



GOVERNMENT OF SAMOA

**MEDIUM TERM
DEBT MANAGEMENT STRATEGY
FY2027 - FY2031**

September 2026



ABOUT THIS DOCUMENT

This document sets out the Government's Medium-Term Debt Management Strategy (MTDS) for FY2027–FY2031. It provides the strategic framework for managing the public debt portfolio, assessing cost and risk, guiding future borrowing decisions, and strengthening debt management operations over the medium term. The Ministry of Finance, manages the Government's Public Debt portfolio, including Contingent Liabilities. The MTDS was updated in consultation with relevant technical stakeholders and was also presented to development partners. The preparation of the MTDS was supported by technical assistance from the IMF Pacific Financial Technical Assistance Centre (PFTAC). The World Bank–IMF MTDS Analytical Tool was used to assess the cost and risk of the alternative borrowing strategies.

The latest available data were used to prepare the MTDS. Some data may be subject to revisions and updates, but are not expected to be material or to alter the overall direction of the MTDS.

LEGAL AND POLICY BASIS

This MTDS is prepared in accordance with the Public Finance Management Act 2001 and Amendments, Pathway for the Development of Samoa FY2026/27–FY2030/31, Fiscal Strategy Statement FY2026/2027, Annual Budget FY2026–27, and other applicable legislation, policies and operational guidelines.

DOCUMENT CONTROL

Document Title: Medium-Term Debt Management Strategy FY2027–FY2031

Prepared by: Debt Management Division, Ministry of Finance

Version: Final

Effective Date: *14 October 2026*

Endorsed/Approved by: Chief Executive Officer, Ministry of Finance, Minister of Finance, Cabinet

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ENQUIRIES:

Debt Management Division | Ministry of Finance

Level 3, Central Bank of Samoa Building

Website: <https://mof.gov.ws/debt-managament/>

Email: DMD@mof.gov.ws

Telephone: +685-34344, +685-34330

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LIST OF ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
ATM	Average Time to Maturity
ATR	Average Time to Re-fixing
CBS	Central Bank of Samoa
CNY	Chinese Yuan
DBS	Development Bank of Samoa
DEMPA	Debt Management Performance Assessment
DMD	Debt Management Division
DSA	Debt Sustainability Analysis
DSSI	Debt Service Suspension Initiative
EIB	European Investment Bank
EPC PSEP	Electric Power Corporation Power Sector Expansion Project
EXIM Bank of PRC	Export Import Bank of People's Republic of China
EUR	Euro currency
FAHE Ltd	Fly Aircraft Holdings Eighteen Limited
GDP	Gross Domestic Product
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
JPY	Japanese Yen
LIC DSA/DSF	Low-Income Country Debt Sustainability Analysis/ Framework
MOF	Ministry of Finance
MPE	Ministry of Public Enterprises
MTDS	Medium Term Debt Strategy
OPEC	Organization for Petroleum Exporting Countries
PAL-SAL	Polynesian Airlines Limited- Samoa Airways Limited
PASAI	Pacific Association of Supreme Audit Institutions
PDS	Pathway for the Development of Samoa
PDRP	Pacific Disaster Resilience Program
PFMA	Public Finance Management Act 2001
PRC	People's Republic of China
SAT	Samoa Tala
SBS	Samoa Bureau of Statistics
SDFP	Sustainable Development Finance Policy
SDR	Special Drawing Rights
SHC	Samoa Housing Corporation
SLAC	Samoa Life Assurance Corporation
SNPF	Samoa National Provident Fund
SOE	State Owned Enterprise
SSCC	Samoa Submarine Cable Company
SSS	Samoa Shipping Services
SLC	Samoa Land Corporation
T-Bond/T-Bill	Treasury Bond/Treasury Bill
USD	United States Dollars
UTOS	Unit Trust of Samoa
WB	World Bank

