



**Ministry of Finance  
GOVERNMENT OF SAMOA**

# **FISCAL STRATEGY**

**MAIN ESTIMATES  
2025/2026**

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# **1. Introduction**

## **Reporting Requirements**

The Public Finance Management Act 2001 stipulates the principles of responsible fiscal management and reporting requirements for the presentation of the Budget.

In accordance with Section 19 of the Act, the Fiscal Strategy Statement must be submitted to the Legislative Assembly as part of the Budget Address.

The Fiscal Strategy Statement includes an assessment of the extent to which the budget statement is consistent with the "Pathway for the Development of Samoa" (PDS); an explanation of the reasons for any significant differences between the current economic and financial situation of the State and the information and intentions in the PDS; projections of movements in economic and fiscal data which demonstrate intended progress towards achieving the PDS outcomes; and the significant assumptions on which the projections are based. These national outcomes will be achieved through coordinated efforts by the Government, the private sector, communities, and development partners towards the implementation of public sector investment programs.

## **The Pathway for the Development of Samoa (PDS)**

The national development plan is for a period of five fiscal years (FY2021/22 – FY2025/26) with the theme of: "Empowering communities, building resilience, and inspiring growth."

It focuses on five Key Strategic Outcomes (KSO) to achieve its vision of "Fostering social harmony, safety, and freedom for all." These include:

1. Improved Social Development
2. Diversified and Sustainable Economy
3. Security and Trusted Governance
4. Secured Environment and Climate Change
5. Structured Public Works and Infrastructure

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## 2. Economic Objectives

### Fiscal Policy

The Samoan economy has rebounded significantly over the the last four financial years, aided by tourism recovery and fiscal surpluses. However, challenges persist, including climate vulnerabilities and capacity constraints affecting public investments and hindering further economic development.

The IMF World Economic Outlook Report of July 2025 expects global inflation to decline steadily, easing to 3.6 percent in 2025 from 4.2 percent in 2024. Emerging markets anticipate a slight decrease, with both facing persistent pressures from supply chain disruptions and geopolitical uncertainties that complicate efforts to meet inflation targets. Samoa is anticipated to return to the target inflation level of 3.0 percent in the medium term.

In FY2024/25, the economy grew by 4.2 percent, driven by Government and private sector spending towards preparations for and hosting of the Commonwealth Heads of Government Meeting (CHOGM). This momentum continued through to June 2025, achieving a quarterly real GDP growth rate of 5.2 percent. In response to the robust growth of the previous financial years, the Government envisions a gradual fiscal expansion, prioritising capacity enhancement for vital public investments, particularly in climate-related initiatives. The following targets are set to measure the implementation of fiscal policy and guide public finance management policies:

- i. Budget deficit to be within 3.5% of GDP (Gross Domestic Product);
- ii. Ratio of Ordinary Receipts to Total Current Payments to be at least 70%;
- iii. Personnel Costs<sup>1</sup> to be maintained within 35% of Total Current Expenditure;
- iv. Total Current Payments to be maintained within 40% of GDP;
- v. Debt Servicing to be kept within 20% of Ordinary Receipts (Excluding Grants); and
- vi. Public Debt to be kept below 50% of GDP.

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<sup>1</sup> Government Ministries only

### 3. Economic and Fiscal Performance: FY2021/22 to FY2024/25

#### Macroeconomic Performance

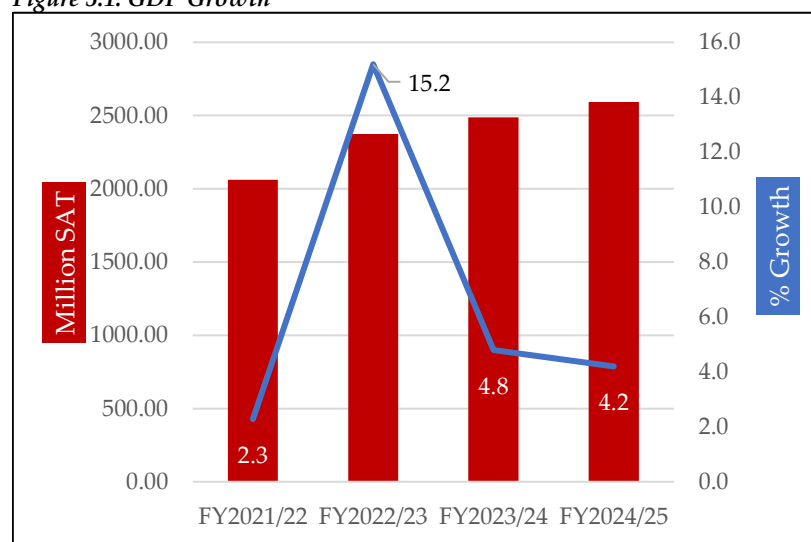
The recent revisions to historical data indicate that economic performance for FY2021/22 registered a growth recovery of 2.3 percent. This is contrary to the previously reported decline of 5.3 percent, therefore reflecting an earlier rebound from the adverse impacts of the COVID-19 pandemic. The recorded increase signals a recovery from the recession of the preceding two fiscal years, highlighting that the removal of restrictions was instrumental in mitigating the impacts on economic industries such as Fishing, Other Manufacturing, Construction, Agriculture, and Commerce. In contrast, Business Services, Electricity and Water, and Transport industries showed notably strong performance during this period.

Following the reopening of borders in August 2022, FY2022/23 saw a spike in the economic outturn, recording a 15.2 percent expansion – revised from the previously recorded 9.2 percent. This peak growth was driven by a sharp increase in tourist arrivals, major infrastructure projects, and national celebrations such as the

year-long 60th Independence Anniversary and church conferences, which provided substantial economic stimulus. Industries including Accommodation and Restaurants, Business Services, Transport, Fishing, Personal & Other Services, and Commerce benefited from the resurgence of both domestic and foreign demand and investment.

Economic growth eased to 4.8 percent in FY2023/24, largely attributed to preparations for CHOGM, infrastructure improvements, the District Development Program, and church donations. Additional momentum was supported by regional and international sporting events. This was coupled with donations for school anniversary projects and celebrations of national holidays including Independence Day. These events and activities generated positive impacts that were widely spread across the major industries of the economy particularly in the Accommodation and Restaurants, Transport, Electricity and Water, and Fishing industries.

Figure 3.1: GDP Growth



Source: Samoa Bureau of Statistics

In FY2024/25, Samoa's economy grew by 4.2 percent, signifying sustained growth from the previous review period. Growth was underpinned by the hosting of CHOGM, complemented by events such as the Annual Teuila Festival, Miss Samoa Pageant, Church conferences, and concerts. Furthermore, public infrastructure improvements, and accommodation upgrades boosted overall economic activity. These factors collectively stimulated positive returns across multiple industries, particularly Commerce, Financial Services, Transport, Construction, and Public Administration. Although the energy crisis in February 2025 created a temporary shock, overall growth was sustained as the negative effects of the crisis were offset by higher consumption in other sectors, thereby moderating overall growth.

**Table 3.1: Fiscal and Economic Statistics FY2021/22 to FY2024/25**

	FY2021/22	FY2022/23	FY2023/24	FY2024/25
<b>Gross Domestic Product</b>				
Nominal GDP ( <i>million talā</i> )	2,317.66	2,853.12	3,240.39	3,584.94
Real GDP (2013 constant price) ( <i>million talā</i> )	2,060.95	2,374.23	2,488.04	2,592.64
% Growth	2.3	15.2	4.8	4.2
<b>Budget Balance</b>				
Budget Balance ( <i>million talā</i> )	116.52	77.07	300.99	167.73
<b>Revenue</b>				
Revenue ( <i>million talā</i> )	838.89	898.85	1,154.57	1,064.85
Tax Revenue ( <i>million talā</i> )	555.54	673.93	784.87	835.55
Grants ( <i>million talā</i> )	201.59	141.28	269.91	138.54
Non-Tax Revenue ( <i>million talā</i> )	81.76	83.63	99.80	90.76
Revenue and Grants (% to GDP)	36.2	31.5	35.6	29.7
Tax Revenue (% to GDP)	24.0	23.6	24.2	23.3
Grants (% to GDP)	8.7	5.0	8.3	3.9
Non-Tax Revenue (% to GDP)	3.5	2.9	3.1	2.5
<b>Total Expenditure</b>				
Total Expenditure ( <i>million talā</i> )	722.37	821.78	853.59	897.12
Current Expenditure ( <i>million talā</i> )	688.78	705.04	798.47	811.39
Net Acquisition of Non-financial Assets ( <i>million talā</i> )	33.59	116.73	55.12	85.73
Total Expenditure (% to GDP)	31.2	28.8	26.3	25.0
Current Expenditure (% to GDP)	29.7	24.7	24.6	22.6
Net Acquisition of Non-financial Assets (% to GDP)	1.4	4.6	1.7	2.4
Subsidies ( <i>million talā</i> )	8.38	2.40	5.75	6.45
Subsidies (% to GDP)	0.4	0.2	0.2	0.2
<b>Public Debt</b>				
Official Public Debt ( <i>million talā</i> )	949.4	907.5	815.4	760.4
Official Public Debt as % of GDP (Target within 50%)	41.0	31.8	25.2	21.2

	FY2021/22	FY2022/23	FY2023/24	FY2024/25
Total Debt Servicing ( <i>million talā</i> )	66.2	95.8	99.4	94.7
Debt Servicing as % of Ordinary Receipts (Target within 20%)	10.2	14.7	12.9	10.1

*Source: Ministry of Finance, Central Bank of Samoa & Samoa Bureau of Statistics*

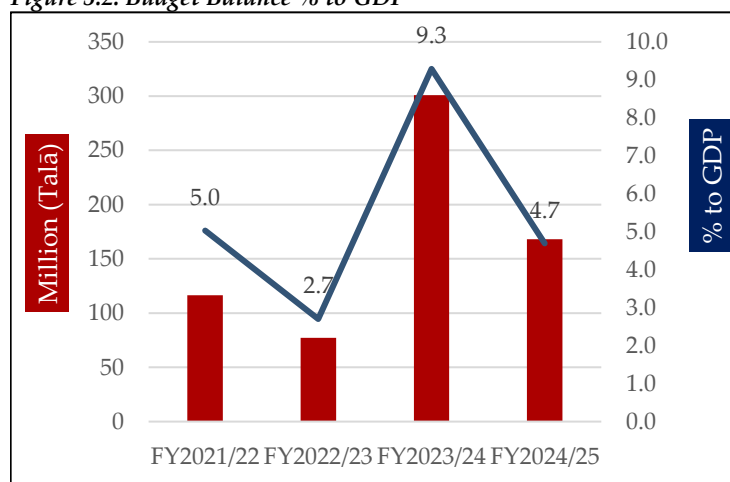
## Fiscal Performance

### Budget Balance

As depicted in Figure 3.2, the Government's budget balance for the last four fiscal years has recorded consecutive surpluses which can be attributed to the following:

- The continued increase in grants in FY2021/22, coupled with the substantial decrease in Net Acquisition of Non-Financial Assets owing to the delayed implementation of major development projects, resulted in the recorded 5.0 percent surplus.
- A 2.7 percent surplus was recorded in FY2022/23 as tax revenue continued to increase. However, many development projects resumed implementation upon the reopening of borders which saw a significant increase in Net Acquisition of Non-Financial Assets.
- In FY2023/24, the surplus increased to 9.3 percent which was driven by a marked increase in grant inflows and the consistent improvement in tax revenue collection. On the other hand, Net Acquisition of Non-Financial Assets decreased, compared to the surge recorded in the preceding year.
- For FY2024/25, a 4.7 percent surplus was recorded, supported by continued growth in tax revenue even as grant inflows eased towards normalised levels. At the same time, the Net Acquisition of Non-Financial Assets stabilised at a moderate level, reflecting a measured pace of implementation for major development projects.

