last Article IV consultation. Notable improvements have been observed in the compilation of ESS, including aligning the IIP with MFS, estimation of average visitor expenditure using departure cards, and initiating data collection related to cross-border labor mobility, which would help enhance data on compensation of employees and remittances. There are some improvements in the coverage of Other Financial Corporations (OFCs) by incorporating updated source data for insurance companies.

Corrective actions and capacity development priorities. Ongoing TA by PFTAC aims to improve consistency between budget estimates and fiscal statistics, sourcing below-the-line fiscal data from additional sources, and enhancing capital expenditure estimation. Ongoing TA by STA aims to improve the coverage and granularity of external sector and monetary and financial sector data, with the authorities committed to improving external sector data, including on travel credits, remittances, and FDI.

Use of data and/or estimates different from official statistics in the Article IV consultation. None.

Other data gaps. More detailed migration data, including on the demographic and socio-economic status of seasonal workers and longer-term emigrants, would enable better tracking of migrants and the formulation of relevant and effective migration policies.

Table 2. Data Standards Initiatives

Samoa participates in the Enhanced General Data Dissemination System (e-GDDS) and it first published data on its National Summary Data Page in April 2017.

Table 3. Table of Common Indicators Required for Surveillance

As of December 2024

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[5]	Frequency of Reporting[5]	Expected Frequency[5, 6]	Samoa[7]	Expected Timeliness[5, 6]	Samoa[7]
Exchange Rates	11-Dec-24	12-Dec-24	D	D	D	D	...	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Sep-24	Nov-24	M	M	M	M	1M	1Q
Reserve/Base Money	Sep-24	Nov-24	M	M	M	M	2M	2M
Broad Money	Sep-24	Nov-24	M	M	M	M	1Q	2M
Central Bank Balance Sheet	Sep-24	Nov-24	M	M	M	M	2M	2M
Consolidated Balance Sheet of the Banking System	Sep-24	Nov-24	M	M	M	M	1Q	2M
Interest Rates[2]	Sep-24	Nov-24	M	M	M	M	NA	2M
Consumer Price Index	Oct-24	Nov-24	M	M	M	M	2M	1M
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Sep-24	Dec-24	Q	Q	Q	Q	1Q	1Q
Stocks of Central Government and Central Government-Guaranteed Debt[4]	Jun-24	Sep-24	Q	Q	Q	Q	2Q	1Q
External Current Account Balance	Jun-24	Sep-24	Q	Q	Q	A	1Q	24M
Exports and Imports of Goods and Services	Jun-24	Sep-24	Q	Q	M	M	12W	4M
GDP/GNP	Jun-24	Oct-24	Q	Q	Q	Q	1Q	2Q
Gross External Debt	Jun-24	Sep-24	Q	Q	Q	Q	2Q	1Q
International Investment Position	Jun-24	Sep-24	Q	Q	A	A	3Q	24M

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] Including currency and maturity composition.

[5] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("I") irregular; and ("NA") not available.

[6] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[7] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

Annex X. Implementation of 2022 CMAP Recommendations[1]

Recommendations	**Progress**
National Climate Strategy	
Adaptation plans that include costs of adaptation investment, should be included in the Public Sector Investment Plan (PSIP) or other suitable document	Cost of adaptation investment is included in the PSIP but not explicitly detailed in the document or other materials.
Formalize a disaster risk financing strategy consistent with National Disaster Management Plan, improving availability of information on damages and losses	The Disaster Risk Financing (DRF) Policy 2022-2025 has been approved by cabinet. The document assessed the DRF instruments, identified strategic priorities, and designed a three-year implementation plan.[2]
Keep national and sectoral plans updated	The Samoa national development plan and sector plans with mainstreamed climate and disaster resilience strategies has increased from ten in 2023 to eleven in 2024.
Mitigation	
Increase excise taxes on kerosene and LPG and adjust these excise taxes in line with annual inflation	No change.
Tax electricity at the standard VAT rate of 15% and **ensure the electricity tariff covers cost of provision**	The government reversed some electricity tariff cuts for all non-domestic consumers including commercial consumers and all Government agencies in 2023, although cuts for domestic consumers remain in place. No significant progress on VAT policy reform.
Consider recycling tax revenue from mitigation measures to strengthen the social safety net	NA
Use feebates to encourage the uptake of fuel-efficient vehicles and energy efficient appliances	While not through feebates, the government has rolled out the energy sector plan with the aim of expanding renewable energy use and increasing the efficiency of non-renewable energy use.[3]
Disaster Risk Management	
Develop and maintain a centralized registry of public fixed assets	Samoa Assessment Management System has been upgraded to inform the maintenance needs of infrastructure and to build climate resilience.[4] The approved Asset Management Policy Framework 2024 would assist in the implementation of this initiative.
Include disaster and climate risks in budget documents for a comprehensive contingent liability framework	Building climate resilience has been listed as one of the key priorities in budget documents. However, the considerations are not from the perspective of contingent liabilities.
Recommendations	**Progress**

[1] Highest-priority recommendations are in bold text.

[2] Government of Samoa, Disaster Risk Financing Policy 2022-2025

[3] Government of Samoa, Samoa Energy Sector Plan, FY2023/24-2027/28.

[4] World Bank, Samoa Climate Resilient Transport Project (P165782).

Strengthen social protection for vulnerable households in disaster response and by introducing digital ID	Following the passage of legislation in FY2024, the national digital ID system is expected to be rolled out in FY2025-FY2026. The approved National Social Protection Policy Framework 2023 guides social protection measures for Samoa.
Adaptation	
Strengthen planning through risk zoning, resource mapping, and risk monitoring	The Multi Hazard Early Warning System are established and operating since May 2024. The hazards observational network is improving.[5]
Conduct climate risk assessment consistently as part of adaptation planning, particularly at the sector level	No significant progress has been observed.
Use a common methodology for the cost-benefit analysis of adaptation projects, obtaining information from consistent project monitoring & evaluation	Cost-benefits analysis has been used in some adaptation projects and ongoing efforts are underway to enhance capacity for conducting the cost-benefit analysis.
Incentivize adaptation in the private sector by enforcing regulations and improving financial inclusion for farmers and small businesses	The government is committed to promote sustainable use of the natural resources and explore ways to support eco-tourism.[6] Petrol stations that comply with the government's environment standards increased from 70 percent in 2022 to 92 percent in 2023.[7]
Financing Climate Policies	
Scale up ex-ante investments in climate adaptation by pursuing additional grant financing	The government has gained more access to grants and funds from the World Bank and Asian Development Bank for building and upgrading climate-resilient infrastructure.[8]
Take a strategic view in matching climate project proposals to those financing sources that can be accessed with reasonable effort and at acceptable cost	Several World Bank and Asian Development Bank-funded projects align with Samoa's need to build climate resilience.
Complete costing of adaptation and mitigation policies to enable accurate estimation and communication of financing gaps	No significant progress has been observed.
Public Investment and Financial Management	
Update project preparation and Environmental Impact Assessments guidelines to include explicit requirements for climate impact analysis and define standard methodologies for this analysis	Building climate resilience is now being considered in assessing public investment projects.
Recommendations	**Progress**

[5] World Bank, Pacific Resilience Project Under Pacific Resilience Program (P154839).

[6] Government of Samoa, Pathway for the Development of Samoa FY2021/22 – FY2025/26.

[7] Government of Samoa, Budget Address 2024/25.

[8] Asian Development Bank, Alaoa Multipurpose Dam Project (RRP SAM 52111-001). World Bank, Samoa Climate Resilient Transport Project (P165782), World Bank, Samoa Aviation and Roads Investment Project (P176272). Government of Samoa, Finance Sector Plan 2023-2027.

Improve transparency of climate-related spending by including PSIP in budget documents, defining climate-related selection criteria in prioritizing projects. Develop climate tagging over time.	PSIP is included in budget documents (Fiscal Strategy). Climate-related spending is not clearly highlighted but aggregated at the Environment Sector level. On project prioritization, there is an existing climate-related selection criteria which is linked to the PDS Key Priority Area of Secured Environment and Climate Change.
Strengthen climate-sensitive budgeting, through an updated budget circular, appropriate maintenance allocations, rigorous project monitoring, climate spending reviews and systematic ex-post audit and review of climate investment	No significant progress has been observed.

INTERNATIONAL MONETARY FUND

SAMOA

December 16, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

Asia and Pacific Department
(In consultation with other departments)

CONTENTS

FUND RELATIONS

(As of November 30, 2024)

Membership Status

Joined: December 28, 1971; Article VIII

General Resources Account

	SDR Million	Percent Quota
Quota	16.20	100.00
Fund holdings of currency	14.37	88.69
Reserve position in Fund	1.84	11.38

SDR Department

	SDR Million	Percent Allocation
Net cumulative allocation	26.62	100.00
Holdings	26.84	100.82

Outstanding Purchases and Loans

	SDR Million	Percent Quota
RCF Loans	16.20	100.00

Latest Financial Arrangements

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

Outright Loans

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

Overdue Obligations and Projected Payments to Fund[1]

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

		Forthcoming			
	2024	2025	2026	2027	2028
Principal		1.62	3.24	3.24	3.24
Charges/interest		0.00	0.00	0.00	0.00
Total		**1.62**	**3.24**	**3.24**	**3.24**

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

Exchange Rate Arrangement

Samoa's exchange rate arrangement is a conventional peg to a trade and payments weighted basket of currencies. The pegged rate can be adjusted within a ±2 percent band. The currencies in the Samoan tala basket include Samoa's most important trading partners and countries that are major sources of tourism revenue from abroad—New Zealand, Australia, the United States, and countries using the euro. Samoa accepted the obligations under Article VIII, Sections 2 (a), 3, and 4 of the IMF's Articles of Agreement, and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices.

Article IV Consultations

Samoa is on a 12-month consultation cycle. The 2023 consultation was concluded by the Executive Board on March 8, 2023 (IMF Country Report No. 23/110).

Safeguards Assessments

An update safeguards assessment was completed in May 2021. The assessment found an autonomous central bank that has strong governance arrangements, and financial reporting practices that are anchored in International Financial Reporting Standards. Since then, the CBS has implemented most safeguards recommendations and established a risk management function and is developing the emergency liquidity assistance and business continuity plan with IMF technical assistance.

AML/CFT

In 2015, Samoa's AML/CFT regime was assessed by the Asia Pacific Group on Money Laundering (APG) under the 2012 FATF Standards. In the Mutual Evaluation Report (MER), the APG found significant shortcomings in Samoa's AML/CFT regime, rating it low or moderately effective in 10 out of the 11 immediate outcomes on effectiveness, and non-compliant or partially compliant in 23 of the 40 technical recommendations. After the adoption of Samoa's 2015 MER and as part of the APG's follow-up process, Samoa was upgraded for six FATF recommendations and downgraded for one FATF recommendation that had been updated.

Samoa has made some progress in addressing the deficiencies identified in the MER, including by developing and implementing the 2016-2020 national AML/CFT strategy, and the National Risk Assessment, which were updated in 2024. Amendments to the Money Laundering Prevention Act (MLPA) were passed in 2018, while the Trustee Companies Amendment Act and the Foundations Amendment Act were enacted in 2019. These amendments included requirements for enhanced due diligence for high-risk customers and requirements for trustee companies (TCSPs) to collect beneficial ownership information of international companies, though deficiencies remain.