EXECUTIVE SUMMARY

The Medium-Term Debt Management Strategy (MTDS) FY2027-FY2031 sets the Government's direction for managing public debt over the next five years and aims to achieve the Government's overall debt management objective, "to ensure that the financing needs of the State are met at all times on a timely basis and that the borrowing costs of the State are as low as possible over the medium term, within a prudent risk level." Samoa's debt position has improved significantly over the past five years, strengthening the Government's capacity to manage financing needs under the updated MTDS. Total public debt declined from SAT949.4 million in FY2022 to SAT690.8 million at the end of June 2026, equivalent to 19.5% of GDP and well below the 50% fiscal threshold. Total Public debt remains dominated by external debt, with main currency exposures to SDR and CNY and main creditors included IDA/World Bank, ADB and EXIM Bank of China. Concessional borrowing has helped keep Public debt affordable and manageable. As these loans were from external creditors and in foreign currencies, exchange-rate fluctuations remain the portfolio's primary risk. Exposures to guarantees, SOE borrowings, and on-lending also required monitoring. The MTDS FY2022–FY2026 aimed to support fiscal consolidation, prudent borrowing and debt sustainability and by the end of the term the MTDS objectives were achieved. Seven of the ten quantitative targets were achieved. Targets not achieved related mainly to borrowing cost. Reforms included the establishment of the DMD, improved debt reporting, development and implementation of the Guarantee and On-lending Policies, completion of credit risk assessments, completion of the DeMPA, strengthened use of the new Meridian System and formulation of the Procedures for the issuance of Government debt securities. The MTDS FY2027–FY2031 provides a more balanced approach for future borrowing decisions. Samoa's improved debt and fiscal positions have led to an upgrade from high to moderate risk of debt distress under the IMF/World Bank Debt Sustainability Analysis, suggesting some room for loan financing. However, any future borrowing must be carefully managed, particularly as external financing increasingly includes credit components alongside grants. Under this MTDS, concessional external borrowing with a grant element of at least 35% will be prioritized. Where this is unavailable or insufficient, conditioned semi-concessional external borrowing with a grant element of at least 25% but less than 35% may be considered for approved financing needs, subject to debt sustainability, fiscal and legal requirements, and applicable development partner requirements, including the World Bank SDFP PPA. For the purposes of this MTDS, new external loans are to meet the minimum grant element of 25% and support projects with positive returns. To reduce exposure to foreign exchange rate risk and diversify the range of available financing sources, this MTDS also includes measures that support the gradual development of the domestic debt market. Implementation will focus on further

developments to the MTDS, timely and reliable debt reporting, maximized Meridian use, monitoring contingent liabilities, cash flow management, domestic debt market readiness, and capacity building. Effective implementation will support prudent borrowing decisions, strengthen oversight of public debt and risks, and help maintain debt sustainability.

I. INTRODUCTION

1. The Public Finance Management Act 2001 (PFMA) provides the legal framework governing the Government's debt management.
2. Pursuant to Section 86B of the PFMA 2001, the Minister of Finance should have in place a debt management strategy, including the debt management objectives, assessment of macroeconomic framework and market conditions, cost and risk analysis of the Government debt portfolio, guidelines for future borrowing by the State and any other information that the Financial Secretary considers necessary for the development of the strategy. The debt management strategy should be reviewed annually, and updated when required, by the Ministry of Finance and submitted to Cabinet for approval. The State's borrowing and other debt management operations must be consistent with the Government's debt management strategy. In addition, the Ministry of Finance's annual reporting to Parliament should include a review of the past year's implementation of the debt management strategy.
3. The MTDS FY2027-FY2031 is the fourth MTDS prepared by the Ministry of Finance, outlining the Government's plans to guide its debt management activities in the next five years. It provides a systematic approach to decision making on the appropriate composition of external and domestic borrowing to finance the Government's financing needs, whilst ensuring fiscal targets are adhered to and overall Government debt management objectives are achieved.
4. The MTDS FY2027-FY2031 is in line with the Government's Development Cooperation Policy (Aid Policy), the Fiscal Strategy Statement FY2026/FY2027, Budget Statement FY2026-27, and the Government's national priorities in the Pathway for the Development for Samoa (PDS) FY2026/27-FY2030/31.