**Figure 3.2: Budget Balance % to GDP**



*Source: Ministry of Finance and Samoa Bureau of Statistics*

Table 3.2 below provides a comparison of budget estimates with actual performance over the four-year period under review. The impact of COVID-19 restrictions on the implementation of development projects and corporate priorities is evident in the

FY2021/22 variance between estimated Net Acquisition of Non-Financial Assets and actuals. Implementation picked up in FY2022/23 but slowed down significantly in FY2023/24 as reflected in the respective variances. In FY2024/25, however, a more moderate and stable pace for Net Acquisition of Non-Financial Assets was observed, with activity improving compared to the previous financial year.

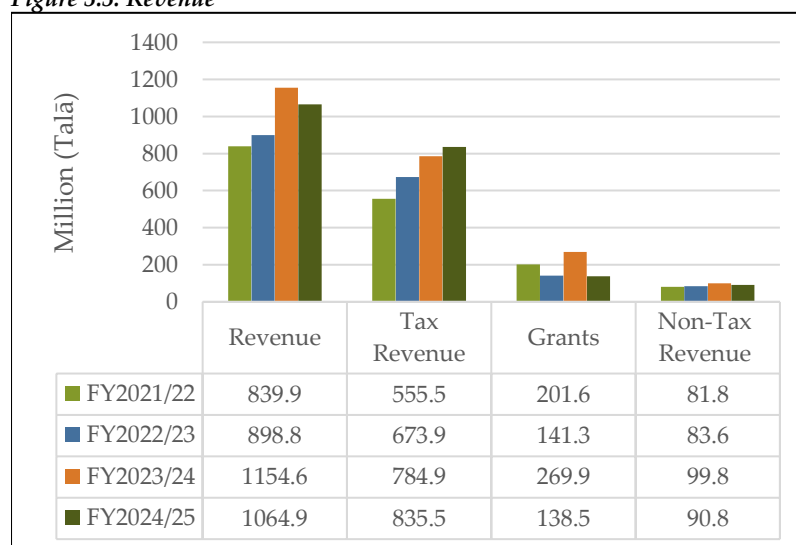
**Table 3.2: Statement on Government of Samoa Operations: Transactions affecting Net Worth FY2021/22-FY2024/25**

	2021/22		2022/23		2023/24		2024/25	
	EST.	ACTUALS	EST.	ACTUALS	EST.	ACTUALS	EST.	ACTUALS
REVENUE	850.8	838.9	754.8	898.9	843.5	1154.6	940.8	1064.7
<i>Taxes</i>	483.6	555.5	516.7	673.9	555.2	784.9	616.2	835.6
<i>Grants</i>	276.0	201.6	147.9	141.3	166.4	269.9	196.8	138.5
<i>Other Revenue</i>	91.3	81.8	90.3	83.6	121.9	99.8	127.7	90.8
EXPENSE	732.1	688.8	728.0	705.0	779.3	798.5	826.8	811.4
 GROSS OPERATING BALANCE	 118.7	 150.1	 26.8	 193.9	 64.1	 356.1	 114.0	 253.3
 NET ACQUISITION OF NONFINANCIAL ASSETS	 158.0	 33.6	 100.6	 116.7	 154.1	 55.1	 174.7	 85.7
 NET LENDING/ BORROWING REQUIREMENT	 -39.3	 116.5	 -73.8	 77.1	 -89.9	 301.0	 -60.7	 167.7
 NET ACQUISITION OF FINANCIAL ASSETS AND LIABILITIES (FINANCING)	 -39.3	 116.5	 -73.8	 77.1	 -89.9	 301.0	 -60.7	 167.7
NET ACQUISITION OF FINANCIAL ASSETS	-113.6	60.9	-41.2	5.8	-189.2	216.0	-155.3	87.6
NET INCURRENCE OF LIABILITIES	-74.4	-55.6	-32.5	-71.3	-99.3	-85.0	-94.5	-80.1
 NOMINAL GDP	 2113.8	 2317.7	 2191.0	 2853.1	 2759.0	 3240.4	 2854.0	 3584.9
BUDGET DEFICIT	-1.9%	5.0%	-3.4%	2.7%	-3.3%	9.3%	-2.1%	4.7%

## Revenue

The implementation of targeted Government initiatives towards economic recovery and the strengthening of revenue streams, contributed to the overall consistent increase in revenue. Evidently, revenue performance remained stable over the review period as shown in Figure 3.3, with total revenue continuing to increase and reaching more than \$1 billion talā in FY2023/24 and

**Figure 3.3: Revenue**



Source: Ministry of Finance and Samoa Bureau of Statistics



FY2024/25. This is attributed to the robust inflow of grants and tax revenues, driven by strong economic performance and improved revenue administration.

The consistent inflow of remittances and Government's stimulus packages during and post-pandemic contributed to increased consumption and therefore tax revenue in FY2021/22 and FY2022/23; while enhanced tax compliance measures contributed to the increase from FY2023/24 to FY2024/25. This is in addition to other factors that spurred consumption including increased travelers and the implementation of the District Development Program. Furthermore, grant financing increased again to \$269.9 million talā in FY2023/24 after a slight decline in FY2022/23 as general budget support was re-classified to be reflective of its nature – financing of the budget deficit. Tax revenue continued its upward trend in FY2024/25, underpinned by sustained tax compliance initiatives, and steady household and business consumption. However, Total Revenue moderated as grant inflows declined.

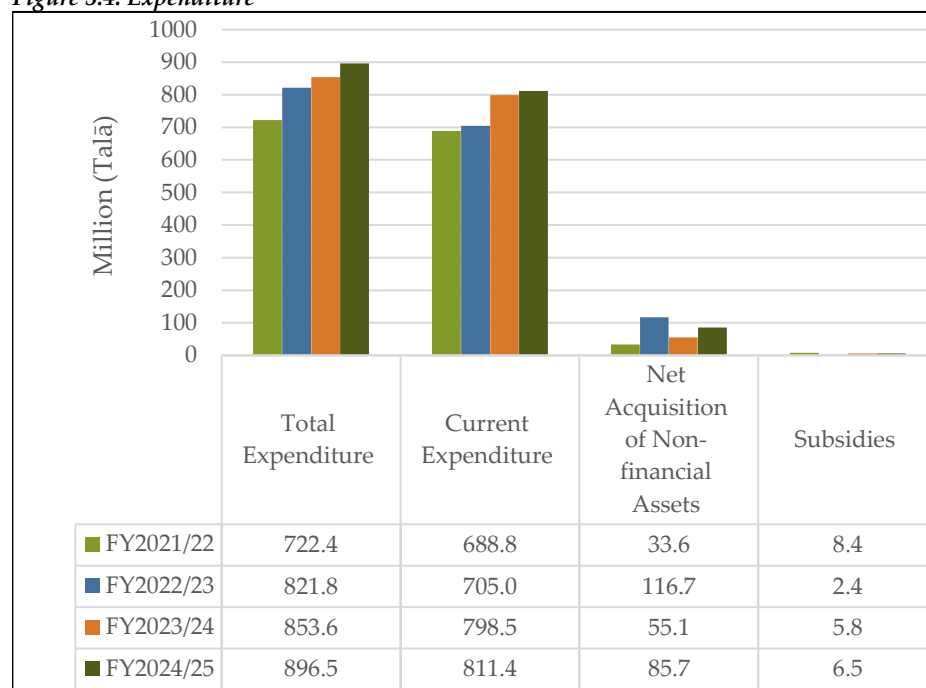
**Table 3.3 Government of Samoa Revenue by Type FY2021/22-FY2024/25**

	2021/22		2022/23		2023/24		2024/25	
	EST.	ACTUALS	EST.	ACTUALS	EST.	ACTUALS	EST.	ACTUALS
<b>REVENUE</b>	<b>850.8</b>	<b>838.9</b>	<b>754.8</b>	<b>898.8</b>	<b>843.5</b>	<b>1154.6</b>	<b>940.8</b>	<b>1064.9</b>
<i><b>Taxes</b></i>	483.6	555.5	516.7	673.9	555.2	784.9	616.2	835.5
<i>Taxes on income, profits, and capital gains</i>	126.7	136.1	120.6	140.1	129.3	182.9	139.7	213.4
<i>Taxes on property</i>	0.8	0	0.8	0.0	0.8	0.0	0.8	0.0
<i>Taxes on goods and services</i>	304.3	352.5	328.5	450.0	348.3	515.1	392.6	533.9
VAGST	167.1	221.5	180.6	281.5	175.5	316.6	209.7	322.7
Excises	126.7	124.6	137.5	158.6	162.3	179.4	167.2	190.7
<i>Taxes on specific services</i>	9.9	6.4	9.9	9.9	10.0	19.1	15	20.5
<i>Taxes on use of goods, permission to use goods</i>	0.5	0.0	0.54	0.0	0.54	0.0	0.56	0.0
<i>Taxes on international trade and transactions</i>	51.7	66.9	66.7	83.9	76.7	86.9	83.1	88.2
<i><b>Grants</b></i>	276.0	201.6	147.9	141.3	166.4	269.9	196.8	138.5
<i><b>Other revenue</b></i>	91.3	81.8	90.3	83.6	121.9	99.8	127.7	90.8
Property income	12.3	29.9	28.5	16.3	41.1	36.7	49	22.4
Sale of goods and services	51.8	51.3	37.2	66.7	48.8	62.5	46.6	66.1
Fines, penalties, and forfeits	27.1	0.6	24.6	0.6	32.0	0.6	32.1	2.3
Miscellaneous and unidentified receipts	0	0.0	0	0.0	0	0.0	0	0.0

## Expenditure

As depicted in Figure 3.4, total expenditure picked up in FY2022/23 from FY2021/22 as Government prioritised the effective implementation of budget priorities following the reopening of borders. Strong economic recovery during this period notably offset the total expenditure to GDP ratio (Table

Figure 3.4: Expenditure



Source: Ministry of Finance and Samoa Bureau of Statistics

3.1), despite the implementation of major initiatives including the District Development Program, 60th independence anniversary celebrations, 50th Golden Jubilee celebrations of the SNPF, and revitalisation support for businesses and Non-Governmental Organisations.