With the help of IMF TA in July 2024, Samoa has identified remaining gaps in the MLPA relating to preventive measures, and provisions relating to the Samoa Financial Intelligence Unit (SIFU) and the supervisory framework. It was recommended that Samoa undertakes legislative amendments to address these gaps as well as gaps in other AML/CFT laws. These efforts would increase the technical compliance of its AML/CFT framework for the next Mutual Evaluation (ME) of Samoa, which is scheduled to take place in 2027, and to be discussed by the APG plenary in late-2028. As the ME will also focus on the effectiveness of the AML/CFT regime, Samoa will need to improve the effectiveness of implementation of its AML/CFT regime, especially the implementation of risk-based supervision by the CBS, SIFA and SFIU, and the governance and operations of SFIU.

Capacity Development

Samoa has been an intensive user of IMF Capacity Development (CD) in recent years. Much of this has been delivered through the Pacific Financial Technical Assistance Centre (PFTAC) in the following areas: public financial management (PFM) and fiscal risks, revenue administration, macroeconomic programming and analysis, real sector statistics, government finance statistics, and financial sector statistics and supervision. The Capacity Development Office of Thailand has provided CD on external sectors statistics. The CBS is participating in a multiyear program of ICD to develop its capacity in macroeconomic frameworks. ICD is providing technical assistance to the CBS to develop a Forecasting and Policy Analysis System (FPAS). In 2021, MCM provided technical assistance on central bank risk management and on the financial safety net and crisis management. FAD provided a diagnostic of tax reforms in Pacific Islands, in which Samoa was included. Also in 2021, Samoa participated in the Climate Macroeconomic Assessment Program, which was led by FAD with participation of RES and APD.

Resident Representative

The Regional Resident Representative Office for Pacific Island countries, including Samoa, is based in Suva, Fiji and was opened in September 2010. Mr. Neil Saker is the current Resident Representative.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

Information on the activities of other International Financial Institutions in Samoa can be found at:

- World Bank:
  https://projects.worldbank.org/en/projects-operations/projects-summary?lang=pt&countrycode_exact=WS
- Asian Development Bank:
  https://www.adb.org/countries/samoa/main
- Pacific Financial Technical Assistance Center:
  https://www.pftac.org/content/PFTAC/en1.html

INTERNATIONAL MONETARY FUND

SAMOA

December 16, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

Approved By
Harald Finger and S. Jay Peiris (IMF), and Manuela Francisco and Lalita Moorty (IDA)

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

Risk of external debt distress	Moderate
Overall risk of debt distress	Moderate
Granularity in the risk rating	Limited space to absorb shocks
Application of judgment	Yes. Expected long-term effects of climate change-related events were modelled and the evaluation horizon extended to 20 years, which impacts the granularity of the risk rating.

Samoa is assessed at moderate risk of external and overall debt distress based on a strong debt carrying capacity, an improvement from the high risk assessment in the previous DSA published in February 2023.[2] The change in rating reflects the significant improvement in debt dynamics given the large fiscal surpluses and the resulting buildup of government cash reserves in recent years. Consistent with previous DSAs, the projection horizon was extended to 20 years as opposed to the standard 10 years. This allows for the inclusion of the average long-term effects of climate change by incorporating their impacts on economic growth and the fiscal position over the long term (FY2031-2045).[3] Despite the extension of the horizon and inclusion of negative effects of climate change in the baseline, none of the external public and publicly guaranteed (PPG) or overall public debt burden indicators breach their respective thresholds. In the stress test scenarios, including a tailored natural disaster shock similar in scale to the median impact of natural disasters in Samoa's history, the PV of external PPG debt-to-GDP and PV of public debt to GDP breach their threshold and benchmark, respectively. Considering baseline projections and stress tests, Samoa's external and overall risk ratings are assessed as moderate. However, the distance between the threshold and the PV of external PPG debt-to-GDP is small under the baseline with an extended horizon, suggesting limited space to absorb shocks after judgement is applied. Despite the improved risk rating,

[1] This DSA has been prepared jointly by the IMF and World Bank, following *Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries* (2018) and *Supplement to 2018 Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries*.
[2] Samoa's debt-carrying capacity is strong, with a composite indicator score of 3.31 based on the October 2024 WEO and the 2023 World Bank Country Policy and Institutional Assessment (CPIA) data published in July 2024.
[3] Samoa's fiscal year runs from July 1 to June 30.

Samoa remains highly vulnerable to natural disasters and climate change, highlighting the need for reforms to prioritize and successfully execute high-quality climate-resilient public investment, enhance public financial management, increase revenues, and attain more sustainable, inclusive, and diversified growth. These reforms will be vital to building fiscal and external buffers and minimizing risks to debt sustainability.

PUBLIC DEBT COVERAGE

1. **This Debt Sustainability Analysis (DSA) covers central government and central government-guaranteed debts (Text Table 1)**. There is no sub-national government structure in Samoa. The Central Bank of Samoa (CBS) is not allowed to contract debt on behalf of the government, and State-Owned Enterprises (SOEs) must seek government approval for all new loans.[4] Non-guaranteed debt of non-financial SOEs stood at 1 percent of GDP as of FY2024. Given the lack of comprehensive and timely data on SOE revenue and expenditures, non-guaranteed SOE debt is not included in the baseline debt sustainability analysis but are captured in the contingent liability stress test.[5] The definition of external and domestic debt is based on residency.[6] Staff views debt coverage as appropriate, given the inclusion of central government debt and guarantees in the baseline and the incorporation of non-guaranteed SOE debt in the contingent liability stress test.

Text Table 1. Samoa: Debt Coverage

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

2. **The stress test capturing combined contingent liabilities accounts for implicit liabilities and a potential financial market shock (Text Table 2)**. This stress test reflects the possible consequences for the path of public debt of a shock that requires the government to cover some contingent liabilities—including liabilities which are incurred only after the assumed shock. The test incorporates contingent liabilities amounting to 7 percent of GDP, which comprises 2 percent of GDP of non-guaranteed SOE debt and 5 percent of GDP resulting from a financial market shock.[7]

[4] Therefore, credit to the central bank under the IMF's Rapid Credit Facility is not included in public debt.

[5] SOE non-guaranteed debt is published on an ongoing basis as part of the government's quarterly debt bulletin. The authorities are working on improvements to the coverage and timeliness of the data.

[6] As confirmed by the authorities, all the domestic debt, including government guarantees, is in tala, and all the external debt is in foreign currency, the residency-based classification is equivalent to the currency-based classification in the case of Samoa.

[7] Contingent liabilities arising from government guarantees are already included in the baseline definition of public debt. A 2 percent of GDP of non-guaranteed SOE debt is included in the stress test, which exceeds the highest non-guaranteed SOE debt level since data became available from June 2020.

Text Table 2. Samoa: Combined Contingent Liability Shock

1	**The country's coverage of public debt**	The central government plus government-guaranteed debt	
		Default	**Used for the analysis**
2	**Other elements of the general government not captured in 1.**	0 percent of GDP	0
3	**SOE debt (not guaranteed by the government) 1/**	2 percent of GDP	2
4	**PPP**	35 percent of PPP stock	0
5	**Financial market (the default value of 5 percent of GDP is the minimum value)**	5 percent of GDP	5
	Total (2+3+4+5) (in percent of GDP)		7

1/ The default shock of 2% of GDP was used in order to capture fiscal risks from a shock to SOE revenue or expenditure requiring infusion of government funds beyond existing liabilities (which amount to only 0.6 percent of GDP).

BACKGROUND ON DEBT

3. **Central government debt (referred to hereafter as public debt) was 27.7 percent of GDP in FY2024, a decrease of 5.6 percent of GDP from FY2023**. The overall balance recorded a significant surplus of 10.1 percent of GDP in FY2024, an improvement from a surplus of 3.0 percent of GDP in FY2023. The strong fiscal outturn was driven by buoyant revenues, which were supported by robust grant inflows, strong economic recovery, and improved revenue administration, as well as restrained spending, in particular the low level of measured capital expenditure. The surplus helped ensure continued timely repayments of external debt without the need for additional external borrowing, thereby contributing to the reduction in public debt-to-GDP ratio. Government deposits also increased significantly to more than 19 percent of GDP in FY2024 from 14.1 percent of GDP in FY2023.

4. **Public external debt was US$277.5 million (25.9 percent of GDP) at the end of FY2024, a decrease of 7.4 percentage points of GDP compared to FY2023**. Over half (57.6 percent) of the outstanding public external debt at the end of FY2024 was from multilateral creditors, mainly the IDA and Asian Development Bank (ADB), and the rest was from bilateral creditors (China and Japan, Text Table 3). As the government has taken over the defaulted Samoa Airways loan, domestic debt has increased by WST 52.3 million to reach 1.8 percent of GDP (Text Table 4).

Text Table 3. Samoa: Evolution of Public Debt

	FY2021	FY2022	FY2023	FY2024	FY2021	FY2022	FY2023	FY2024
	(In millions of SAT)				(In percent of external debt)			
Total public debt	1004.4	948.4	852.6	815.5	...	...	...	...
External	999.9	946.8	852.0	762.1	100.0	100.0	100.0	100.0
Multilateral	515.7	485.4	469.0	439.0	51.6	51.3	55.0	57.6
IDA	290.8	279.6	270.8	260.6	29.1	29.5	31.8	34.2
ADB	201.4	184.9	177.1	160.9	20.1	19.5	20.8	21.1
OPEC	17.5	15.6	16.1	13.1	1.8	1.6	1.9	1.7
Other	6.0	5.3	5.0	4.4	0.6	0.6	0.6	0.6
Bilateral	484.2	461.4	383.0	323.1	48.4	48.7	45.0	42.4
Exim Bank (China)	403.1	394.0	323.7	274.5	40.3	41.6	38.0	36.0
Japan	81.1	67.3	59.3	48.6	8.1	7.1	7.0	6.4
Domestic	4.5	1.6	0.5	53.4	...	...	...	...
Memorandum items:								
Nominal GDP (millions of WST)	2169.5	2170.2	2561.7	2943.5				
Market rate (tala/U.S. dollar, end period)	2.6	2.7	2.8	2.7				

Sources: Samoan authorities; and staff estimates.

Text Table 4. Samoa: Public Debt Stock, FY2024

	Share of total debt	In percent of GDP
Total public debt	100.0	27.7
External	93.5	25.9
Multilateral	53.8	14.9
IDA	32.0	8.9
ADB	19.7	5.5
OPEC	1.6	0.4
Other	0.5	0.1
Bilateral	39.6	11.0
Exim Bank (China)	33.7	9.3
Japan	6.0	1.7
Domestic	6.5	1.8
Memorandum items, FY2024:		
Nominal GDP (millions of SAT)	2943.5	
Market rate (tala/U.S. dollar, end period)	2.75	

Sources: Samoan authorities; and staff estimates.

5. **Public and publicly guaranteed (PPG) debt totaled 31.3 percent of GDP in FY2024, of which guarantees were 3.4 percent of GDP**. The government guarantees have been reduced by 2.9 percent of GDP compared to FY2023 (Text Table 5), primarily due to the government's assumption of Samoa Airways' loans that were converted from guarantees to public debt. Additionally, improvements in the Development Bank of Samoa's balance sheet contributed to this reduction.