II. EXISTING PUBLIC DEBT PORTFOLIO: 30 JUNE 2026

5. This section begins by identifying key factors that explain the movements in the existing public debt portfolio during the review period. **Table 1** factors provide context for the analysis that follows. Over the last five years, there were no new loans contracted and no new treasury bonds issued. Portfolio movements were mainly influenced by disbursements from existing

project loans, scheduled repayments, full loan settlements, one defaulted guarantee recorded as public debt, and G20 COVID-19 DSSI ¹ related instruments.

Table 1

KEY FACTORS OF THE DEBT PORTFOLIO MOVEMENTS			
Financial Year	Increasing Factors	Reducing Factors	Other
FY2022	Loan Disbursements; Ongoing disbursements under the OPEC Petroleum Bulk Storage Facilities Phase IV loan.	Two loans were fully repaid: - ADB Fourth Development Bank of Western Samoa Project loan - DBS-UTOS domestic debt. This loan was previously a Government guarantee	Instruments under the final DSSI extension became effective during the year.
FY2023	Loan Disbursements; - Full drawdown under the ADB Pacific Disaster Resilience Program - Continued disbursements under the OPEC Petroleum Bulk Storage Facilities Phase IV loan - The PAL-SAL UTOS loan was recorded as domestic debt following default.	One loan was fully repaid: ADB WSTEC Forestry Project loan.	PAL-Samoa Airways UTOS loan increased the domestic debt and introduced a higher-cost commercial obligation, with a 5% annual interest rate, 20-year maturity, and no grace period.
FY2024	No new loan disbursements recorded.	One domestic debt was fully repaid: STEC UTOS loan repaid in December 2023. This loan was previously guaranteed by Government.	Movement mainly reflected scheduled repayments on existing obligations.
FY2025	Final disbursements under the OPEC Petroleum Bulk Storage Facilities Phase IV loan which was completed in April 2025.	Three external loans were fully repaid: - ADB Fifth Development Bank of Western Samoa Project loan - World Bank IDA First Highway Project loan - OPEC Petroleum Bulk Storage Facilities Phase III loan.	Three instruments under the first DSSI extension were fully settled during the year.
FY2026	No new loan disbursements recorded.	- One ADB loan for Multi-Project Loan was fully repaid - Scheduled repayments on the existing portfolio continued.	Movement mainly reflected repayments on the existing debt portfolio.

Source: MOF

¹ COVID-19 G20 Debt Service Suspension Initiative (DSSI) was global response to the pandemic COVID-19 initiated by participating countries of the G20. The 20 countries agreed to a debt service suspension initiative for bilateral creditor loans with debt service payments from 1st May 2020 to December 2020 that aimed at providing fiscal space for countries to combat the impacts of COVID-19.

6. Total Public Debt² as at 30 June 2026 was SAT 690.8 million, equivalent to 19.5% of GDP³. The outstanding amount consisted of SAT 641.0 million of external debt and SAT 49.8 million of domestic debt. Public debt as a percentage of GDP declined from 41.0% in FY2022 to 31.8% at the end of FY2023. The trend continued to decline to 25.2% in FY2024, 21.2% in FY2025, and 19.5% in FY2026. Domestic debt increased from SAT 1.6 million in FY2022 to SAT 55.5 million in FY2023, then a decreasing path was recorded from FY2024 (SAT 53.3 million) to FY2026 (SAT 49.8 million). The decreases for the total debt were due to no new borrowings, settled loans, repayments and low disbursements during the review period. The recorded increase in the domestic debt was primarily due to a loan originally contracted by PAL-SAL from UTOS and guaranteed by the Government. The Airline later defaulted on the loan, and the Government became responsible for the outstanding amount (*Table 2*).