The Net Acquisition of Non-Financial Assets remained relatively low in FY2021/22 due to the declaration of the COVID-19 State of Emergency, which affected disbursements for development projects. However, the reopening of borders in FY2022/23 enabled the Net Acquisition of Non-Financial Assets to increase significantly as the focus shifted to the resumption of development projects. In FY2023/24, total expenditure rose, mainly driven by current expenditure, but a sharp decline in Net Acquisition of Non-Financial Assets lowered the overall expenditure share, reflecting delays in capital project implementation. Total expenditure continued to rise in FY2024/25 due to sustained current expenditure. At the same time, Net Acquisition of Non-Financial Assets had rebounded, reflecting a gradual continuation of previously delayed projects. This indicates a more balanced expenditure approach, as the Government maintained essential operational spending while steadily advancing development investments to support long-term growth.

**Table 3.4: Government of Samoa Expenditure by Type FY2021/22-FY2024/25**

	2021/22		2022/23		2023/24		2024/25	
	EST.	ACTUALS	EST.	ACTUALS	EST.	ACTUALS	EST.	ACTUALS
<b>EXPENSE</b>	<b>732.1</b>	<b>688.8</b>	<b>727.9</b>	<b>705.0</b>	<b>779.3</b>	<b>798.5</b>	<b>826.8</b>	<b>811.4</b>
Compensation of employees	302.5	281.5	307.1	278.8	370.6	295.9	392.1	315.1
Use of goods and services	199.4	172.5	154.4	187.9	302.6	255.1	329	217.2
Interest	11.2	10.6	14.0	12.7	12.6	14.4	11.6	12.8
Subsidies	26.7	8.4	20.8	2.4	24.2	5.8	25.3	6.5
Grants	127.0	173.1	174.6	178.2	14.6	185.5	11.7	214.7
Social Benefits	52.7	34.4	43.9	35.6	41.2	34.7	44.1	35.7
Other Expense	12.6	8.4	13.1	9.4	13.5	7.2	13	9.4
<b>NET ACQUISITION OF NON-FINANCIAL ASSETS</b>	<b>158.0</b>	<b>33.6</b>	<b>100.6</b>	<b>116.7</b>	<b>154.1</b>	<b>55.1</b>	<b>174.7</b>	<b>85.7</b>

The Government's overall expenditure depicts consistently increasing grants to State Owned Enterprises, the District Development Program, and the One Government Grant over the past four years.

### *Public Debt*

Samoa's public debt has shown positive trends over the fiscal years under review. The official public debt as a percentage to GDP remained well below the target threshold of 50 percent, declining from 41.0 percent in FY2021/22 to 21.2 percent in FY2024/25. This reduction reflects both an increase in GDP and a decline in the nominal value of total debt, which fell from \$949.4 million talā to \$760.4 million talā. Debt servicing, as a percentage of ordinary receipts for the reviewed fiscal years remained below the target of 20%.

A total of six loans were fully repaid and closed over the review period. These facilities included a loan from the Asian Development Bank (ADB) for the Fourth Development Bank of Samoa Project, which was fully repaid in FY2021/22, followed by another ADB loan for the Western Samoa Trust Estates Corporation (WSTEC) Forestry Project in FY2022/23. In FY2023/24, the Samoa Trust Estates Corporation (STEC) Capital Note 2 with the Unit Trust of Samoa (UTOS) was fully repaid and closed. Most recently, in FY2024/25, three additional loans were fully repaid and closed: an ADB loan for the Fifth Development Bank of Samoa Project, an IDA-World Bank loan for the First Highway Project, and an OPEC Fund for International Development (OPEC) loan for the Petroleum Bulk Storage Facilities Phase III Project.

Public debt management also extends to the monitoring and management of contingent liabilities, which consist of Government guarantees, direct borrowings by State Owned Enterprises (SOEs), and outstanding Government on-lending balances.

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At the end of FY2024/25, total contingent liabilities stood at \$274.6 million talā. Government guarantees accounted for \$93.2 million talā, equivalent to around 2.8 percent of GDP and well within the 10 percent policy threshold. The majority of these guarantees were held by the Development Bank of Samoa (DBS), with smaller commitments to the Samoa Airport Authority (SAA), the Samoa Housing Corporation (SHC), Samoa Shipping Services (SSS), and Polynesian Airlines - Samoa Airways (PAL-SAL). SOE direct borrowings not guaranteed by Government amounted to \$30.2 million talā, comprising obligations of the SHC and the Samoa Land Corporation (SLC). Outstanding Government on-lending balances stood at \$151.3 million talā, largely to the Electric Power Corporation (EPC) for the Power Sector Expansion Project and the Samoa Submarine Cable Company (SSCC) for the Samoa Submarine Cable Project, with smaller on-lending to the UTOS and the DBS. These exposures are monitored to manage potential fiscal risks that may arise from SOE financial performance.

## **Monetary Policy**

The high inflationary pressures experienced globally and domestically over the past four fiscal years, receded in FY2024/25. Both imported and domestic inflation decelerated significantly due to lower global commodity prices as well as a slowdown in domestic demand, compared to the surge in economic activity following the reopening of borders in August 2022. Given the improved inflation outlook and strong economic growth forecast, the Central Bank of Samoa (CBS) maintained its monetary policy stance, focusing on reducing the high excess liquidity in the financial system, as well as normalising (raising) its official interest rate to a target range of 2-3 percent. This process will involve issuing longer-term CBS Securities as well as ongoing engagement with financial institutions. Importantly, this normalisation does not signify a tightening of monetary policy but instead reflects CBS efforts to build a buffer in its policy instrument.

## *Inflation*

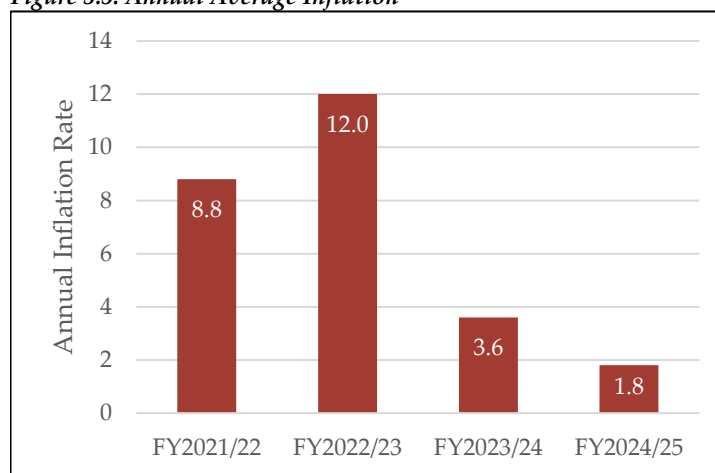
The annual average inflation rate in FY2021/22 stood at 8.8 percent, which was a sizable increase from the preceding fiscal year. This surge was primarily driven by the onset of the COVID-19 pandemic and restrictions, coupled with the start of the Russia-Ukraine conflict which saw food and fuel prices rise substantially.

The inflation rate continued to rise sharply in FY2022/23, reaching 12.0 percent, reflecting ongoing global supply chain disruptions and heightened domestic demand pressures due to the influx of visitors once borders were reopened in August 2022 and the resumption of economic activity.

However, in FY2023/24, the inflation rate decelerated significantly to 3.6 percent, in line with falling global commodity prices, the easing of supply chain constraints, as well as a slowdown in domestic demand. Additionally, there were notable reductions in prices under Housing, Water, Electricity, Gas and other Fuels, Transport, and Education subgroups.

Inflation slowed further to 1.8 percent in FY2024/25, falling below the inflation target. This decrease was attributed to lower prices for imported goods such as fuel, diesel, and airfares, alongside declines in transport and furnishings. However, locally produced food prices increased, particularly taro, fresh fish, and coconuts as well as rising communication charges and household services, which partly offset these declines.

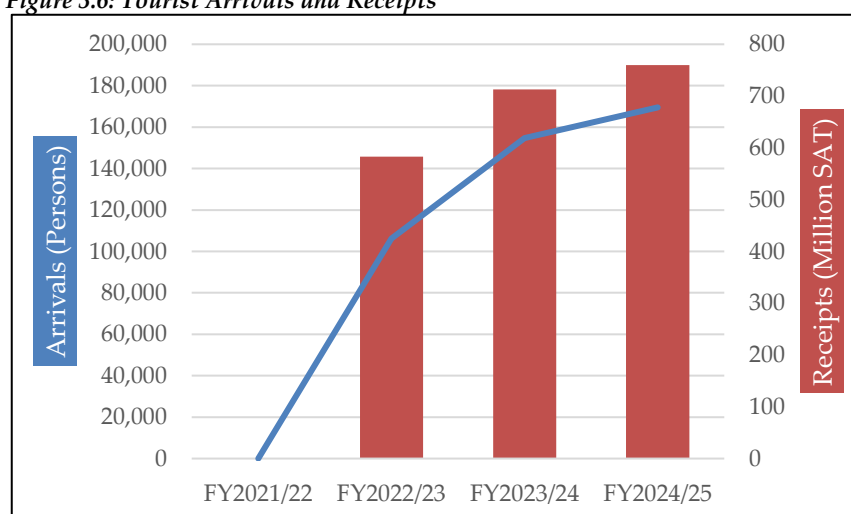
*Figure 3.5: Annual Average Inflation*



*Source: Central Bank of Samoa & Samoa Bureau of Statistics*

## Tourists Arrivals and Earnings

Figure 3.6: Tourist Arrivals and Receipts



Source: Central Bank of Samoa

In FY2021/22, during the global COVID-19 pandemic, border restrictions were imposed and there were no tourist arrivals and earnings due to the travel ban from the declaration of a State of Emergency in March 2020.

In FY2022/23, tourist arrivals rebounded to 145,763 and visitor earnings shot up to \$424.5 million talā. This was a result of the reopening of borders in August 2022, which lifted all COVID-19 travel restrictions. The majority of visitors to Samoa during this period were 'Visiting Friends and Relatives' (VFRs).

In FY2023/24, total arrivals increased further to 178,190 tourists with earnings totaling \$618.9 million talā. Holiday travelers outpaced VFRs in the first full year of recovery after the reopening of borders, reflecting the impact of cultural, sporting, and community events attracting leisure tourism.

Total arrivals increased further to 189,937 in FY2024/25 showcasing a return to normalcy and slightly exceeding pre-COVID levels, while visitor earnings rose to \$678.1 million talā. This growth was supported by major cultural and tourism-related events, including the Annual Teuila Festival, the Miss Samoa Pageant, and Samoa Vibes concerts. In addition, hosting CHOGM and the associated lead-up preparations, along with other regional meetings, provided an incremental boost. Seasonal celebrations and leisure travel continued to drive visitor numbers, with holiday travelers remaining higher than VFRs.