Text Table 5. Samoa. Government Guarantees

	FY2021	FY2022	FY2023	FY2024
By Creditor	In percent of GDP			
Unit Trust of Samoa	2.1	3.1	2.8	0.6
Bank South Pacific	0.2	0.1	0.1	0.0
Central Bank of Samoa	3.9	3.7	2.9	2.4
Accident Compensation Corporation	0.5	0.0	0.0	0.0
European Investment Bank	0.2	0.1	0.1	0.0
Samoa National Provident Fund	0.6	0.6	0.5	0.4
FAHE Ltd	2.4	0.0	0.0	0.0
Total	9.8	7.6	6.3	3.4
By Borrower	In percent of GDP			
Samoa Shipping Services	0.1	0.0	0.0	0.0
Samoa Housing Corporation	0.5	0.5	0.4	0.3
Samoa Airways	4.2	2.4	2.2	0.0
Development Bank of Samoa	4.6	4.3	3.3	2.7
Unit Trust of Samoa	0.5	0.0	0.0	0.0
Samoa Airport Authority	0.0	0.4	0.4	0.3
Total	9.8	7.6	6.3	3.4

Source: Samoan authorities.

BACKGROUND ON MACRO ASSUMPTIONS

6. **The Samoan economy has recovered strongly since the reopening of borders**. After three consecutive years of decline during the pandemic, GDP growth accelerated further from 9.2 percent in FY2023 to 9.4 percent in FY2024. The recovery is mainly driven by a strong rebound in tourism-related sectors and growth in net indirect taxes. Inflation has eased from its 2023 peak, approaching the 3 percent target. The current account deficit, which was high during the pandemic, has declined due to remittances inflows and tourism earnings, and recorded a surplus of 4.0 percent of GDP in FY2024. Samoa's public debt has declined significantly, with large primary surpluses being the key driver of public debt dynamics, while Samoa's large capital account surplus contributes to the large residual in external debt dynamics (Figure 3).

Text Table 6. Samoa. Baseline Macroeconomic Assumptions

	Current DSA (2024 Article IV)				Previous DSA (2023 Article IV)			
	FY2025-30	FY2031-35	FY2036-45	FY2031-45	FY2023-28	FY2029-33	FY2034-43	FY2029-43
Real GDP growth (in percent change)	2.7	0.7	0.7	0.7	3.3	1.0	1.0	1.0
Inflation (in percent change)	3.0	3.0	3.0	3.0	4.7	3.0	3.0	3.0
Current account deficit (percent of GDP)	1.4	3.5	5.3	4.7	3.0	2.7	4.6	4.0
Overall fiscal deficit (percent of GDP)	1.6	3.8	6.2	5.4	2.4	4.1	6.2	5.6

Sources: Samoan authorities; and staff projections.

7. **The baseline assumptions broadly follow those in the 2023 DSA (Text Table 6)**. They are consistent with the macroeconomic framework based on the latest data provided by the authorities and estimates by staff. The discount rate used to calculate the net present value of external debt is 5 percent. Given the high frequency and severity of natural disasters that could cause significant physical damage to Samoa, the baseline scenario incorporates the assumed long-term effects of these factors, consistent with

previous cross-country analysis.[8] No major disasters are assumed in the baseline during FY2025–30 to simplify the policy discussion of the medium-term outlook. From FY2031 onward, the baseline reduces the annual real GDP growth by 1.3 percentage points to 0.7 percent. It also increases the current account deficit by 0.5 percent each year from FY2031–37, resulting in a cumulative increase of 3.5 percent of GDP. Similarly, the fiscal deficit rises by 0.5 percent each year over FY2031–37, accumulating to 3.5 percent of GDP.[9] The other main assumptions are:

- **GDP growth is expected to stay above trend in FY2025 before slowing in the medium term.** Real GDP growth is projected to slow down in FY2025 as tourisms contribution to growth normalizes after two years of recovery from pandemic era disruptions. However, at 5.5 percent, growth is projected to remain above the historical average and the potential growth rate of the economy, largely reflecting the envisaged expansionary fiscal stance driven by an increase in capital expenditure. Preparations and hosting of the Commonwealth Heads of Government Meeting (CHOGM) and other major events, and their positive spillovers to the non-tourism sector, are also expected to support growth in FY2025. Near-term risks appear broadly balanced. The main upside risk is greater boost from the expected fiscal expansion and the hosting of CHOGM. Given Samoa's high dependence on tourism, a slowdown in major economies, particularly those that are key tourism source countries, represents the main downside risk. Samoa also remains highly vulnerable to risks from natural disasters and climate change. Real GDP growth projections are lower than the growth path projected by the realism tool (Figure 5). This difference is due to the strong growth over the last two years which was primarily driven by the bounce back in tourism from the pandemic-era disruptions which is not sustainable. Over the medium term, GDP growth is projected to slow down and converge to the historical average of about 2.0 percent, although continued under-execution of public investment amid capacity constraints as well as sustained outflows of seasonal workers to Australia and New Zealand could weigh on the economy’s productive capacity.

- **Inflation has declined significantly from the recent highs.** Headline inflation receded sharply in FY2024, with food and energy prices easing substantially following international price adjustments. Core inflation also fell from its recent peaks. Headline inflation is projected to rise to 3.5 percent by end-FY2025, driven by the unwinding of base effect and a continuing economic recovery amid expansionary fiscal policy. A renewed acceleration in global commodity

[8] See Samoa Article IV consultations for 2017, 2019, 2021 and 2023. See also the 2016 IMF Board Paper *Small States’ Resilience to Natural Disasters and Climate Change*. The baseline scenario is premised on a business-as-usual scenario for emissions and increase in world temperature. Consistent with the 2016 Board Paper, the long-term baseline macroeconomic projections for the countries highly vulnerable to natural disasters is not just based on the outlook in non-disaster years, but also factors in an average adverse impact from probable disasters, including lower growth and higher fiscal and current account deficits to account for reconstructions needs. This ensures more realistic medium-term and long-term plans and policies including focus on building resilience. Note that these climate change costs primarily reflect the impact of natural disasters and do not account for slower-moving effects, such as a rise in sea levels.

[9] Compared to the 2023 DSA, long-term real GDP growth is revised down marginally, reflecting the impact of lower investment and outflow of workers on the economy’s growth potential. The long-term current account deficit to GDP ratio has been revised up, reflecting a lower goods and services balances on account of higher imports.

prices, supply chain disruptions, pressures from the increase in minimum wages, or an unexpected pickup in credit growth could pose upside risks to inflation in the near term. Over the medium term, inflation is expected to stabilize around the CBS's indicative target of 3.0 percent, anchored by the exchange rate regime.[10]

- **Buoyant tourism earnings continue to support a favorable external position**. The current account balance recorded a surplus of 4.0 percent of GDP in FY2024 from a deficit of 3.3 percent of GDP in FY2023, underpinned by tourism earnings and remittances inflows. External debt-to-GDP has been declining in recent years and is projected to reduce further in FY2025, with the residual in recent years driven by capital account inflows and errors and omissions. Staff projects the current account to record a deficit of 0.5 percent of GDP in FY2025 due to higher imports driven by the fiscal expansion. The deficit is projected to increase in the medium term as remittance inflows normalize. Reserve coverage will remain at over 7 months, which is above levels assessed to be adequate to buffer external shocks.

- **The central government recorded a surplus of 10.1 percent of GDP in FY2024**. This performance is significantly stronger than the budgeted deficit of 3.3 percent of GDP, driven by robust grant inflows, buoyant tax revenues, restrained spending, and under-execution of capital expenditure. The FY2025 budget envisages a deficit of 2.1 percent of GDP, while staff projections suggest a narrower deficit of 0.1 percent of GDP based on more optimistic revenue assumptions reflecting the strong outturn in recent years. Over the medium term, the fiscal deficit is expected to increase further to a little over 2 percent of GDP, as revenues as a share of GDP decline (on account of lower grants and a normalization of tax revenues which have recently benefited from back payments) while expenditures increase (reflecting a recovery in capital spending). As indicated in the realism tool (Figure 5), the projected three-year decline of the primary balance, is at the left extreme. This reflects the authorities' intended expansionary fiscal stance driven primarily by a planned increase in capital spending, reversing the tight policy stance of recent years.

- **The financing mix is assumed to include a drawdown of deposits over the next two years followed by concessional financing largely in line with the current debt profile**. The planned new financing needs identified in the DSA are consistent with public gross financing needs in the baseline macroeconomic framework. The deficits in FY2025 and FY2026 are expected to be financed by drawing down the government deposits accumulated from previous surpluses, bringing deposit levels back to their pre-pandemic average in the medium term to about 9 percent of GDP. From FY2027 onward, both the deficit and debt amortization are to be financed through external loans, with contributions assumed to increase in equal proportion with the current share of each institutional or bilateral creditor reflecting their current shares, and financing terms aligned with prevailing policies. The grant element of all new loans is 43 percent on average. It is assumed that borrowing from both MDBs and bilateral partners is on full

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

credit terms.[11] Domestic debt, predominantly comprising the Samoa Airways' guarantee which was called in FY2024, is projected to be repaid gradually financed by external borrowing. Government guarantees are assumed to be rolled over at prevailing domestic interest rates.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

8. **Samoa's debt-carrying capacity remains strong (Text Table 7).** The Composite Indicator (CI) index, which has been calculated based on the October 2024 WEO and the World Bank's 2023 Country Policy and Institutional Assessment (CPIA), is 3.31, indicating that the country's debt-carrying capacity remains strong in the LIC-DSA framework. The CI index was 3.28 in the March 2023 DSA.

Text Table 7. Samoa: Composite Indicator Rating

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.961	1.52	46%
Real growth rate (in percent)	2.719	1.833	0.05	2%
Import coverage of reserves (in percent)	4.052	55.967	2.27	69%
Import coverage of reserves^2 (in percent)	-3.990	31.324	-1.25	-38%
Remittances (in percent)	2.022	15.494	0.31	9%
World economic growth (in percent)	13.520	2.967	0.40	12%
CI Score			3.31	100%
CI rating			Strong	

9. **Based on the CI rating, Samoa's debt is assessed against a strong debt carrying capacity (Text Table 8)**. The relevant indicative thresholds for countries with a strong CI rating are 55 percent for the PV of PPG external debt-to-GDP ratio, 240 percent for the PV of PPG external debt-to-exports ratio, 21 percent for the PPG external debt service-to-exports ratio, and 23 percent for the external debt service-to-revenue ratio. The benchmark for the PV of total public debt under strong capacity is 70 percent.

[11] Consistent with the 2017 LIC DSF guidance note, only grants that are firmly committed can be included on grant terms, with non-firmly committed financing assumed on full credit terms. This is done to avoid a circular situation where the assumption that future commitments will be on grant terms would yield actual commitments on credit terms. To account for the effects of the upgrade in debt ratings on Samoa's external financing, the long-term projections for grants has been revised down to 4 percent of GDP in the latest DSA, which is significantly lower than the 6 percent of GDP assumed in the 2023 DSA.