Table 2

TOTAL PUBLIC DEBT AND % OF GDP (FY2022 –FY2026)					
Millions of Tala	FY2022	FY2023	FY2024	FY2025	FY2026
Total Public Debt	949.4	907.5	815.4	760.4	690.8
External Debt	947.9	852.0	762.1	708.9	641.0
Domestic Debt	1.6	55.5	53.3	51.6	49.8
Gross Domestic Product (GDP)	2,317.7	2,853.1	3,240.5	3,584.9	3,543.4
Total Public Debt % of GDP	41.0%	31.8%	25.2%	21.2%	19.5%

Source: MOF, SBS

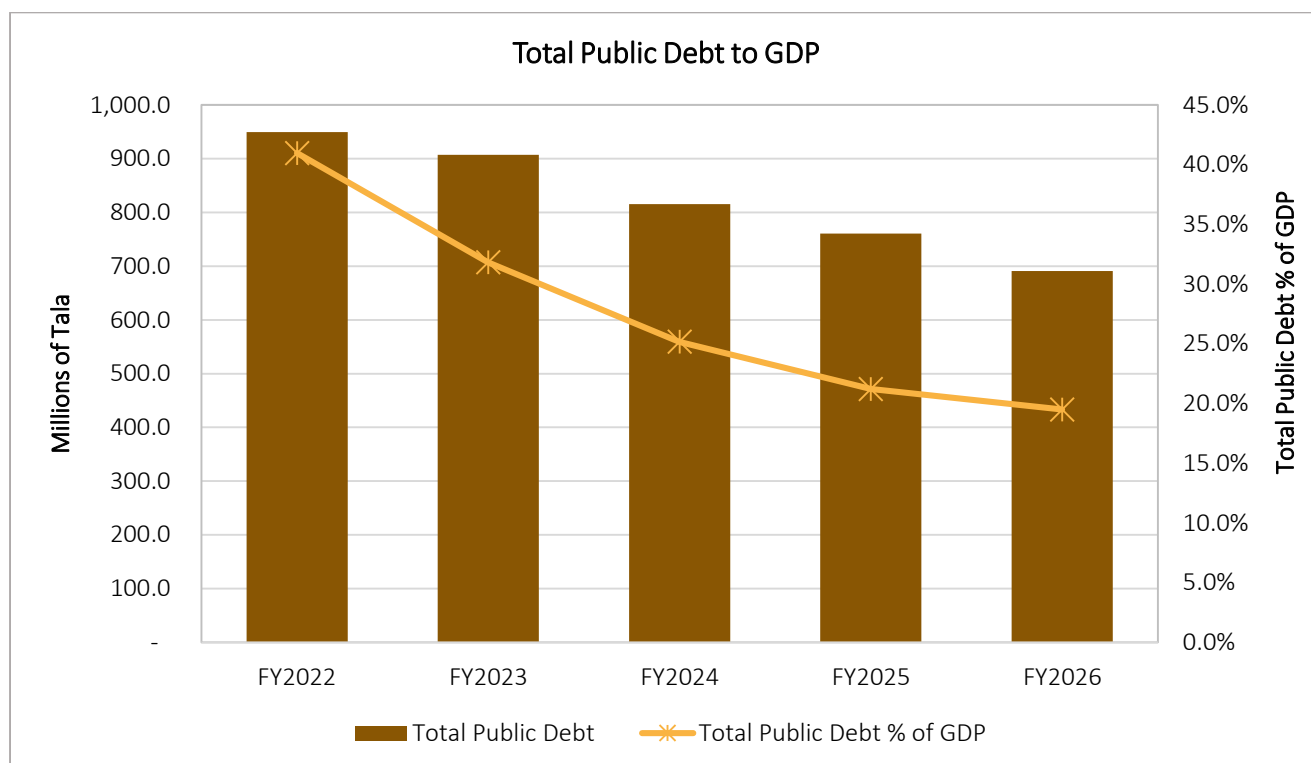
7. **Debt to GDP ratio:** The level of Public debt to GDP consistently remained below the 50%⁴ fiscal target over the review period from FY2022 to FY2026. The ratio in FY2022 was 41.0%, and it decreased to 31.8% in FY2023, then to 25.2% in FY2024, 21.2% in FY2025 and 19.5% in FY2026. This improvement was driven mainly by the reduction in public debt outstanding, supported by GDP growth over most of the review period. GDP increased from FY2022 to FY2025, before declining slightly by 1% in FY2026 compared to FY2025 (*Chart 1*).