## Remittances

Total remittances have shown a steady increase over the past four fiscal years, with New Zealand remaining the leading source market, followed by Australia. The adverse impact of the COVID-19 pandemic along with the increase of seasonal workers under the Labour Mobility Schemes, contributed to

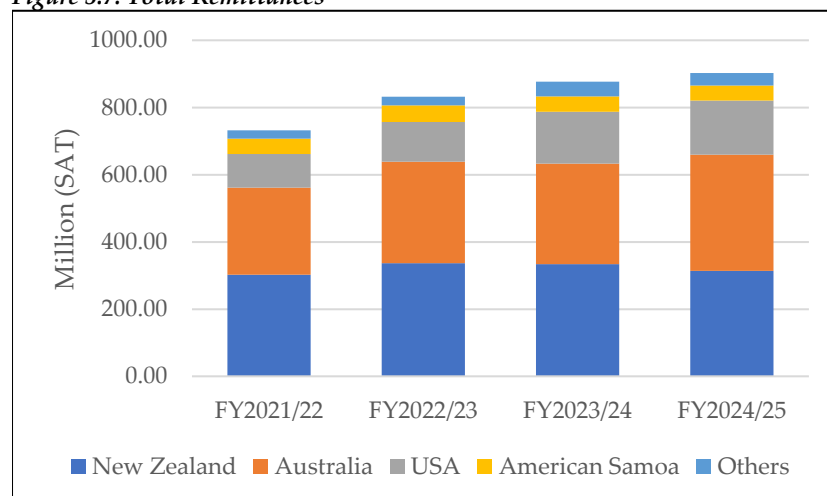
the robust growth in remittance inflows in FY2021/22 and FY2022/23. The last two financial years in review saw gradual growth as post-pandemic recovery eased, seasonal worker numbers stabilised, and inflows from major source countries declined slightly, though overall remittances continued to rise. In FY2024/25, remittances from New Zealand, American Samoa, and other countries declined by a combined total of \$25.77 million talā. However, this was offset by an increase in inflows from Australia and the United States, which rose by \$53.36 million talā, resulting in a net increase of \$25.77 million talā.

Overall, total remittances have increased from \$732.21 million talā in FY2021/22 to \$902.73 million talā in FY2024/25.

### Gross foreign reserves

Samoa's total Official Foreign Reserves reached a record \$1.01 billion talā in May 2023. Gross foreign reserves have grown consistently throughout the review period, from \$812.7 million talā (10.9 months of import cover) in FY2021/22 to \$1.6 billion talā (15.2 months of import cover) in FY2024/25. Samoa has continued to stay well above its import cover target. The sustained increase in foreign reserves reflects the strong inflow of foreign aid and grant assistance from development partners as part of COVID-19 response efforts, along with continued general budget support disbursements based on strong policy reforms implemented through the JPAM agenda.

Figure 3.7: Total Remittances



Source: Central Bank of Samoa

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## 4. Economic and Fiscal Outlook

### Macroeconomic Framework

#### *Global Economic Outlook*

According to the International Monetary Fund's (IMF) World Economic Outlook (WEO) updated in July 2025, global growth is projected at 3.0 percent and 3.1 percent in 2025 and 2026 respectively, slightly higher than earlier forecasts established in the IMF's April 2025 WEO report. This recent upward revision reflects lower tariffs, stronger early-2025 trade, improved financial conditions, and fiscal expansion in major economies. These measures have resulted in both direct and indirect consequences, such as trade linkage spill overs, increased uncertainty, and distortions in economic activity. Over the next five years, growth is expected to average around 3.0 percent, below the 2000-2019 average of 3.7 percent.

The short-term impact of tariffs varies by country, depending on factors such as existing trade relationships, industry compositions, policy responses, and the capacity to diversify trade. In certain regions, particularly China and Europe, fiscal support has been instrumental in mitigating the negative growth effects associated with these trade measures. It has proven essential in cushioning economies against the adverse impacts of tariffs, underscoring the critical role of fiscal policies during periods of economic uncertainty. However, the forecast underscores persistent economic challenges, including tighter financial conditions, ongoing trade and geopolitical tensions, policy uncertainties, and inflationary pressures emerging as a significant concern. Global headline inflation is expected to decline to 4.2 percent in 2025 and 3.6 percent in 2026 alongside growth divergence among nations.

#### *Outlook: Samoa's Major Trading Partners*

The stagnation of growth across most of Samoa's major trading partners was projected in the near term for both New Zealand and Australia. According to NZ's Fiscal Strategy Report in May 2025, NZ's economic growth is expected to strengthen to 1.5 percent in FY2024/2025 and further to 2.1 percent in FY2025/26, supported by easing inflation together with the lowering of interest rates to support household consumption, which can lead to the recovery in residential investment. In Australia, economic growth is expected to remain subdued in FY2024/25, forecasting around 1.5 percent, and is expected to improve to around 2.3 percent in FY2025/26, supported by a gradual recovery in household consumption and stronger investment as reported in its Budget Strategy and Outlook 2025-2026.



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## *Pacific Region Outlook*

The World Bank's Pacific Economic Update in June 2025 reflected the frail expansion of economic growth for 11 Pacific Island Countries (PICs) combined (FSM, Fiji, Kiribati, Marshall Islands, Nauru, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu). In 2024, growth significantly decelerated by 3.8 percent following a robust expansion of 5.5 percent in 2023. In addition, it is anticipated that growth will decelerate further to 2.6 percent in 2025. The downturn reflects Fiji's fading post-pandemic rebound, structural constraints in Solomon Islands, and vulnerabilities to external shocks. Similarly, momentum is expected to weaken sharply in Vanuatu following twin shocks from an airline collapse and a major earthquake. On the other hand, tourism and remittances-dependent economies like Samoa and Palau are projected to grow by 5.3 percent and 8.8 percent, respectively in 2025. The medium-term growth is estimated to average around 2 percent, below the pre-pandemic decade, as global uncertainty, climate risks, and structural weaknesses continue to weigh on Pacific economies.

### *Inflation*

The (headline) inflation rate continues to remain low and stable, just below its medium-term target of 3.0 percent. The annual average headline inflation is currently 2.7 percent at the end of August 2025. However, underlying inflation increased to 6.2 percent during the same period. Looking ahead, the headline inflation rate is expected to edge up to 2.9 percent by the end of June 2026. As such, imported inflation is projected to rise gradually to 0.8 percent while domestic inflation is likely to pick up faster to 4.6 percent, by the end of June 2026.

### *Gross Foreign Reserves*

Official gross foreign reserves remained elevated, reaching \$1,594.75 million talā by the end of July 2025, representing 15.8 months of import cover. This improvement stems from several sources, primarily the substantial inflows of official grant funds received from development partners. In addition, the increase in private remittances and tourism earnings have also contributed to the accumulation of foreign exchange holdings of the commercial banks, which are then sold to the Central Bank of Samoa. Additionally, a portion of this increase can be attributed to interest gains on investments made with Foreign Exchange holdings, influenced by a favorable global interest rate environment. Official foreign reserves projections point to a further increase of \$62.5 million talā by the end of June 2026, taking into consideration anticipated government budgetary assistance. Nevertheless, it is anticipated that foreign reserves will stabilise in the near future, as the anticipated rise in import payments and ongoing external debt repayments, may offset any potential increases in grant financing for the Government and further increases in remittances, seasonal workers' income, and tourism earnings.

## Short to Medium-term Outlook for FY2025/26 to FY2028/29

**Table 4.1: Fiscal and Economic Statistics**

	FY2025/26	FY2026/27	FY2027/28	FY2028/29
<b>Gross Domestic Product</b>				
Nominal GDP ( <i>million talā</i> )	3,611.1	4,103.6	4,390.2	4,657.02
Real GDP (2013 constant price) ( <i>million talā</i> )	2,708.8	2,807.8	2,905.1	2,993.2
% Growth	4.5	3.7	3.5	3.0
<b>Budget Balance</b>				
Budget Balance ( <i>million talā</i> )	-126.2	-113.6	-112.2	-106.8
<b>Revenue</b>				
Revenue ( <i>million talā</i> )	941.7	999.6	1,047.5	1,039.9
Tax Revenue ( <i>million talā</i> )	664.6	678.6	682.9	695.3
Grants ( <i>million talā</i> )	163.8	206.8	250.2	230.1
Non-Tax Revenue ( <i>million talā</i> )	113.4	114.2	114.4	114.5
Revenue and Grants (% to GDP)	26.1	24.4	23.9	22.3
Tax Revenue (% to GDP)	18.4	16.5	15.6	14.9
Grants (% to GDP)	4.5	5.0	5.7	4.9
Non-Tax Revenue (% to GDP)	3.1	2.8	2.6	2.5
<b>Total Expenditure</b>				
Total Expenditure ( <i>million talā</i> )	1,067.9	1,113.1	1,159.7	1,146.7
Current Expenditure ( <i>million talā</i> )	935.5	862.7	933.6	919.4
Net Acquisition of Non-financial Assets ( <i>million talā</i> )	132.4	250.4	226.0	227.4
Total Expenditure (% to GDP)	29.6	27.1	26.4	24.6
Current Expenditure (% to GDP)	25.9	21.0	21.3	19.7
Net Acquisition of Non-financial Assets (% to GDP)	3.7	6.1	5.1	4.9
Subsidies ( <i>million talā</i> )	28.5	28.5	28.5	28.5
Subsidies (% to GDP)	0.8	0.7	0.6	0.6
<b>Public Debt</b>				
Official Public Debt ( <i>million talā</i> )	680.3	621.2	644.2	623.8
Official Public Debt as % of GDP (Target within 50%)	18.8	15.1	14.7	13.4
Total Debt Servicing ( <i>million talā</i> )	89.4	89.1	79.1	74.8
Debt Servicing as % of Ordinary Receipts (Target within 20%)	10.3	10.1	8.9	8.3

*Source: Ministry of Finance, Central Bank of Samoa & Samoa Bureau of Statistics*

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**Samoa's economic growth in FY2025/26 is projected at 4.5 percent**, an upward revision from the 3.7 percent reported in the Fiscal Strategy 2024/25. This revision takes into account major economic activities such as the ongoing implementation of Government development projects in various sectors of the economy, completion of the Savalalo Market, Atele Packhouse, MAF Office in Savaii, and construction of the SENESE Building. This also includes the final phase of the minimum wage increase, the recent hosting of the regional PFTAC Steering Committee meeting, and Samoa's 2025 General Elections. Furthermore, the projection accounts for the implementation of Transport projects which will upscale Samoa's public infrastructure such as the Samoa Climate Resilient Transport Project, the Enhancing Safety, Security, and Sustainability of Apia Port Project, the Central Cross Island Road Upgrading Project, the Samoa Aviation and Roads Investment Project, the Digitally Connected and Resilient Samoa Project, and the Alaoa Multipurpose Dam Project. Tourist arrivals are also assumed to grow sustainably, considering the major renovations to tourism developments as part of Samoa's preparations to host the CHOGM. Budgeted investments in agriculture, tourism, manufacturing, housing, and infrastructure, alongside MSME and workforce development, will further accelerate growth. These allocations, supported by fiscal reforms to boost revenue and lower borrowing costs, are expected to encourage private sector activity, create jobs, and sustain inclusive growth. Additionally, it is assumed that growth will be aided by the realisation of reforms and priorities planned under the Pathway for the Development of Samoa. This is amid an expansionary fiscal stance with scaled-up investments to drive economic growth.