Text Table 8. Samoa: Debt Thresholds

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

10. There are six standardized stress tests in the DSF, each applied to both the external and the public DSA. These standard stress tests capture shocks to real GDP growth, the primary fiscal balance, exports, other external flows (includes official and private transfers and FDI), exchange rate depreciation, and a combination of these shocks. In standardized stress tests, a variable is subject to a shock, and the post-shock values of the stressed variables are set to the baseline projection minus one standard deviation. However, if the historical average is less favorable than the baseline projection, then the post-shock values are instead set to the historical average minus one standard deviation.[12]

11. Given the frequency and severity of natural disasters in Samoa, a tailored stress test for a natural disaster shock in the medium term was also conducted. Natural disaster shock is implemented through one-off shocks to public debt, GDP, and exports. The default setting (10 percent of GDP increase in debt stock, 1.5 percent decline in real GDP growth, and 3 percent decline in exports growth) was modified so that the stress test captures Samoa's historical experience, based on staff research.[13] The tailored stress test assumes that new debt is contracted to finance damages caused by natural disasters, which increases the public debt-to-GDP ratio by 21 percent in FY2026, the median size of damages caused by natural disasters in the past.[14] Real GDP and exports decline by 3 percent and 6 percent in FY2026, respectively, relative to the baseline.

DEBT SUSTAINABILITY

12. Risks to debt sustainability in Samoa are assessed to be moderate. Samoa's mechanical risk rating based on a ten-year horizon is moderate for both external and overall debt. The horizon of the DSA

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

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

[14] The maximum damage Samoa has suffered from natural disasters is 161.8 percent of GDP while average damage amounted to 47.7 percent of GDP (Lee et al, 2018). This is the highest in the sample of 12 Pacific island countries using data from 1980-2016. The research also highlights that although the probability that at least one disaster occurs in a given year is relatively low compared to the sample, the probability for Samoa being exposed to a severe natural disaster per year is second highest in the sample.

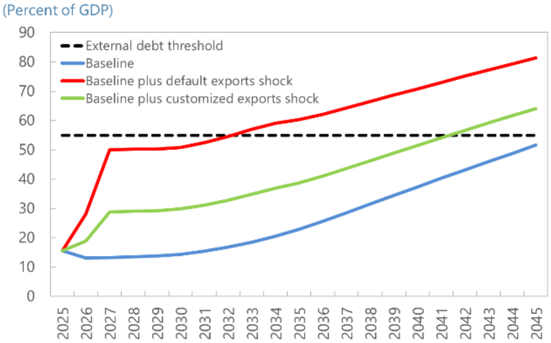
was extended to twenty years and the expected long-term effects of natural disaster and climate change-related events were incorporated in line with the empirical work cited above. External debt remains below the threshold in the long run, and public debt also stays well below the indicative benchmark throughout the projection period. Certain stress test scenarios push external and public debt above their relevant thresholds and benchmarks, in some cases by a significant margin, although most breaches occur after 10 years. Since the projected external debt burden indicators do not exceed thresholds under the baseline scenario, and breaches of external and public debt under the shock scenario are also in outer years, staff's assessment is that the likelihood of large and prolonged breaches is moderate. A final rating of moderate risk for external and overall debt distress is therefore appropriate.

External Debt Sustainability Analysis

13. Under the baseline scenario, Samoa's external debt is projected to remain below the threshold through 2045 (Figure 1). The PV of external debt-to-GDP ratio is expected to increase gradually from 15.6 percent of GDP in FY2025 to 51.6 percent of GDP in FY2045, on account of increased external borrowing to meet financing needs in particular resulting from spending related to natural disasters and climate change. Despite the upward trajectory, the PV of external debt stays below the threshold of 55 percent. Given the large share of concessional loans in external debt, the debt service-to-revenue ratio does not breach the indicative threshold.

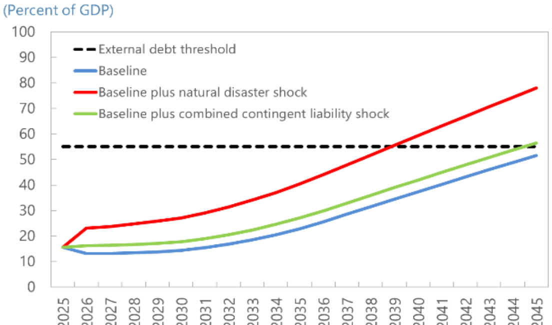
14. Stress tests suggest that external debt dynamics are vulnerable to shocks (Text Figure 1). The PV of the external debt-to-GDP ratio breaches the threshold in all standard stress tests. While most shocks cause a breach only in the long term (after 10 years), the export shock triggers an earlier breach in FY2033 for the PV of the external debt-to-GDP ratio, and even earlier for the PV of debt-to-exports and the debt-service-to-exports ratio. This breach is driven by exceptional and transitory factors from the pandemic: exports contracted by 20.6 percent and 61.3 percent in FY2020 and FY2021, due to border closures, and then expanded by 168.1 percent and 32.6 percent in FY2023 and FY2024, driven by strong tourism recovery. This high volatility in recent export data results in exaggerated shock magnitude. Staff views these fluctuations as temporary with limited likelihood of recurrence. Given this, staff used a customized stress scenario by excluding the export growth in FY2023-24 from the calculations of historical standard deviation. In this customized stress scenario, breaches to the threshold of various debt burden indicators are delayed significantly, with the PV of debt-to-GDP breaching the threshold only from FY2042 (Text Figure

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



Source: Staff estimates.

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



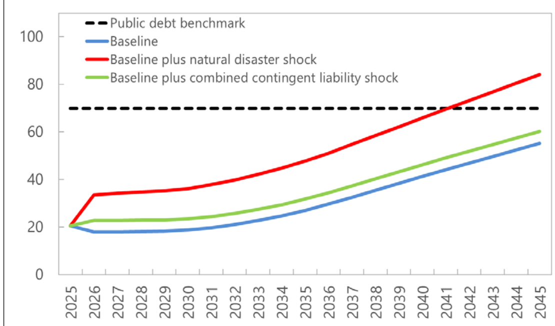
Source: Staff estimates.

1). For the tailored shocks, a natural disaster has the largest negative impact on the debt trajectory, causing a large breach to the PV of the external debt-to-GDP ratio commencing in FY2039 (Text Figure 2). The contingent liability shock breaches the PV of the external debt-to GDP ratio threshold slightly in FY2045 (Table 3).

Public Sector Debt Sustainability Analysis

15. The projected path of public sector debt broadly parallels that of external debt (Text Figure 3). Under the baseline scenario, the PV of the public debt-to-GDP ratio remains below the benchmark (Figure 2). Two standard stress tests exceed the benchmark in the final years of the forecast horizon. GDP growth stress scenario leads to a breach in FY2035, while a combined stress (with all the five standard stresses but with only half of the magnitude), leads to a breach in FY2044. In addition, the natural disaster shock results in a benchmark breach in FY2042 that grows substantially thereafter (Table 4).

Text Figure 3. Samoa: PV of Public Debt-to-GDP Ratio
(Percent of GDP)



Source: Staff estimates.

16. The primary deficits and real economic growth projected in the baseline are expected to return to being the main drivers of debt dynamics. The external and public debt trajectory in the current DSA is lower than that of the 2023 DSA (Figure 3), with the difference over the medium term largely explained by a lower starting point for debt as a result of sizable fiscal surpluses in FY2023 and FY2024, and the projected use of accumulated government deposits for financing the deficit and amortization needs in FY2025 and FY2026. The current account deficit has contributed largely to the accumulation of external debt during the pandemic but is projected to stabilize going forward. As for public debt, the projected fiscal deficit would add to the debt ratio but be partially offset by positive economic growth. Total domestic debt, including both public debt and government guarantees, is expected to continue declining as a percentage of GDP, in line with the authorities' domestic debt repayment plans. Net domestic debt issuance remains negative in the projection period (Figure 4).

RISK RATING AND VULNERABILITIES

17. Samoa faces moderate risk of debt distress, although with limited space to absorb shocks. Under the baseline scenario incorporating an extended projection horizon and negative effects of climate change, none of the PPG external debt burden indicators breach their threshold. The PV of total public debt-to-GDP also remains below the estimated indicative benchmark in the baseline. Stress tests incorporating a natural disaster result in breaches from FY2039 for external debt and FY2042 for public debt, while other standard stress tests also show breaches only in the long term. Overall, this implies that Samoa's overall and external public debt distress risk is moderate, which aligns with the mechanical risk rating under the baseline. Although the PV of external PPG debt-to-GDP remains well below the threshold under the baseline (with climate-related costs included) at the standard 10-year horizon, it comes close to the threshold when the projection period is extended to 20 years. Consequently, after the application of judgment, Samoa is assessed to have limited space to absorb shocks (Figure 6).

18. The favorable debt profile and recent effort to contain fiscal risks from SOEs also mitigates vulnerabilities. With almost all debt on concessional terms, cash flow pressures could remain manageable even in scenarios where debt levels become high. Samoa has also accumulated sizeable cash reserves (reaching more than 19 percent of GDP in FY2024), which are expected to be used to amortize external debt over the next two years, further reducing debt burdens and increasing buffers to future shocks. The government has emphasized its policy of zero non-concessional borrowing in the budget since FY2021 and in its *Medium-Term Debt Management Strategy FY2021/22-FY2025/26* (MTDS).[15] Data on debt, public guarantees, contingent liabilities, as well as their associated cost and risk indicators, have been regularly published in the government's quarterly debt bulletin. Samoa has also implemented reforms to better manage fiscal risks from contingent liabilities, including as part of a programmatic reform agenda under the World Bank's Sustainable Development Finance Policy (SDFP),[16] the initiation of mandatory credit risk assessment for government guarantees and utilization of SOE Health Check Tool with the help of IMF Technical Assistance.

19. Further effort to enhance resilience to natural disasters and climate change, improve PFM, and boost long-term growth can help ensure that the improvements to debt dynamics seen in recent years is maintained. As shown in the DSA, the high frequency and potentially severe damage from natural disasters and climate change is a significant risk for Samoa's fiscal outlook. The government is focused on building climate resilience, including with the help of development partners. This has included use of contingent financing facilities from the World Bank and Asian Development Bank, and participation in assessments of climate-related aspects of PFM and overall macroeconomic policy.[17] Looking ahead, the timely execution of high-quality public investment is essential for climate change adaptation. Given the substantial funding gap, the authorities should seek grants and highly concessional lending to finance climate adaptation projects. In addition to financing, managing climate risks would also require better integration of climate considerations into the government's budgeting and project planning processes.

[15] See FY2021/22-FY2025/26 MTDS for a detailed discussion.

[16] The government has complied with the SDFP Performance and Policy Actions (PPAs), including the ongoing compliance to the non-concessional borrowing policy and the enforcement of the on-lending and government guarantee policies. The World Bank supported the government of Samoa in preparing on-lending and government guarantee policies, which were approved by the Cabinet in 2020 and 2022, respectively. For FY2023, to improve the monitoring and management of existing government guarantees and enhance transparency, the Ministry of Finance applied the credit risk assessment framework from the government guarantee policy to Samoa Airways and Development Bank of Samoa (the two largest beneficiaries of government guarantees) and presented the outcomes and recommendations to Cabinet. The recommendations were endorsed by the Cabinet. The Ministry of Finance has also expanded the reporting of government guarantees by presenting detailed breakdowns, including by creditor and borrower (SOE) in the Quarterly Debt Bulletin. In FY24, the World Bank, through the SDFP, also supported the establishment of a standalone Debt Management Division, which ensures appropriate institutional arrangements to underpin the debt management function of the Ministry of Finance.