**The economy is expected to grow by 3.7 percent in FY2026/27**, driven primarily by the implementation of priorities in the next PDS. These priorities place strong emphasis on strengthening social spending, enhancing private sector growth, and advancing more resilient public works and infrastructure. For instance, the implementation of major projects outlined in the Public Sector Investment Program (PSIP) as well as significant investment in expanding airline services, tourist accommodations, manufacturing, and commercial agriculture focused on boosting exports, will further stimulate growth across Construction, Transport, Communications, Accommodation & Restaurants, Manufacturing and other related industries. Importantly, the District Development Fund allocation of \$2.0 million talā per district begins in FY2026/27 – providing direct financing for community projects in agriculture, fisheries, and infrastructure – will further strengthen community empowerment and resilience. Complementary fiscal measures including another increase in the minimum wage and continuing pension reforms, will boost household income and private consumption. Other potential drivers include growing remittances and expansion of e-commerce and enhanced digital financial services. Ultimately, improved access to concessional financing, diaspora investments, and the potential of the revised Citizenship by Investment program could further diversify revenues and accelerate growth. Together, these measures reflect the Government's

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commitment to social development, sustainable economy, and community empowerment, ensuring broad-based and inclusive growth.

**In FY2027/28 and FY2028/29, growth is projected at 3.5 percent and 3.0 percent respectively, as the economy gradually normalises.** Large-scale projects such as continued airline expansion, tourism investments, MSME development, and commercial agriculture will sustain growth momentum. The second and third rounds of the \$2.0 million talā per district allocations will continue to empower local communities and support productivity. The ongoing implementation of development projects will further stimulate growth as part of easing to normalisation in the country's operations. The short-term boost from expansionary fiscal policy is anticipated to moderate in the long term, with normalised growth gradually converging toward the average annual target of 3.0 percent.

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## Statement on the Forward Estimates

### *Budget 2025/26 – 2028/29*

Pursuant to Section 18 of the Public Finance Management Act 2001, the Statement on the Forward Estimates for the 2025/26 Budget and the subsequent three fiscal years is hereby submitted. This document serves as a preface input to the Government of Samoa's forthcoming budget preparations.

### *Overview*

The Government is committed to adopting an expansionary fiscal stance for the fiscal year 2025/26, with the aim of advancing the final year of the Pathway for the Development of Samoa (PDS). The 2025/26 Budget highlights the Government's prioritisation of resilience-building and inclusive development, focusing on key areas such as social welfare, community development, and institutional strengthening. The overarching strategy maintains a deficit target of 3.5 percent of GDP, facilitating increased investments in critical sectors, underpinned by a stable macroeconomic outlook, improved revenue performance, and a declining debt level. Central to this approach is the strengthening of partnerships with communities, non-governmental organisations, the private sector, and development partners, as these collaborations are essential for fostering long-term resilience and stability.

The fiscal strategy outlines a projected budget deficit of 3.5 percent of GDP in FY2025/26, gradually declining to 2.8 percent in FY2026/27, 2.6 percent in FY2027/28, and 2.3 percent in FY2028/29. This trend reflects the Government's continued commitment to prudent fiscal management, while safeguarding the delivery of key priorities, and sustaining investments that promote community development and strengthen institutional performance.

**Table 4.2: Summary of Payments and Receipts (million talā)**

	2025-26	2026-27	2027-28	2028-29
<b>RECEIPTS AND GRANTS</b>				
Ordinary Receipts	866.9	879.4	884.2	896.7
External Grants	163.8	206.8	250.2	230.1
<b>Total Receipts and Grants</b>	<b>1,030.7</b>	<b>1,086.1</b>	<b>1,134.3</b>	<b>1,126.8</b>
<i>Less</i>				
<b>CURRENT PAYMENTS</b>				
Statutory Payments	158.7	158.5	158.5	158.5
Expenditure Programs	921.3	927.0	935.1	915.1
Ministry Outputs	450.5	459.9	438.5	438.5
Third Party Outputs	143.7	140.1	140.1	140.1
Transactions on behalf of the State	327.1	327.0	356.4	336.4
Unforeseen Payments	27.6	27.8	28.1	27.5
<b>Total Current Payments</b>	<b>1,107.5</b>	<b>1,113.4</b>	<b>1,121.6</b>	<b>1,101.0</b>
<i>less</i>				
<b>DEVELOPMENT PAYMENTS</b>				
Grant financed project payments	134.0	171.0	209.5	217.2
<b>Total Development Payments</b>	<b>134.0</b>	<b>171.0</b>	<b>209.5</b>	<b>217.2</b>
<b>Cash (Deficit)/Surplus</b>	<b>(210.9)</b>	<b>(198.2)</b>	<b>(196.8)</b>	<b>(191.4)</b>
<b>Financed by</b>				
Budget Support Financing	132.4	82.4	82.4	109.9
<b>Movement in Cash Balances</b>	<b>(78.5)</b>	<b>(198.2)</b>	<b>(196.8)</b>	<b>(191.4)</b>

*Source: Ministry of Finance*

### **Ordinary Receipts**

For the fiscal year 2025/26, ordinary receipts are projected to increase by 8.0 percent, reaching \$866.9 million talā. This growth is largely driven by strengthened tax collection efforts through the Ministry for Revenue and the Ministry of Customs, increase in projected dividends, as well as the implementation of new revenue measures. Among these is the waste levy, which will come into effect on 1 January 2026. Additional revenue from the harvesting of resources in the Masamasa Forest will also support the overall increase, reflecting efforts to sustainably leverage natural assets. The merger of the Samoa Land Corporation and Samoa Sports Facility Authority with the Ministry of Lands and Survey and the Ministry of Sports and Recreation respectively, is also a notable contributor, with their cost recoveries now recorded as government receipts.

Looking ahead, ordinary receipts are forecasted to continue rising, reaching \$879.4 million talā in FY2026/27, \$884.2 million talā in FY2027/28, and \$896.7 million talā in FY2028/29. This steady growth is underpinned by the full operational capacity of the Customs and Revenue Ministries, and the positive economic impact of the District

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Development Program, stimulating consumption and procurement, which in turn generates taxable activity and supports revenue growth.

### ***External Grants***

External Grants for FY2025/26 are projected to decrease by 17.0 percent reflecting the completion of the one-off support for hosting the CHOGM in October 2024, and the completion of some key investment projects in Agriculture and Fisheries sector and the Environment sector as noted in the development payments. However, the external grants for FY2026/27 and FY2027/28 are estimated to increase as the active projects are expected to pick up implementation progress, in addition to the start of new investment initiatives that are currently in the pipeline. In FY2028/29, the decrease in external grants will be supplemented by external concessional borrowings as a result of the change in accessing external resources – to 50 percent grants and 50 percent loan resources – from the World Bank (starting with IDA21) and Asian Development Bank (ADF14). In addition, Government is considering future concessional borrowings from the Asian Infrastructure Investment Bank. The Government remains committed to enhancing our national systems and processes to effectively manage and provide accountability for the external assistance from our development partners in support of our national priorities.

### ***Current Payments***

For FY2025/26, Current Payments are projected to reach \$1.11 billion talā, representing a 12.0 percent increase from the previous fiscal year. This upward adjustment reflects the Government's ongoing commitment to meeting essential operational needs, and advancing the delivery of key public services. The allocation supports the continued expansion of social welfare programs, while also reinforcing investments in priority sectors such as Health, Education, and Trade, Commerce, and Manufacturing.

A further increase in Current Payments is projected for FY2026/27, in line with the Government's intention to implement key priorities under the forthcoming PDS. Central to this is the enhancement of the District Development Program, with aggregate allocations rising from \$91.8 million talā in FY2025/26 to \$102.0 million talā for FY2026/27 and fiscal years thereafter. Additionally, the implementation of the second phase of the senior citizens' pension benefit, raising the monthly payment for citizens aged 70 and above from \$300 talā to \$500 talā, will also be conducted within this period. This highlights the Government's commitment to enhancing inclusive growth.

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### ***Development Payments***

The development payments for investment projects funded by external grants, are estimated to decrease from \$171.1 million talā in FY2024/25 to \$134.0 million talā in FY2025/26, signalling the completion of key development projects including the SAFFROM Project, PREP, and the GCF-VCP, as well as the one-off support to CHOGM-related activities in 2024. The projections for FY2026/27, FY2027/28, and FY2028/29 are expected to gradually increase reflecting the level of implementation of the active projects portfolio and the pipeline development projects that are planned to start implementation during the period. The Government has secured new financial assistance from some of its key development partners including the World Bank, Asian Development Bank, New Zealand, Australia, and UNDP in support of the current pipeline initiatives in the Health, Environment, Energy, and Finance sectors for approval and to begin implementation in FY2026/27 and FY2027/28.

### ***Overall Net Lending/Borrowing Requirement***

**Table 4.3** presents Government Operations in accordance with the Government Finance Statistics (GFSM2014) format, enabling international comparison and analysis.



**Table 4.3: Statement of Government Operations**

<b>TRANSACTIONS AFFECTING NET WORTH</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
<b>REVENUE</b>	<b>941.7</b>	<b>999.6</b>	<b>1,047.5</b>	<b>1,039.9</b>
Taxes	664.6	678.6	682.9	695.3
Grants	163.8	206.8	250.2	230.1
Other revenue	113.4	114.2	114.4	114.5
<b>EXPENSE</b>	<b>935.5</b>	<b>862.7</b>	<b>933.6</b>	<b>919.4</b>
Compensation of employees	352.7	364.9	343.9	343.9
Use of goods and services	224.2	124.9	190.7	196.4
Interest	9.5	9.5	9.5	9.5
Subsidies	28.5	28.5	28.5	28.5
Grants	244.8	240.6	266.6	246.6
Social benefits	70.3	88.9	88.9	88.9
Other expense	5.6	5.6	5.6	5.6
<b>GROSS OPERATING BALANCE</b>	<b>6.2</b>	<b>136.8</b>	<b>113.9</b>	<b>120.6</b>
<b>NET ACQUISITION OF NONFINANCIAL ASSE</b>	<b>132.4</b>	<b>250.4</b>	<b>226.0</b>	<b>227.4</b>
Fixed assets	123.4	245.9	221.5	222.9
Nonproduced assets	9.0	4.5	4.5	4.5
<b>NET LENDING/BORROWING REQUIREMENT</b>	<b>-126.2</b>	<b>-113.6</b>	<b>-112.2</b>	<b>-106.8</b>
<b>NET ACQUISITION OF FINANCIAL ASSETS AND LIABILITIES (FINANCING)</b>	<b>-126.2</b>	<b>-113.6</b>	<b>-112.2</b>	<b>-106.8</b>
<b>NET ACQUISITION OF FINANCIAL ASSETS</b>	<b>-213.4</b>	<b>-200.7</b>	<b>-199.3</b>	<b>-193.9</b>
<b>NET INCURRENCE OF LIABILITIES</b>	<b>-87.1</b>	<b>-87.1</b>	<b>-87.1</b>	<b>-87.1</b>

Estimated Nominal GDP(millions of tala)	3611	4104	4390	4657
Budget Deficit	-3.5%	-2.8%	-2.6%	-2.3%

*Source: Ministry of Finance*

The revenue projected to be collected within FY2025/26, is primarily driven by stronger collections from taxes on income, profits, and capital gains, as well as taxes on goods and services. As abovementioned, dividends from commercial entities are expected to provide a steady contribution, further supporting overall revenue growth alongside tax-based gains.

Conversely, the net acquisition of fixed assets is expected to decrease to \$123.4 million talā in FY2025/26, reiterating the completion of major capital projects, and emphasising the strategic shift towards maintaining existing infrastructure, within a more sustainable capital investment framework. The notable increases in the forward years however, are reflective of the capital works to be funded under the aid program as confirmed by development partners.

## REVENUE

The details of Government's individual revenue items net of refund accounts as well as Government to Government transactions are outlined in Table 4.4 below:

**Table 4.4: GFS Revenue**

GFS REVENUE (\$m)	2025-26	2026-27	2027-28	2028-29
<b>REVENUE</b>	<b>941.7</b>	<b>999.6</b>	<b>1,047.5</b>	<b>1,039.9</b>
<b>Taxes</b>	<b>664.6</b>	<b>678.6</b>	<b>682.9</b>	<b>695.3</b>
<b>Taxes on income, profits, and capital gains</b>	<b>149.4</b>	<b>157.4</b>	<b>160.6</b>	<b>169.1</b>
Payable by individuals	92.7	97.4	99.2	104.2
Payable by corporations and other enterprises	56.7	60.0	61.3	64.9
<b>Taxes on property</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>
Taxes on financial and capital transactions	0.5	0.5	0.5	0.5
<b>Taxes on goods and services</b>	<b>425.7</b>	<b>431.8</b>	<b>433.0</b>	<b>436.8</b>
General taxes on goods and services*	232.9	238.9	240.1	244.0
Excises	177.4	177.4	177.4	177.4
Taxes on specific services	15.0	15.0	15.0	15.0
Taxes on use of goods, permission to use goods	0.44	0.44	0.44	0.44
<b>Taxes on international trade and transactions</b>	<b>88.9</b>	<b>88.9</b>	<b>88.9</b>	<b>88.9</b>
Customs and other import duties	88.9	88.9	88.9	88.9
<b>Grants</b>	<b>163.8</b>	<b>206.8</b>	<b>250.2</b>	<b>230.1</b>
<b>From foreign governments</b>	<b>163.8</b>	<b>206.8</b>	<b>250.2</b>	<b>230.1</b>
Current	43.0	52.9	61.6	34.6
Capital	120.8	153.9	188.6	195.4
<b>Other revenue</b>	<b>113.4</b>	<b>114.2</b>	<b>114.4</b>	<b>114.5</b>
<b>Property income</b>	<b>61.8</b>	<b>61.8</b>	<b>61.8</b>	<b>61.8</b>
Interest	3.0	3.0	3.0	3.0
Dividends	52.0	52.0	52.0	52.0
Rent	6.8	6.8	6.8	6.8
<b>Sales of goods and services</b>	<b>34.6</b>	<b>35.5</b>	<b>35.6</b>	<b>35.7</b>
Administrative fees	4.8	5.4	5.4	5.4
Incidental sales by nonmarket establishments	29.8	30.0	30.2	30.3
<b>Fines, penalties, and forfeits</b>	<b>16.9</b>	<b>16.9</b>	<b>16.9</b>	<b>16.9</b>

*Source: Ministry of Finance*

## Taxation Revenues

The projected increase in taxation revenue to \$664.6 million talā in FY2025/26, reflects sustained economic momentum following the CHOGM year, alongside enhanced tax administration and compliance efforts. This growth is also supported by expanded district development programs and increased domestic consumption, resulting in higher returns from VAGST and excise taxes. Over the medium term, tax revenues are expected to stabilise, with moderate increases to \$678.6 million talā in FY2026/27, \$682.9 million talā in FY2027/28 and \$695.3 million talā in FY2028/29.

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## Grants

The notable decline in the external grants projected to \$163.8 million talā in FY2025/26, reflected the completion of some of the major investment projects and support to hosting CHOGM in 2024. The forward estimates for the next three years depict the level of financial assistance already secured from the development partners in support of the Government's new development initiatives in the pipeline.

## Other Revenues (Non-Taxation Revenue)

Other revenues are expected to record a total collection of \$113.4 million talā in FY2025/26, before slightly increasing to \$114.2 million talā in FY2026/27 and anticipated to stabilise at similar levels within the forward fiscal years. This growth is driven by stable contributions from property income and sales of goods and services. Fines, penalties, and forfeits are projected to increase to \$16.9 million talā in the FY2025/26, holding steady thereafter. These trends indicate a stable outlook for non-tax revenues, supporting the overall budget framework.

## EXPENSES

Table 4.5 below highlights the details of the Government's expenses in the forward years' net of Ministry-to-Ministry transactions.

This table outlines the reclassification of government assistance to State-Owned Enterprises (Public Beneficial Bodies) under the "Grants" category. This adjustment follows ongoing consultations with the Bureau of Statistics and a recent review by the International Monetary Fund, which highlighted the need to realign government reporting from General Government to Central Government, in accordance with National Accounts standards. The reclassification is reflected in the increase in Grants from FY2024/25 to FY2025/26, while the "Compensation of Employees" and "Use of Goods and Services" categories show corresponding downward adjustments.

**Table 4.5: GFS Expense**

<b>GFS EXPENSE (\$m)</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>2028-29</b>
<b>EXPENSE</b>	<b>935.5</b>	<b>862.7</b>	<b>933.6</b>	<b>919.4</b>
<b>Compensation of employees</b>	<b>352.7</b>	<b>364.9</b>	<b>343.9</b>	<b>343.9</b>
Wages and salaries	320.0	330.9	311.4	311.4
Wages and salaries in cash	319.9	330.9	311.4	311.4
Wages and salaries in kind	0.06	0.06	0.06	0.06
Social contributions	32.7	34.0	32.5	32.5
Actual social contributions	32.7	34.0	32.5	32.5
<b>Use of goods and services</b>	<b>224.2</b>	<b>124.9</b>	<b>190.7</b>	<b>196.4</b>
<b>Interest</b>	<b>9.5</b>	<b>9.5</b>	<b>9.5</b>	<b>9.5</b>
To nonresidents	9.2	9.2	9.2	9.2
To residents other than general government	0.3	0.3	0.3	0.3
<b>Subsidies</b>	<b>28.5</b>	<b>28.5</b>	<b>28.5</b>	<b>28.5</b>
To public corporations	28.5	28.5	28.5	28.5
<b>Grants</b>	<b>244.8</b>	<b>240.6</b>	<b>266.6</b>	<b>246.6</b>
To international organizations	5.1	4.7	4.7	4.7
To other general government units	239.7	235.8	261.9	241.9
<b>Social benefits</b>	<b>70.3</b>	<b>88.9</b>	<b>88.9</b>	<b>88.9</b>
Social assistance benefits	69.9	88.5	88.5	88.5
Employer social benefits	0.4	0.4	0.4	0.4
<b>Other expense</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>

*Source: Ministry of Finance*

### **Compensation of Employees**

As shown in Table 4.5 above, Compensation of Employees is forecasted to stand at approximately \$352.7 million talā for the FY2025/26. Several factors contribute to maintaining overall compensation levels including salary increments for the Ministry of Police, Prisons and Correctional Services, following a review by the Remuneration Tribunal, as well as the transfer of staff from the Samoa Land Corporation to the Ministry of Lands and Survey, and from the Samoa Sports Facility Authority to the Ministry of Sports and Recreation. These adjustments reflect the Government's ongoing commitment to fostering a more efficient, accountable, and well-supported public service.

### **Use of Goods and Services**

Expenditure on goods and services is estimated at \$224.2 million talā in FY2025/26, continuing to support essential operational needs across the Government, including procurement of materials and services, ongoing maintenance, and administrative support. In the forward years, expenditures are expected to fluctuate, driven by the recurrent investments in the economy, notwithstanding the completion of projects advanced through external grants.

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### **Subsidies**

Projection of funds to be expended under subsidies stands at \$28.5 million talā in FY2025/26, driven by the expansion of the One Government Grant, which now includes all education providers previously excluded. Subsidies at the aggregate level also includes the Community Service Obligations to Public Trading Bodies, such as the Electric Power Corporation (EPC) and the Samoa Water Authority (SWA).

### **Grants**

Grants are projected to rise significantly to \$244.8 million talā in FY2025/26, before moderating to approximately \$240.6 million talā and subsequently fluctuating to \$266.6 million talā and \$246.6 million talā in the following two fiscal years. The substantial increase in the forward years is primarily driven by the reclassification of accounts, as mentioned above, along with higher grants allocated to State-Owned Enterprises, District Development Program, and Non-Governmental Organisations, in line with government priorities.

### **Social Benefits**

Social benefits are estimated at \$70.3 million talā in FY2025/26, and projected to increase to \$88.9 million talā by FY2026/27, stabilising at that level through to the FY2028/29. This growth underscores the Government's commitment to enhancing the social welfare of its citizens. Key factors driving this increase include a significant boost in provisions for the Overseas Treatment Medical Scheme, rising from \$6.0 million talā in FY2024/25 to \$12.0 million talā in FY2025/26, as well as the earlier discussed increase in the monthly pension for senior citizens and disability benefits. It is important to note that the second phase of the pension increase for citizens aged 70 and above, with monthly payments reaching \$500 talā per registered beneficiary, is projected to be implemented within the FY2026/27 going forward, hence the increase in the fiscal year and forward years thereafter.

### ***CHANGE IN NET WORTH***

The change in Government's Net worth is projected to decrease in FY2025/26, before increasing in the three consecutive future financial years. This fluctuation is also impacted by the reclassification of assistance to SOEs to Grants, recorded in the substantial decrease in the Net Acquisition of Financial Assets as well as the confirmed capital works to be implemented through development partners' assistance. This strategy ensures that while expanding asset base, Government liabilities are managed carefully, supporting steady growth in net worth without leading to excessive debt accumulation as shown in Table 4.6.