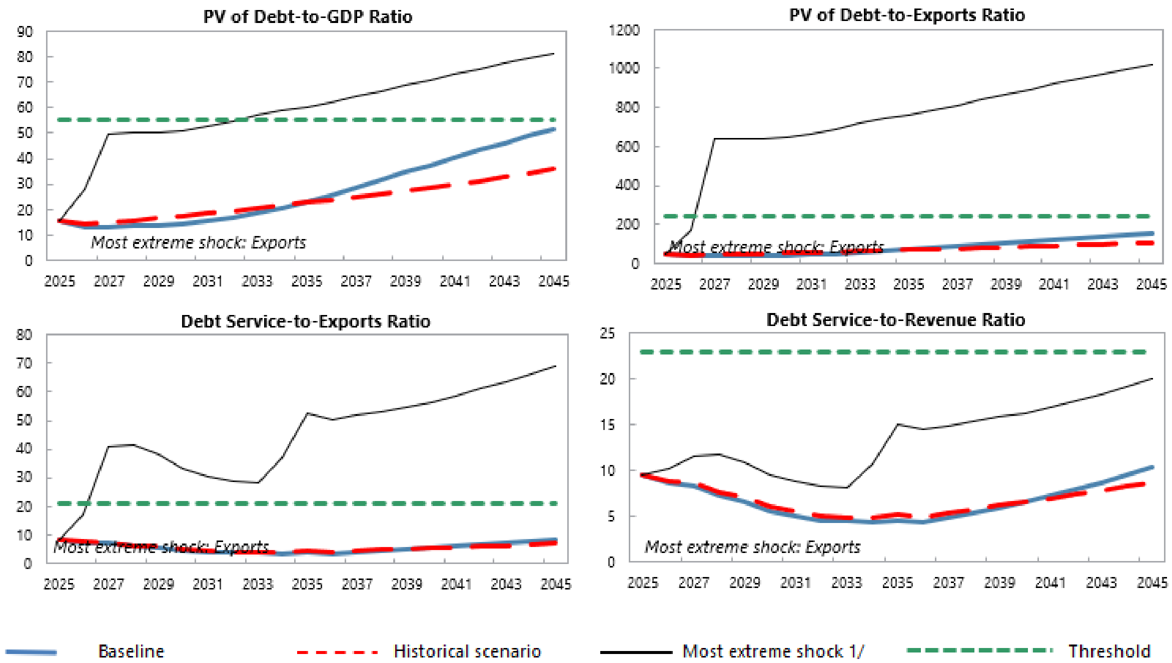
[17] See G. Brule, et al, *Samoa: PEFA Assessment of Climate Responsive Public Financial Management*, 2021, and Y. Kinoshita, et al, *Samoa: Climate Macroeconomic Assessment Program (CMAP)*, 2022.

Overcoming capacity constraints, including labor shortages, that have hampered the execution of public investment since the pandemic remains a priority, both for executing climate adaptation projects and for supporting growth more generally. Adopting the World Bank's Climate Resilient Debt Clauses (CRDCs) could also work as a risk mitigating factor when natural disasters occur by deferring loan repayments and enabling the government to free more resources for disaster response. Enhancing PFM, including on cash and debt management, can help improve the effectiveness of fiscal policy.[18] Continued strong revenue mobilization will remain critical, given the need for expenditure on climate-resilient infrastructure and to strengthen the social safety net. The government has embarked on a significant structural reform agenda as laid out in its five-year plan *Pathway for the Development of Samoa FY2021/22-FY205-26*. Given the challenges to growth potential, the authorities should explore strategies to support more sustainable and inclusive long-term growth, including measures to boost trade and FDI, as well as adopting labor market policies to mitigate the potential negative effects of higher migration while upskilling the labor force.[19]

20. Authorities' views. The authorities agreed with staff assessment that Samoa's debt is sustainable, and the risk rating is "moderate", an upgrade from the previous rating of "high". While the improved risk rating will imply a change in concessionality of future support from key multilaterals, they noted their preparedness for the upgrade, including improvement in their debt management capacity. In the near term, the authorities envisaged a shift to an expansionary fiscal stance, with a focus on executing public investment programs, including climate-resilient infrastructure, to increase the growth potential and improve resilience to natural disasters and climate change. They emphasized their commitment to continue improving revenue administration and highlighted the need for grant support and access to concessional loans to finance the substantial climate adaptation needs. They reiterated their commitment to sustainable fiscal management and their Medium-Term Debt Strategy, including avoiding new non-concessional borrowings and maintaining public debt below the targeted threshold of 50 percent of GDP. They also emphasized the ongoing efforts to strengthen the monitoring of fiscal risks associated with SOEs, as well as enhance the risk management of contingent liabilities and on-lending arrangements.

[18] See ¶19-23 of the IMF Country Report No. 24/312 for a detailed discussion of PFM reform priorities.
[19] See ¶41-43 of the IMF Country Report No. 24/312 for a detailed discussion of policies to foster inclusive and sustainable growth.

Figure 1. Samoa: Indicators of Public and Publicly-Guaranteed External Debt under Alternative Scenarios, 2025-2045



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

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

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.4%	1.4%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	7	7

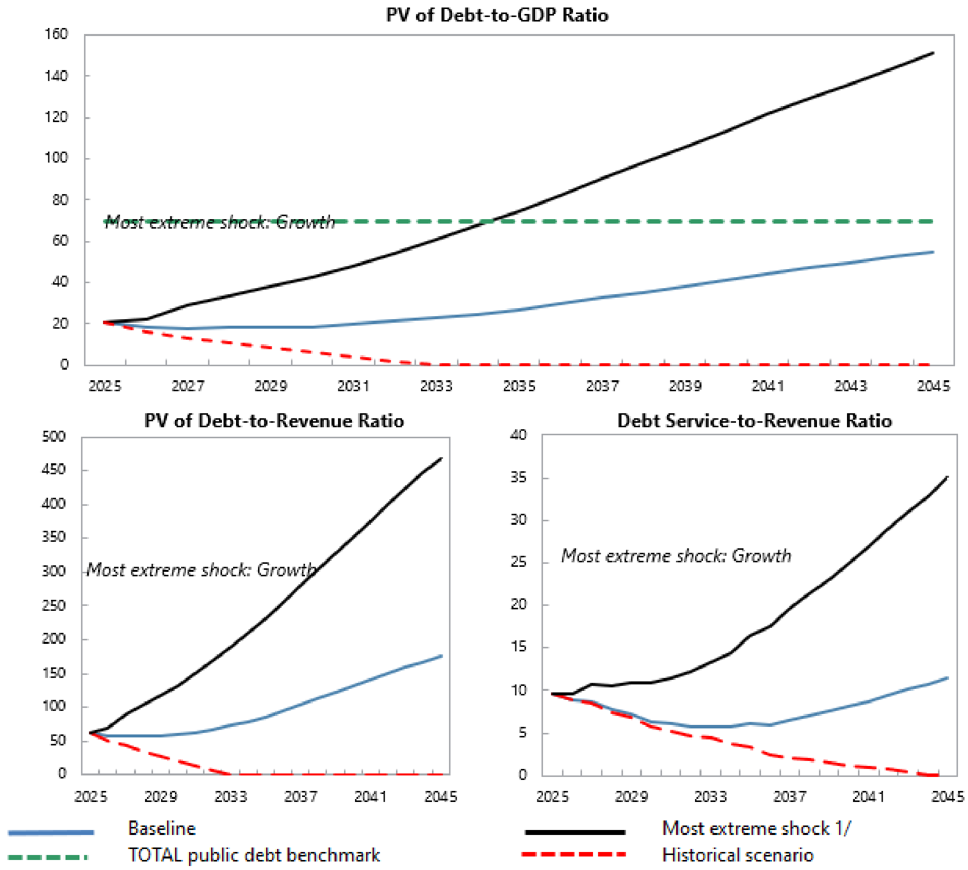
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. Samoa: Indicators of Public Debt Under Alternative Scenarios, 2025-2045



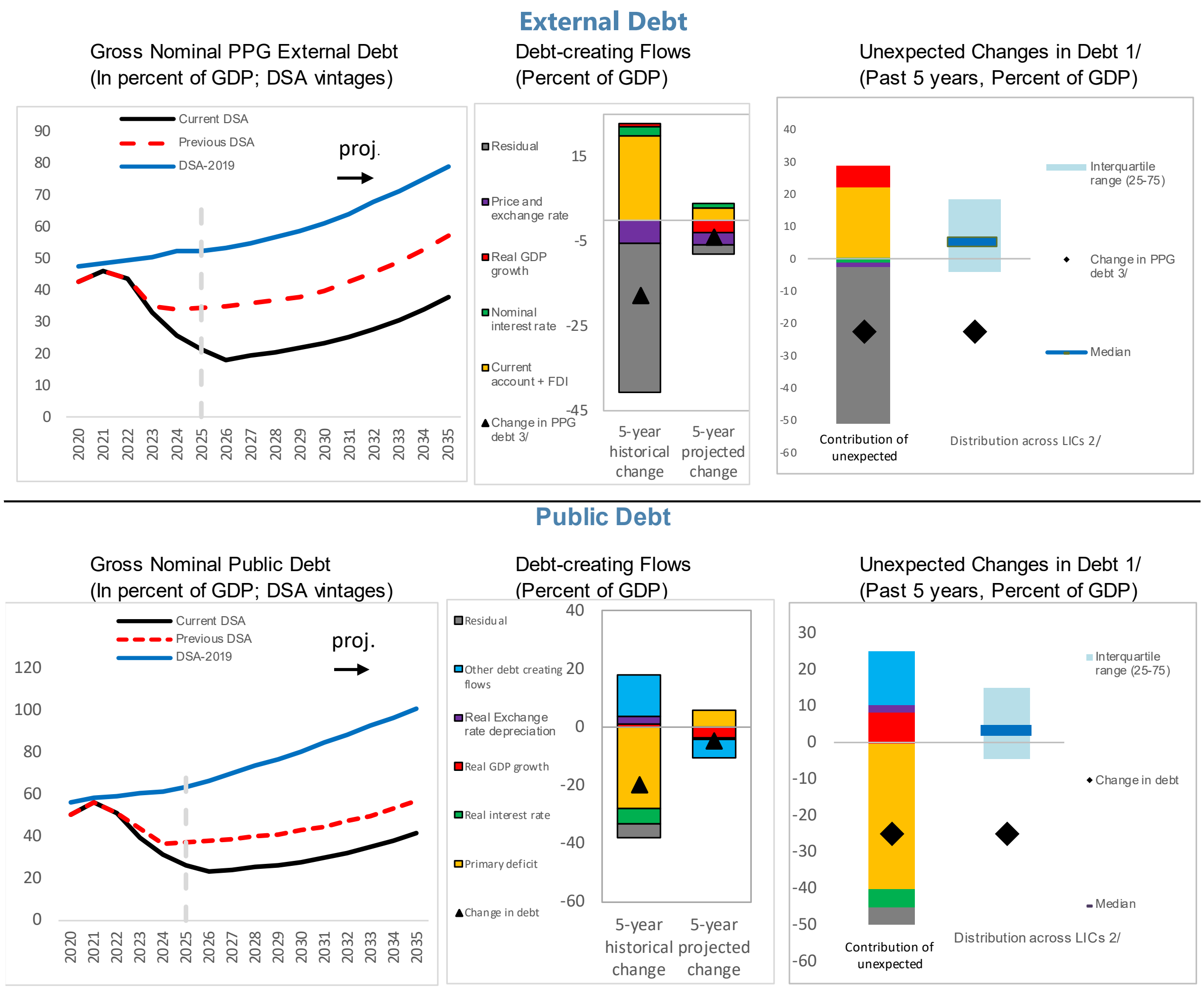
Borrowing Assumptions on Additional Financing Needs Resulting from the Stress Tests*	Default	User defined
Shares of Marginal Debt		
External PPG Medium and Long-term	75%	75%
Domestic Medium and Long-term	25%	25%
Domestic Short-term	0%	0%
Terms of Marginal Debt		
External MLT Debt		
Avg. Nominal Interest Rate on New Borrowing in USD	1.4%	1.4%
Avg. Maturity (incl. Grace Period)	29	29
Avg. Grace Period	7	7
Domestic MLT Debt		
Avg. Real Interest Rate on New Borrowing	6.0%	6.0%
Avg. Maturity (incl. Grace Period)	10	10
Avg. Grace Period	1	1
Domestic Short-term Debt		
Avg. Real Interest Rate	0.0%	0.0%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