**Table 4.6: Transactions in Assets and Liabilities (million talā)**

TRANSACTIONS IN ASSETS AND LIABILITIES	2025-26	2026-27	2027-28	2028-29
<b>CHANGE IN NET WORTH: TRANSACTIONS</b>	<b>6.2</b>	<b>136.8</b>	<b>113.9</b>	<b>120.6</b>
<b>Net acquisition of nonfinancial assets</b>	132.4	250.4	226.0	227.4
<b>Fixed assets</b>	123.4	245.9	221.5	222.9
Buildings and structures	120.4	244.9	220.9	222.3
Machinery and equipment	2.2	0.4	0.0	0.0
Other fixed assets	0.8	0.6	0.6	0.6
<b>Nonproduced assets</b>	9.0	4.5	4.5	4.5
Land	9.0	4.5	4.5	4.5
<b>Net acquisition of financial assets</b>	-213.4	-200.7	-199.3	-193.9
Currency and deposits	-210.9	-198.2	-196.8	-191.4
Loans	-2.5	-2.5	-2.5	-2.5
<b>Domestic</b>	-81.0	-118.3	-116.9	-84.0
Currency and deposits	-78.5	-115.8	-114.4	-81.5
Loans	-2.5	-2.5	-2.5	-2.5
<b>Foreign</b>	-132.4	-82.4	-82.4	-109.9
Currency and deposits	-132.4	-82.4	-82.4	-109.9
<b>Net incurrence of liabilities</b>	-87.1	-87.1	-87.1	-87.1
Loans	-87.1	-87.1	-87.1	-87.1
<b>Domestic</b>	-9.3	-9.3	-9.3	-9.3
Loans	-9.3	-9.3	-9.3	-9.3
<b>Foreign</b>	-77.9	-77.9	-77.9	-77.9

*Source: Ministry of Finance*

### **BUDGET RECONCILIATION**

Tables 4.7 and 4.8 to follow, provide a reconciliation between the estimates of the Government of Samoa presented in Table 4.2 and those in the GFS tables. The major differences in revenue as depicted in Table 4.6 is the netting out of transfer payments made by one Ministry to another under Receipts Classified as Offsets to Expenses and Payments Classified as Offsets to Revenue. The variance between expenditure estimates in Table 4.2 and Table 4.7 is found by factoring out net acquisition of financial assets and liabilities in addition to netting out the transfer payments above.

**Table 4.7: Reconciliation between Total Government Receipts and GFS Revenues (million talā)**

	2025-26	2026-27	2027-28	2028-29
<b>Receipts</b>				
Ordinary Receipts	866.9	879.4	884.2	896.7
External Grants	163.8	206.8	250.2	230.1
<b>Total Receipts and Grants (as per Table 4.2)</b>	<b>1,030.7</b>	<b>1,086.1</b>	<b>1,134.3</b>	<b>1,126.8</b>
<i>Less</i>				
<b>Receipts Classified as Offsets to Expenses</b>				
Rent Paid by the Ministries to the Government	3.2	3.2	3.2	3.2
Incidental sales by nonmarket establishments	0.7	0.7	0.7	0.7
	3.9	3.9	3.9	3.9
<b>Payments Classified as Offsets to Revenue</b>				
Income Tax Refunds	10.0	10.0	10.0	10.0
Duty Refunds and Duty Paid by Government Agencies	7.5	7.5	7.5	7.5
VAGST Refunds and VAGST Paid by Government Agencies	65.0	62.6	62.9	62.9
	82.5	80.1	80.4	80.4
<b>Receipts Classified as the Net Acquisition of Financial Assets</b>				
Loans - On-lending Repayments	2.5	2.5	2.5	2.5
<b>TOTAL ESTIMATED REVENUE (as per Table 4.4)</b>	<b>941.7</b>	<b>999.6</b>	<b>1,047.5</b>	<b>1,039.9</b>

*Source: Ministry of Finance*

**Table 4.8: Reconciliation between Total Government Payments and GFS Expenses (million talā)**

	2025-26	2026-27	2027-28	2028-29
<b>Current Payments</b>				
Statutory Payments	158.7	158.5	158.5	158.5
Expenditure Programs				
Ministry Outputs	450.5	459.9	438.5	438.5
Third Party Outputs	143.7	140.1	140.1	140.1
Transactions on behalf of the State	327.1	327.0	356.4	336.4
Unforeseen Payments	27.6	27.8	28.1	27.5
<b>Total Current Payments (as per Table 4.2)</b>	<b>1,107.5</b>	<b>1,113.4</b>	<b>1,121.6</b>	<b>1,101.0</b>
<b>Development Payments</b>				
Grant financed project payments	134.0	171.0	209.5	217.2
<b>Total Development Payments (as per Table 4.2)</b>	<b>134.0</b>	<b>171.0</b>	<b>209.5</b>	<b>217.2</b>
<b>AGGREGATE PAYMENTS</b>	<b>1,241.5</b>	<b>1,284.3</b>	<b>1,331.1</b>	<b>1,318.2</b>
<i>Less</i>				
<b>Payments Classified as Offsets to Revenue</b>				
Income Tax Refunds	10.0	10.0	10.0	10.0
Duty Refunds and Duty Paid by Government Agencies	7.5	7.5	7.5	7.5
VAGST Refunds and VAGST Paid by Government Agencies	65.0	62.6	62.9	62.9
	82.5	80.1	80.4	80.4
<b>Receipts Classified as Offsets to Expenses</b>				
Rent Paid by the Ministries to the Government	3.2	3.2	3.2	3.2
Incidental sales by nonmarket establishments	0.7	0.7	0.7	0.7
	3.9	3.9	3.9	3.9
<b>Payments Classified as Net Acquisition of Nonfinancial</b>				
Fixed Assets				
Buildings and structures	120.4	244.9	220.9	222.3
Machinery and equipment	2.2	0.4	0.0	0.0
Other fixed assets	0.8	0.6	0.6	0.6
	123.4	245.9	221.5	222.9
Nonproduced assets				
Land	9.0	4.5	4.5	4.5
	132.4	250.4	226.0	227.4
<b>Payments Classified as the Acquisition of Financial Assets and Liabilities</b>				
Net incurrence of liabilities				
Domestic Loan Repayments	9.3	9.3	9.3	9.3
Foreign Loan Repayments	77.9	77.9	77.9	77.9
	87.1	87.1	87.1	87.1
<b>TOTAL ESTIMATED GFS EXPENSES (as per Table 4.5)</b>	<b>935.5</b>	<b>862.7</b>	<b>933.6</b>	<b>919.4</b>

*Source: Ministry of Finance*



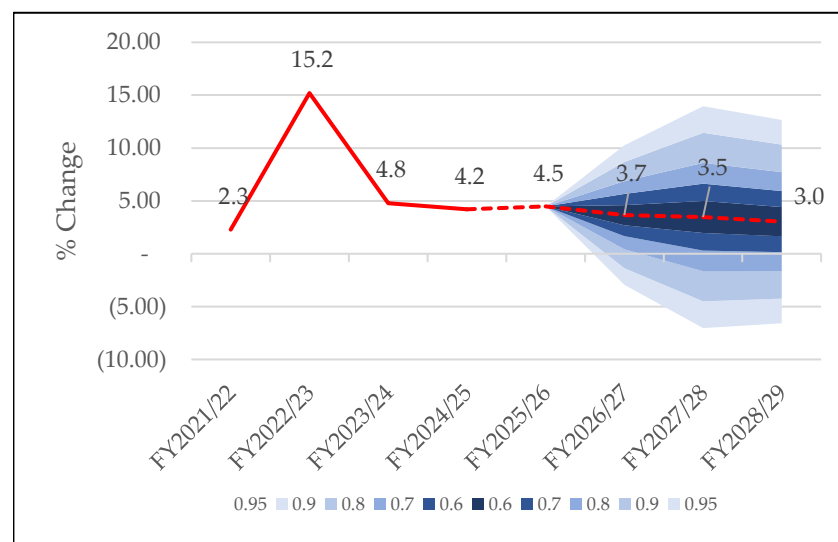
## 5. Fiscal Risks

### Macroeconomic Risks

The formulation of the budget heavily relies on macroeconomic

assumptions. Any deviations from these assumptions can pose substantial risks to fiscal outcomes. This section focuses on the major macroeconomic risks originating from both domestic and external factors. Such risks have the potential to result in discrepancies between the forecasted and actual figures for fiscal aggregates such as revenue and expenditure.

**Figure 4.1: Real GDP Growth Projection and Confidence Interval Range up to 95%**



Source: Ministry of Finance (FRAT and SERF Model)

Following the GDP growth of 4.2 percent in FY2024/25, economic growth is expected at 4.5 percent in the current fiscal year (FY2025/26). For FY2026/27, continued growth of 3.7 percent is anticipated, with 3.5 percent and 3.0 percent expected over the following two fiscal years. Contrary to this, there are risks that could shift the short and medium-term economic trajectory. There are two types of risks, which can occur either on the upside or on the downside, as discussed briefly below.

#### Upside Risks

On the upside, economic growth could be generated by an effective fiscal expansion. Stronger growth in remittances or export revenues in the medium term may also contribute to this. Furthermore, as part of the envisaged expansionary fiscal stance, another potential factor is the successful implementation of currently active and pipeline development projects. The upper bound (95 percent confidence range) for real economic growth over the medium term is projected to be between 10.0 and 12.0 percent per year, according to modelling of historical changes in growth.

#### Downside Risks

On the **downside**, there are significant risks such as geopolitical tensions in the Middle East and Ukraine which pose significant risks to global economic stability, potentially disrupting trade routes through new tariff measures imposed by advanced economies and increasing imported commodity prices. In addition, construction project delays

and increased seasonal worker outflows could hinder the economy's productive capacity. Regulatory pressures from the loss of Correspondent Banking Relationships (CBRs) could limit international transactions and increase remittance costs. Furthermore, the recent US Government shutdown, together with spillover effects from US seabed mining through American Samoa, could potentially impact foreign inflows, economic growth, and fiscal resilience. Based on 95 percent confidence interval estimates, modeling suggests that in the event of a significant shock, real economic growth may turn modestly in the new fiscal year and could decline by 5.0 to 7.0 percent in the next three forward fiscal years.

The Government continues to ensure that the economy is resilient against severe economic shocks by preserving fiscal and external buffers given these risks to the economic outlook.