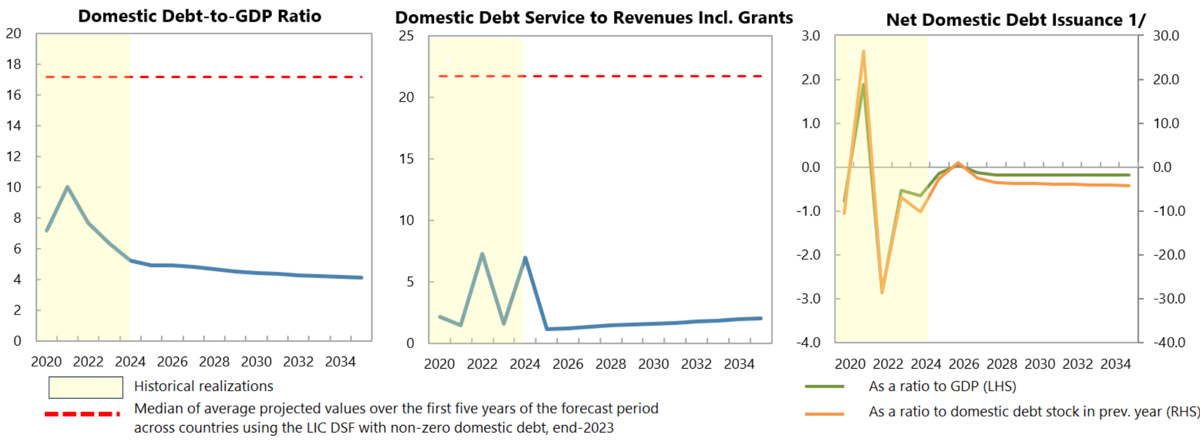


1/ Difference between anticipated and actual contributions on debt ratios.

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

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

Figure 4. Samoa: Indicators of Domestic Debt, 2020-2035



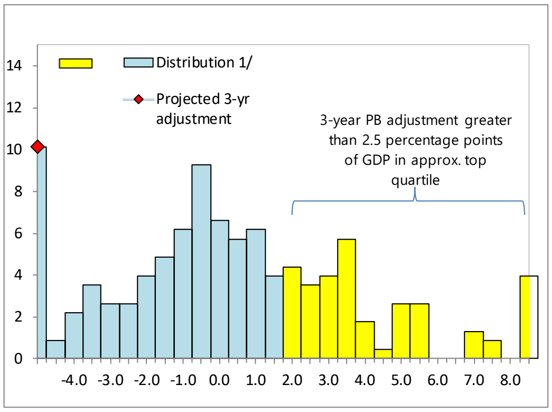
Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	100%
Short-term	0%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	6.0%
Avg. maturity (incl. grace period)	10
Avg. grace period	1
Domestic short-term debt	
Avg. real interest rate	0.0%

Sources: Country authorities; and staff estimates and projections.

1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

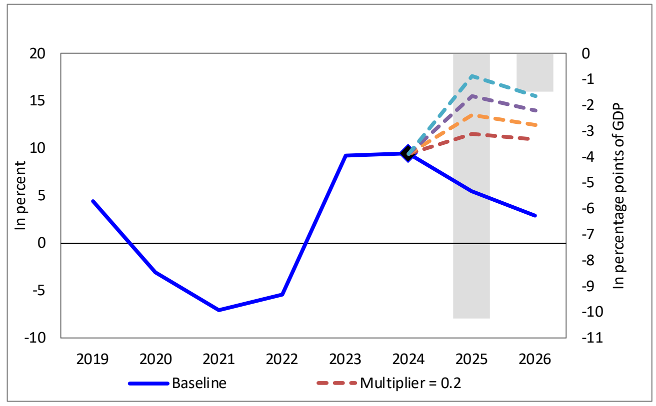
Figure 5. Samoa: Realism Tools

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



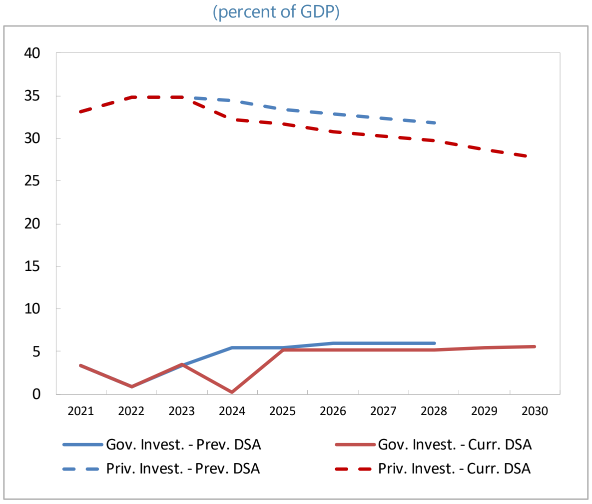
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 2/



2/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth path under different fiscal multipliers (left-hand side scale). Growth in FY2024 was high due to the bounce back in tourism from the pandemic-era disruptions. As the rebound in tourism is now largely complete, the high growth rate is not sustainable. However, as FY2024 growth is treated as the baseline for the realism tools projections, the resulting growth forecasts from the tool are overoptimistic.

Public and Private Investment Rates
(percent of GDP)



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

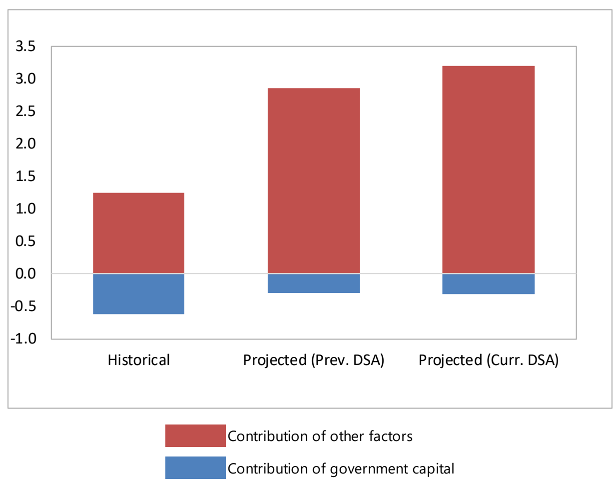
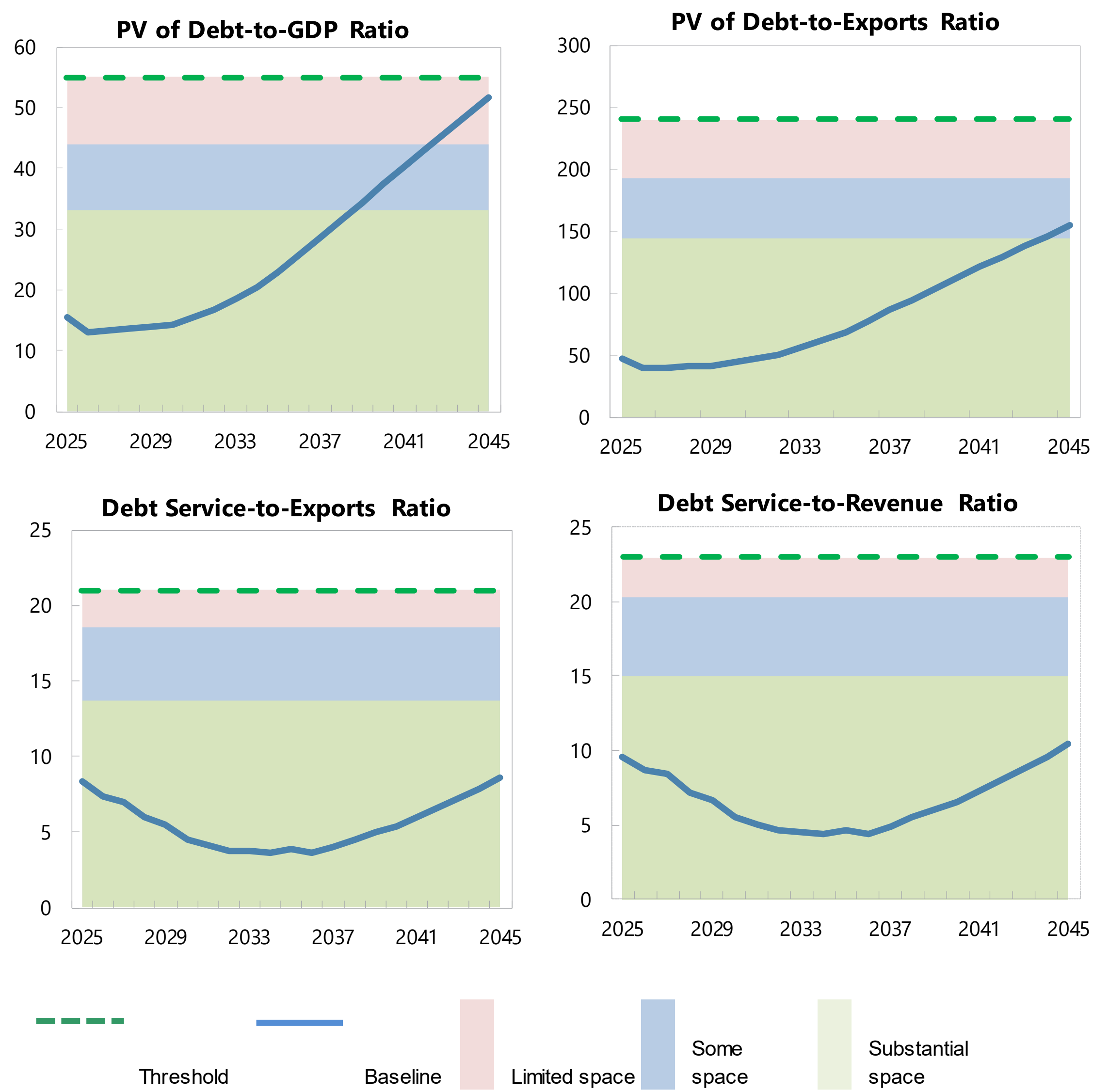


Figure 6. Samoa: Qualification of the Moderate Category, 2025-2035 1/



Sources: Country authorities; and staff estimates and projections.

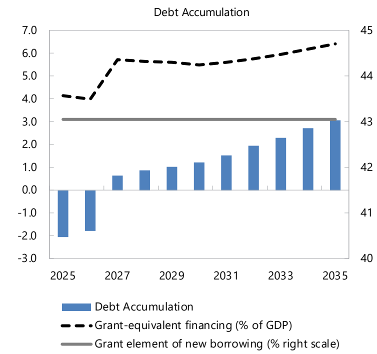
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

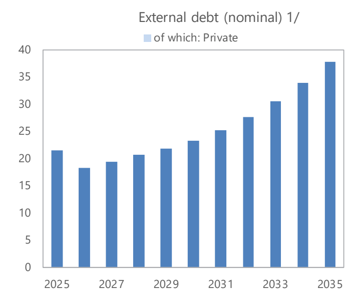
Table 1. Samoa: External Debt Sustainability Framework, Baseline Scenario, 2022-2045

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/	**43.6**	**33.3**	**25.9**	**21.5**	**18.2**	**19.4**	**20.7**	**21.9**	**23.2**	**37.7**	**81.5**	**43.0**	**25.5**
of which: public and publicly guaranteed (PPG)	**43.6**	**33.3**	**25.9**	**21.5**	**18.2**	**19.4**	**20.7**	**21.9**	**23.2**	**37.7**	**81.5**	**43.0**	**25.5**
Change in external debt	-2.5	-10.4	-7.4	-4.4	-3.2	1.2	1.3	1.2	1.3	3.8	4.1		
Identified net debt-creating flows	**11.3**	**-2.6**	**-8.1**	**-1.3**	**0.1**	**0.5**	**0.8**	**1.1**	**1.2**	**3.8**	**4.4**	**1.0**	**1.5**
Non-interest current account deficit	**10.9**	**2.8**	**-4.3**	**0.1**	**0.9**	**1.1**	**1.4**	**1.7**	**1.8**	**4.1**	**4.3**	**2.4**	**2.1**
Deficit in balance of goods and services	40.5	31.7	20.2	23.2	23.5	23.2	23.0	22.8	22.8	25.2	26.0	**22.9**	**23.6**
Exports	12.3	29.2	34.0	33.3	33.0	33.0	33.0	33.2	33.2	33.3	33.5		
Imports	52.7	60.8	54.2	56.5	56.4	56.2	56.0	56.0	56.0	58.5	59.5		
Net current transfers (negative = inflow)	-31.7	-29.6	-26.4	-25.4	-25.1	-24.6	-24.1	-23.7	-23.4	-23.4	-23.4	**-22.4**	**-23.9**
of which: official	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other current account flows (negative = net inflow)	2.1	0.8	1.9	2.4	2.5	2.5	2.5	2.5	2.5	2.3	1.7	**2.0**	**2.4**
Net FDI (negative = inflow)	**-0.6**	**-1.0**	**-0.1**	**-0.5**	**-0.5**	**-0.5**	**-0.5**	**-0.5**	**-0.5**	**-0.5**	**-0.4**	**-0.8**	**-0.5**
Endogenous debt dynamics 2/	**1.1**	**-4.4**	**-3.7**	**-1.0**	**-0.3**	**-0.1**	**-0.1**	**-0.1**	**-0.2**	**0.2**	**0.5**		
Contribution from nominal interest rate	0.5	0.5	0.4	0.3	0.3	0.2	0.2	0.2	0.3	0.4	1.0		
Contribution from real GDP growth	2.5	-3.6	-2.8	-1.3	-0.6	-0.4	-0.4	-0.4	-0.4	-0.2	-0.5		
Contribution from price and exchange rate changes	-1.9	-1.3	-1.3	...	...	...	...	...	...	...	...		
Residual 3/	**-13.8**	**-7.7**	**0.7**	**-3.1**	**-3.3**	**0.7**	**0.5**	**0.1**	**0.1**	**0.0**	**-0.3**	**-3.7**	**-0.4**
of which: exceptional financing	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**19.0**	**15.6**	**13.1**	**13.2**	**13.5**	**13.8**	**14.4**	**22.9**	**51.6**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**55.9**	**46.8**	**39.8**	**40.0**	**40.8**	**41.5**	**43.2**	**68.7**	**154.0**		
PPG debt service-to-exports ratio	**23.7**	**14.4**	**9.4**	**8.3**	**7.4**	**7.0**	**6.0**	**5.4**	**4.5**	**3.8**	**8.6**		
PPG debt service-to-revenue ratio	**10.0**	**14.2**	**10.7**	**9.6**	**8.7**	**8.4**	**7.2**	**6.6**	**5.5**	**4.6**	**10.4**		
Gross external financing need (Million of U.S. dollars)	109.6	55.9	-12.9	28.1	34.5	37.2	38.1	42.2	41.7	82.9	159.9		
Key macroeconomic assumptions													
Real GDP growth (in percent)	-5.4	9.2	9.4	5.5	2.8	2.1	2.0	2.0	2.0	0.7	0.7	**2.0**	**1.8**
GDP deflator in US dollar terms (change in percent)	4.3	3.1	4.0	3.0	2.3	2.2	2.2	3.1	2.4	2.6	2.5	**1.1**	**2.5**
Effective interest rate (percent) 4/	1.0	1.3	1.3	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	**1.3**	**1.3**
Growth of exports of G&S (US dollar terms, in percent)	3.6	168.1	32.6	6.3	4.1	4.5	4.3	5.8	4.5	3.4	3.3	**16.2**	**4.2**
Growth of imports of G&S (US dollar terms, in percent)	5.5	30.0	1.4	13.2	5.1	4.0	3.8	5.3	4.4	4.2	3.2	**3.7**	**5.1**
Grant element of new public sector borrowing (in percent)	...	...	...	43.0	43.0	43.0	43.0	43.0	43.0	43.0	43.0	**...**	**43.0**
Government revenues (excluding grants, in percent of GDP)	29.1	29.5	29.9	28.9	28.0	27.5	27.5	27.4	27.4	27.4	27.4	**27.4**	**27.6**
Aid flows (in Million of US dollars) 5/	78.1	42.6	65.7	48.2	48.9	81.7	83.4	87.5	88.6	126.2	211.5		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	4.2	4.0	5.7	5.6	5.6	5.5	6.4	7.6	**...**	**5.5**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	100.0	100.0	71.5	72.3	72.4	73.2	66.4	61.3	**...**	**76.0**
Nominal GDP (Million of US dollars)	833	938	1,068	1,160	1,221	1,275	1,328	1,397	1,459	1,709	2,347		
Nominal dollar GDP growth	-1.3	12.6	13.8	8.6	5.3	4.4	4.2	5.2	4.5	3.3	3.2	**3.1**	**4.4**
Memorandum items:													
PV of external debt 7/	...	...	19.0	15.6	13.1	13.2	13.5	13.8	14.4	22.9	51.6		
In percent of exports	...	...	55.9	46.8	39.8	40.0	40.8	41.5	43.2	68.7	154.0		
Total external debt service-to-exports ratio	23.7	14.4	9.4	8.3	7.4	7.0	6.0	5.4	4.5	3.8	8.6		
PV of PPG external debt (in Million of US dollars)			203.0	181.0	160.3	168.2	179.0	192.7	209.7	391.1	1210.4		
(PVt-PVt-1)/GDPt-1 (in percent)				-2.1	-1.8	0.6	0.9	1.0	1.2	3.1	4.4		
Non-interest current account deficit that stabilizes debt ratio	13.3	13.2	3.0	4.6	4.1	-0.1	0.1	0.5	0.5	0.3	0.2		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

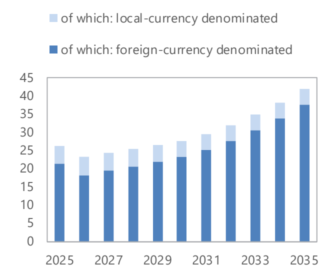
Table 2. Samoa: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022-2045

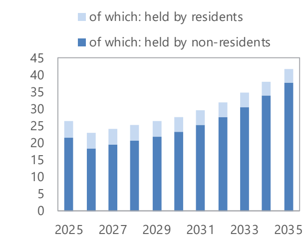
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
Public sector debt 1/	**51.3**	**39.6**	**31.1**	**26.4**	**23.2**	**24.2**	**25.4**	**26.4**	**27.6**	**41.8**	**85.1**	**51.2**	**29.9**
of which: external debt	**43.6**	**33.3**	**25.9**	**21.5**	**18.2**	**19.4**	**20.7**	**21.9**	**23.2**	**37.7**	**81.5**	**43.0**	**25.5**
Change in public sector debt	-4.8	-11.7	-8.5	-4.7	-3.2	1.1	1.1	1.1	1.2	3.7	4.1		
Identified debt-creating flows	**0.6**	**-9.8**	**-7.8**	**-4.6**	**-3.1**	**1.1**	**1.2**	**1.3**	**1.3**	**3.9**	**4.5**	**-2.0**	**1.1**
Primary deficit	**-5.9**	**-3.5**	**-10.6**	**-0.3**	**1.1**	**1.6**	**1.6**	**1.8**	**1.8**	**4.3**	**5.3**	**-2.8**	**2.2**
Revenue and grants	38.5	34.1	36.0	33.0	32.0	31.5	31.5	31.4	31.4	31.4	31.4	**32.7**	**31.6**
of which: grants	9.4	4.5	6.2	4.2	4.0	4.0	4.0	4.0	4.0	4.0	4.0		
Primary (noninterest) expenditure	32.6	30.5	25.4	32.7	33.1	33.1	33.1	33.2	33.2	35.7	36.7	**29.9**	**33.8**
Automatic debt dynamics	**3.7**	**-6.5**	**-4.4**	**-1.7**	**-0.8**	**-0.5**	**-0.5**	**-0.5**	**-0.5**	**-0.3**	**-0.8**		
Contribution from interest rate/growth differential	0.4	-5.6	-3.6	-1.7	-0.8	-0.5	-0.5	-0.5	-0.5	-0.3	-0.8		
of which: contribution from average real interest rate	-2.8	-1.3	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.3		
of which: contribution from real GDP growth	3.2	-4.3	-3.4	-1.6	-0.7	-0.5	-0.5	-0.5	-0.5	-0.3	-0.6		
Contribution from real exchange rate depreciation	3.3	-0.9	-0.8	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**2.8**	**0.2**	**7.2**	**-2.6**	**-3.5**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**0.0**	**1.1**	**-0.6**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	2.8	0.2	7.2	-2.6	-3.5	0.0	0.0	0.0	0.0	-0.1	0.0		
Residual	**-5.4**	**-2.0**	**-0.7**	**-0.2**	**-0.1**	**0.0**	**0.0**	**-0.2**	**-0.1**	**-0.2**	**-0.4**	**-1.3**	**-0.1**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**24.2**	**20.5**	**18.0**	**18.0**	**18.1**	**18.3**	**18.8**	**27.0**	**55.1**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**67.1**	**62.1**	**56.4**	**57.2**	**57.7**	**58.3**	**59.8**	**86.1**	**175.8**		
Debt service-to-revenue and grants ratio 3/	**14.9**	**13.9**	**15.9**	**9.6**	**8.8**	**8.6**	**7.7**	**7.3**	**6.4**	**6.1**	**11.4**		
Gross financing need 4/	2.7	1.5	2.3	0.3	0.4	4.3	4.1	4.1	3.8	6.2	8.9		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	-5.4	9.2	9.4	5.5	2.8	2.1	2.0	2.0	2.0	0.7	0.7	**2.0**	**1.8**
Average nominal interest rate on external debt (in percent)	1.0	1.3	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	**1.3**	**1.3**
Average real interest rate on domestic debt (in percent)	-0.6	-2.8	1.6	1.9	2.1	2.4	2.6	2.8	3.0	3.8	5.0	**2.7**	**2.9**
Real exchange rate depreciation (in percent, + indicates depreciation)	7.2	-2.3	-2.7	...	...	...	...	...	...	...	...	**1.9**	**...**
Inflation rate (GDP deflator, in percent)	5.7	8.1	5.0	3.1	3.0	3.0	3.0	3.0	3.0	3.0	3.0	**2.9**	**3.0**
Growth of real primary spending (deflated by GDP deflator, in percent)	-10.3	2.2	-8.8	35.5	4.2	2.0	2.1	2.3	2.1	2.1	0.7	**-0.8**	**5.4**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-1.0	8.2	-2.1	4.4	4.3	0.5	0.5	0.7	0.6	0.6	1.3	**1.7**	**1.2**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