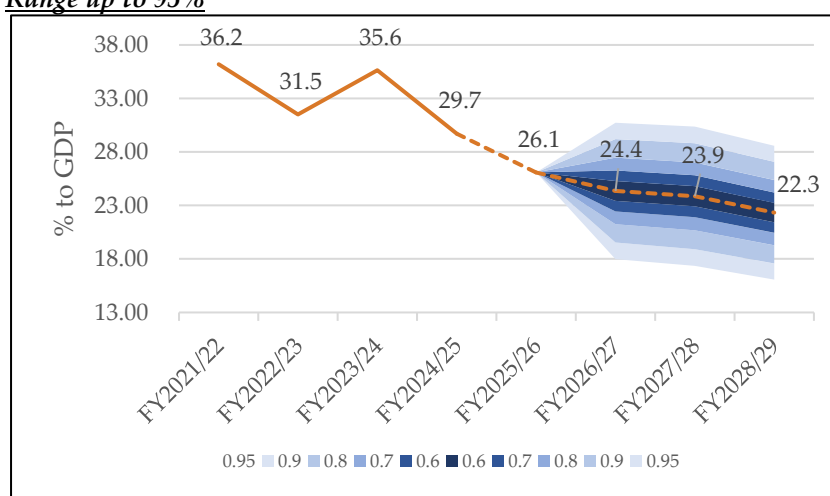
## Fiscal Analysis: Forecast Performance

### Revenue

Government revenue – comprising taxes, grants, and other revenue – is highly sensitive to macroeconomic fluctuations, with increased growth projections potentially increasing tax collections and borrowing needs. Revenue as a percentage of GDP is projected at 26.1

percent for FY2025/26. Furthermore, the ongoing differences between the classification of grants estimated and reported is visually depicted by the fan chart. Upside risks to revenue include stronger tourism activity, timely donor grant disbursements, and higher remittance-driven consumption boosting tax collections and other revenues, with the Government exploring additional revenue streams – particularly potential Citizenship by Investment (CBI) inflows – while taxes remain unaffected. Downside risks stem from climate shocks, delays in external financing, and slower import demand reducing tax revenues.

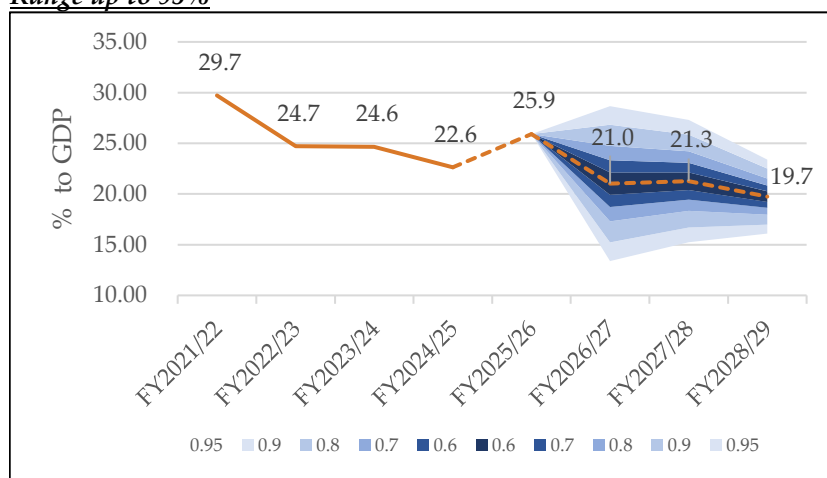
**Figure 4.2: Revenue Growth Projection and Confidence Interval**  
*Range up to 95%*



Source: Ministry of Finance (FRAT and SERF Model)

## Expenses

**Figure 4.3: Expenditure Growth Projection and Confidence Interval  
Range up to 95%**



Source: Ministry of Finance (FRAT and SERF Model)

Expenditure growth results have consistently fallen short of projections, with persistently low levels of capital expenditure which undermined the economy's productive capacity and long-term growth potential. This was mainly due to capacity constraints

within line ministries in executing planned expenditures, particularly capital projects. The forecast indicates the Government's initiatives aimed at fiscal expansion.

## Climate Change and Natural Disaster Risks

Samoa is highly vulnerable to natural hazards such as tropical cyclones, earthquakes, tsunamis, droughts, and floods. In the event of such disasters, economic growth and debt sustainability are adversely affected. The increased frequency and intensity of coastal storms may cause more damage to infrastructure and livelihoods. There is also the potential for slow-moving climate stresses, such as sea level rise and increasing heat hazards, to adversely affect growth potential in key economic sectors such as Agriculture and Fisheries, and Tourism.

## Debt

### Public Debt

The target ratio of total public debt to GDP remains at 50.0 percent. It is projected that at the end of FY2025/26, the percentage of total public debt to GDP will be 18.8 percent, remaining below the threshold. Over the medium term, this ratio is expected to decline further to 15.1 percent in FY2026/27, 14.7 percent in FY2027/28, and 13.4 percent in FY2028/29.

The expected total debt servicing for FY2025/26 is \$89.4 million talā, a decrease from \$94.7 million talā in FY2024/25.

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## ***Contingent Liabilities***

The conducting of the health check assessment (health check tool) and Credit Risk Assessments (CRAs) has enabled the Government to further strengthen its oversight role on the financial positions of SOEs. Monitoring the risk exposure of contingent liabilities to the Government will be made easier with the support of these assessments. The active on-lending arrangements in the portfolio will also be monitored using the On-lending Policy.

The overall risk rating for State-Owned Enterprises (SOEs)<sup>2</sup> indicated that most entities are at very low risk, particularly in solvency and liquidity. However, EPC faces high risks in profitability due to the 20.0 percent reduction of tariffs and increased fuel costs, resulting in heightened liabilities. Additionally, SAA's overall risk rating reveals that it has high liabilities due to challenges in generating sufficient revenue. Overall, EPC and SAA's financial positions require prudent management to address liquidity concerns while improving profitability.

## **Other Emerging Risks**

Disruptions to utility services particularly in energy, political uncertainty, and health risks pose significant challenges to Samoa's medium to long-term economic growth. The power rationing crisis earlier this year impacted key industries such as Commerce, Agriculture, Accommodation and Restaurants, and Manufacturing by increasing operational costs and limiting productivity. The implementation of the newly elected Government's priorities may impact reforms, public services, and investor confidence. Health risks, including measles, COVID-19, dengue fever, and future pandemics, can strain limited healthcare infrastructure, reduce labor force participation, and increase public spending needs. Reputational risk associated with the implementation of the proposed revised CBI policy framework may strain relationships with some of our development partners. Collectively, these factors may slow down economic diversification, result in fiscal deficits, and undermine sustainable development efforts in Samoa over time.

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<sup>2</sup> Public Bodies Health Check Assessment for the year ended June 2023. The 2024 update will be completed late 2025 after Cabinet submission

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## 6. Public Sector Investment Program

The Public Sector Investment Program (PSIP) remains a planning mechanism that identifies the Government's major investment programs by Sector. It allows a more informed planning and implementation system for all development projects, ensuring that they are well planned, monitored, and implemented. In addition, the PSIP provides a transparent platform for efficiently and effectively allocating resources across Sectors.

The PSIP comprises two main categories of projects: active projects (which are currently being implemented) and pipeline projects (including those approved by the Cabinet Development Committee).

### Ongoing and Pipeline Public Investments

The Government pipeline development projects with funding secured from development partners are expected to start implementation in FY2025/26 and FY2026/27. These include the new Hospital in Salelologa Savaii, the GridSECURE Program and the Renew Pacific Off-Grid Renewable Energy Solutions for Samoan Communities Project for the Energy Sector, the PREPARE Project and the GEF 8 Coastal Resilience Samoa Project supporting environment and climate resilience priorities, the Resilient Transport Connectivity Project, the Strengthening Public Financial Management Sector Development Program, and the SAFER Project supporting access to finance for MSMEs.

In addition, the pipeline investments already approved by the Cabinet Development Committee include the Samoa Water Authority Headquarters at Vaitele, the new Dental Health Services Building, replacement of the Fisheries Research Vessel, and the new Fire and Emergency Services Station in Salelologa.

All major ongoing and pipeline investment projects are detailed in Table 6.1.

**Table 6.1: Summary of Total Public Investments by Sector**

Major Active Development Projects	Pipeline Development Projects
<b>Agriculture and Fisheries</b>	
<p>Samoa Agriculture &amp; Fisheries Productivity and Marketing Project</p> <p>Economic and Social Development Program – new equipment for the SROS</p> <p>China Samoa Agriculture Mechanization Project</p> <p>US Treaty Project Development Funds (PDF) – Upgrading of Ice-making machines and Fish Aggregating Devices (FADs) for MAF</p>	<p>Fisheries Research Vessel Replacement</p>
<b>Finance</b>	
<p>Samoa Finance Sector Resilience and Development Project</p> <p>Pacific Strengthening Correspondent Banking Relationships Project</p> <p>Construction of the Central Bank of Samoa Off-site Building</p>	<p>Strengthening Public Financial Management Sector Development Program</p>
<b>Education</b>	
<p>Construction of the Faculty of Health Science of NUS</p> <p>Construction of Lepea Primary School, Apia Primary School and St Theresa Primary School</p> <p>Construction of the SENESE Service Building</p> <p>School Connectivity Project</p>	<p>Global Partnership for Education</p>
<b>Health</b>	
<p>Systems Strengthening for Effective Coverage of New Vaccines in the Pacific</p> <p>Health Strengthening System Program for Results</p>	<p>New Dental Health Services Building</p> <p>Health Resilient Infrastructure - referral hospital Savaii</p>

Economic and Social Development Programme - Medical Equipment  Samoa Nursing Community Centre	One Health Pandemic Preparedness and Response in Samoa (Public and Clinical Health Laboratory)
<b>Law and Justice</b>	
Construction of the Legislative Assembly's New Office  Construction of the Savaii Court House  Construction of the Vaiaata Prison Hall	Salelologa Emergency Services Station
<b>Transport &amp; Infrastructure</b>	
Samoa Climate Resilient Transport Project (SCRTP)  Enhancing Safety, Security, and Sustainability of Apia Port Project  Central Cross Island Road Upgrading Project (CCIRUP)  Samoa Aviation and Roads Investment Project (SARIP)  Savalalo Market Rebuild Project  Alaoa Multipurpose Dam  Interisland Ferry Catamaran Vessel  Vessel Replacement for the Fotu-o-Samoa II  Construction of Access Roads	Climate Resilient Transport Connectivity Project  Alaoa Multipurpose Dam Phase 2
<b>Energy</b>	
Apia Solar Streetlights Maintenance &  Refurbishment Works 2 Key Generators (Ta'alefaga & Fiaga)  Off-grid Renewable Energy Solutions for Samoan Communities Project  Climate Action Pathways for Island Transport (CAP-IT)	Samoa Grid Security and Resilience Enhancement (GridSECURE) Program

Information and Communications Technology	
Digitally Connected and Resilient Samoa Project	
Water, Sanitation & Hygiene	
Economic and Social Development Program FY2024 - Water Pump Truck	Samoa Water Authority Headquarters  Climate Resilient Water Supply & Sanitation Project
Environment	
Economic and Social Development Program FY2023 - 2 Firefighter Chemical Trucks  Building Safety and Resilience (BSRP) Phase II Project	Pacific Region Preparedness, Adaptation and Resilience (PREPARE)  UNDP-GEF 8 Coastal Resilience Samoa Project  Vaisigano River Integrated Flood Management Project  Economic and Social Development Program FY2025 - Meteorological Equipment  Pacific Humanitarian Warehousing Program (NEOC Warehouse)
Trade, Commerce & Manufacturing	
	Scaling Access to Finance for Entrepreneurial Resilience (SAFER) Project
Community	
Government District Development Program	Gender and Mainstreaming for Community Based Development

Source: Ministry of Finance



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