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

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

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

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

Table 3. Samoa: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2025-2045

(In percent)

	Projections 1/																				
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
PV of debt-to GDP ratio																					
Baseline	16	13	13	13	14	14	15	17	19	21	23	26	29	32	34	37	40	43	46	49	52
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2025-2035 2/	16	14	15	16	17	17	18	19	21	22	23	24	25	26	27	29	30	31	33	34	36
B. Bound Tests																					
B1. Real GDP growth	16	15	16	17	17	18	19	21	23	25	28	31	35	39	42	46	50	53	**57**	**60**	**63**
B2. Primary balance	16	15	19	20	20	21	22	23	25	27	30	32	35	38	41	44	47	50	52	**55**	**58**
B3. Exports	16	28	50	50	50	51	52	55	**57**	**59**	**60**	**62**	**64**	**66**	**69**	**71**	**73**	**75**	**77**	**79**	**81**
B4. Other flows 3/	16	19	24	24	24	25	26	27	29	31	33	35	38	40	43	45	47	50	52	55	**57**
B5. Depreciation	16	17	11	12	12	13	14	16	18	21	24	27	31	35	39	43	47	51	55	**59**	**62**
B6. Combination of B1-B5	16	26	30	30	30	31	32	34	36	38	40	43	45	48	51	54	**57**	**59**	**62**	**65**	**67**
C. Tailored Tests																					
C1. Combined contingent liabilities	16	16	16	17	17	18	19	21	22	25	27	30	33	36	39	42	45	48	51	54	**57**
C2. Natural disaster	16	23	24	25	26	27	29	31	34	37	40	44	48	52	**56**	**59**	**63**	**67**	**71**	**74**	**78**
Threshold	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55	55
PV of debt-to-exports ratio																					
Baseline	47	40	40	41	42	43	46	51	56	62	69	77	86	94	103	112	121	129	138	146	154
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2025-2035 2/	47	43	45	48	50	53	55	58	62	65	68	72	75	79	82	86	90	94	98	102	107
B. Bound Tests																					
B1. Real GDP growth	47	40	40	41	42	43	46	51	56	62	69	77	86	94	103	112	121	129	138	146	154
B2. Primary balance	47	45	59	60	60	62	66	70	76	82	89	97	106	114	123	131	140	148	156	164	172
B3. Exports	47	168	**637**	**641**	**638**	**645**	**666**	**691**	**722**	**748**	**764**	**786**	**813**	**840**	**867**	**894**	**921**	**947**	**974**	**999**	**1024**
B4. Other flows 3/	47	56	72	73	73	75	78	83	88	94	99	105	113	120	127	135	142	149	156	163	170
B5. Depreciation	47	40	28	29	29	31	34	38	43	49	57	66	75	84	94	103	112	121	130	139	148
B6. Combination of B1-B5	47	99	77	151	151	154	161	170	180	189	199	212	226	239	**253**	**267**	**281**	**294**	**307**	**320**	**333**
C. Tailored Tests																					
C1. Combined contingent liabilities	47	49	50	51	52	54	57	62	67	74	81	90	99	108	117	126	135	143	152	160	169
C2. Natural disaster	47	72	74	77	80	84	90	97	106	115	125	136	148	160	171	183	195	206	217	229	240
Threshold	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240
Debt service-to-exports ratio																					
Baseline	8	7	7	6	5	5	4	4	4	4	4	4	4	4	5	5	6	7	7	8	9
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2025-2035 2/	8	8	7	6	6	5	5	4	4	4	4	4	4	5	5	5	6	6	6	7	7
B. Bound Tests																					
B1. Real GDP growth	8	7	7	6	5	5	4	4	4	4	4	4	4	4	5	5	6	7	7	8	9
B2. Primary balance	8	7	7	7	6	5	5	5	5	5	5	5	5	6	6	7	7	8	8	9	10
B3. Exports	8	17	**41**	**41**	**38**	**33**	**31**	**29**	**28**	**37**	**52**	**50**	**52**	**53**	**55**	**56**	**58**	**61**	**63**	**66**	**69**
B4. Other flows 3/	8	7	7	7	6	5	5	4	4	5	6	6	6	7	7	7	8	9	9	10	10
B5. Depreciation	8	7	7	6	5	4	4	4	3	3	3	3	3	4	4	5	5	6	6	7	8
B6. Combination of B1-B5	8	10	15	13	12	10	9	9	9	12	13	12	13	14	14	15	16	17	18	19	21
C. Tailored Tests																					
C1. Combined contingent liabilities	8	7	7	6	6	5	4	4	4	4	4	4	4	5	5	6	6	7	7	8	9
C2. Natural disaster	8	8	8	7	7	6	5	5	5	5	5	5	5	6	6	7	7	8	9	10	10
Threshold	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21	21
Debt service-to-revenue ratio																					
Baseline	10	9	8	7	7	5	5	5	4	4	5	4	5	5	6	7	7	8	9	10	10
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2025-2035 2/	10	9	9	8	7	6	6	5	5	5	5	5	5	6	6	7	7	7	8	8	9
B. Bound Tests																					
B1. Real GDP growth	10	10	10	9	8	7	6	6	6	5	6	5	6	7	7	8	9	10	11	12	13
B2. Primary balance	10	9	9	8	8	7	6	6	5	6	6	6	7	7	8	8	9	10	10	11	12
B3. Exports	10	10	12	12	11	9	9	8	8	11	15	14	15	15	16	16	17	18	18	19	20
B4. Other flows 3/	10	9	9	8	7	6	6	5	5	6	8	7	8	8	9	9	10	10	11	12	13
B5. Depreciation	10	11	11	9	8	7	6	5	5	5	4	4	5	6	6	7	8	9	10	11	12
B6. Combination of B1-B5	10	10	11	10	9	8	7	6	6	9	9	9	9	10	11	11	12	13	13	14	15
C. Tailored Tests																					
C1. Combined contingent liabilities	10	9	9	7	7	6	5	5	5	5	5	5	5	6	6	7	7	8	9	10	11
C2. Natural disaster	10	9	9	8	7	6	6	6	5	5	6	5	6	7	7	8	9	9	10	11	12
Threshold	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Samoa: Sensitivity Analysis for Key Indicators of Public Debt, 2025-2045

	Projections 1/																				
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
PV of Debt-to-GDP Ratio																					
Baseline	21	18	18	18	18	19	20	21	23	25	27	30	33	35	38	41	44	47	50	52	55
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2025-2035 2/	21	16	13	11	9	6	4	2	0	0	0	0	0	0	0	0	0	0	0	0	0
B. Bound Tests																					
B1. Real GDP growth	21	22	29	33	38	43	48	54	61	68	**75**	**82**	**90**	**98**	**106**	**114**	**121**	**129**	**136**	**144**	**151**
B2. Primary balance	21	21	26	26	26	27	28	29	31	33	35	37	40	43	46	49	52	54	57	60	62
B3. Exports	21	29	45	45	45	45	46	48	50	51	52	54	55	57	59	60	62	64	65	67	68
B4. Other flows 3/	21	24	29	29	29	29	30	32	34	35	37	39	42	44	46	49	51	54	56	58	60
B5. Depreciation	21	21	19	17	16	14	14	13	13	13	13	14	15	16	17	18	19	20	21	21	22
B6. Combination of B1-B5	21	19	21	22	24	25	27	29	32	35	38	42	46	50	54	57	61	65	69	**72**	**76**
C. Tailored Tests																					
C1. Combined contingent liabilities	21	23	23	23	23	23	24	26	27	29	32	34	37	40	43	46	49	52	55	58	60
C2. Natural disaster	21	34	34	35	35	36	38	40	42	45	48	51	55	58	62	66	70	**73**	**77**	**80**	**84**
TOTAL public debt benchmark	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70
PV of Debt-to-Revenue Ratio																					
Baseline	62	56	57	58	58	60	63	67	73	79	86	95	104	113	122	132	141	150	158	167	176
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2025-2035 2/	62	50	42	35	27	20	13	6	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Bound Tests																					
B1. Real GDP growth	62	69	89	103	117	132	149	168	188	210	232	255	280	304	328	352	376	400	423	446	469
B2. Primary balance	62	65	83	84	84	85	88	93	98	104	111	119	128	137	146	155	164	173	182	190	199
B3. Exports	62	91	142	142	142	143	147	152	158	163	166	171	176	182	187	192	198	203	208	213	218
B4. Other flows 3/	62	74	91	92	92	93	97	101	107	113	118	125	133	140	148	156	163	171	178	185	193
B5. Depreciation	62	68	61	56	50	46	44	42	41	42	43	45	48	51	54	57	60	63	66	69	72
B6. Combination of B1-B5	62	60	67	71	75	79	86	93	102	112	122	134	146	158	171	183	195	206	218	229	240
C. Tailored Tests																					
C1. Combined contingent liabilities	62	71	73	73	73	75	78	82	88	94	101	110	119	128	138	147	156	165	174	183	192
C2. Natural disaster	62	105	108	110	112	115	120	126	134	142	152	162	174	186	198	209	221	233	244	255	267
Debt Service-to-Revenue Ratio																					
Baseline	10	9	9	8	7	6	6	6	6	6	6	6	6	7	8	8	9	9	10	11	11
A. Alternative Scenarios																					
A1. Key variables at their historical averages in 2025-2035 2/	10	9	9	7	7	6	5	5	4	4	3	2	2	2	2	1	1	1	0	-	-
B. Bound Tests																					
B1. Real GDP growth	10	10	11	10	11	11	12	12	13	14	16	18	19	21	23	25	27	29	31	33	35
B2. Primary balance	10	9	9	10	9	8	8	8	8	8	9	9	9	9	10	10	11	12	12	13	14
B3. Exports	10	9	9	10	9	8	8	8	7	9	13	12	13	13	13	14	14	15	15	16	16
B4. Other flows 3/	10	9	9	9	8	7	7	6	6	7	9	8	9	9	10	10	11	12	12	13	13
B5. Depreciation	10	10	11	9	9	7	7	6	6	6	6	5	6	6	6	7	7	8	8	9	9
B6. Combination of B1-B5	10	9	11	11	10	9	9	9	9	10	10	10	10	11	12	12	13	13	14	14	15
C. Tailored Tests																					
C1. Combined contingent liabilities	10	9	9	9	8	8	7	7	7	7	7	7	7	8	8	9	9	10	11	11	12
C2. Natural disaster	10	9	11	12	11	10	10	10	10	10	11	10	10	10	11	11	12	13	14	14	15

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.