² Public debt means all liabilities of the State but does not include liabilities where the State is a trustee for another person, or the liabilities of any public body (PFMA 2001).

³Provisional: Based on June 2026 debt outstanding and the latest available GDP estimate for ending March 2026 quarter, subject to revision, with limited impact expected.

⁴ Fiscal Strategy Statement FY2026/FY2027.

Chart 1



A. Composition of Total Public Debt

8. Instrument composition: The total public debt outstanding was 100% loan instruments. There were no T-Bonds issued over the last 5 years.
9. Currency composition: **Chart 2.a** shows that 54.2% of loans were denominated in SDR⁵, 29.6% in CNY, 7.2% in SAT, 5.8% in JPY, 3.0% in USD and 0.2% in EUR. The breakdown of the SDR into its current source currencies, **Chart 2.b** shows that the main currency exposures at end of June 2026 were CNY (39.0%), USD (28.6%), EUR (17.4%), JPY (10.7%) and GBP (4.3%). Exposure to the SDR and SAT increased over the years due to on-going disbursements for the concessional borrowing from the OPEC, depreciation of the Tala against the US Dollar, the PAL-SAL loan default previously guaranteed by the Government and the ongoing resumption of postponed debt service payments for eligible loans under the DSSI.

⁵ Special Drawing Rights is a basket of 5 main currencies, effective 1 August 2022: USD 43.38%, Euro 29.31%, CNY 12.28%, JPY 7.59% and GBP 7.44% (IMF).

Chart 2a

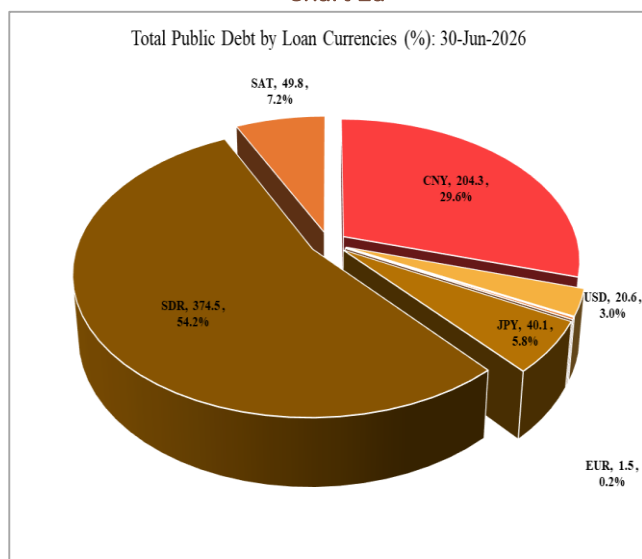
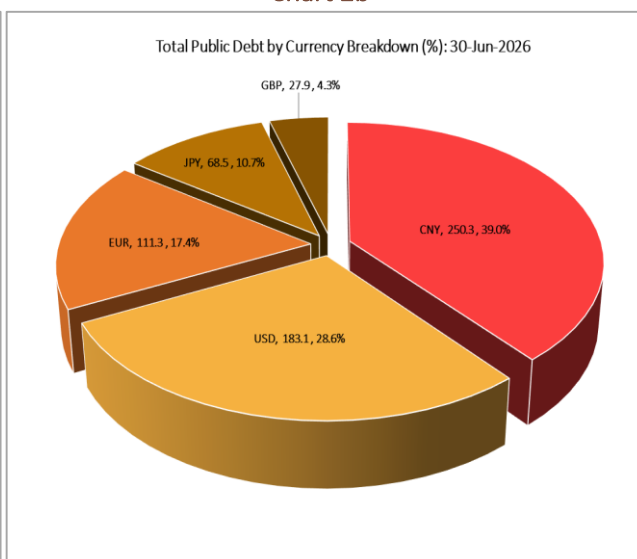
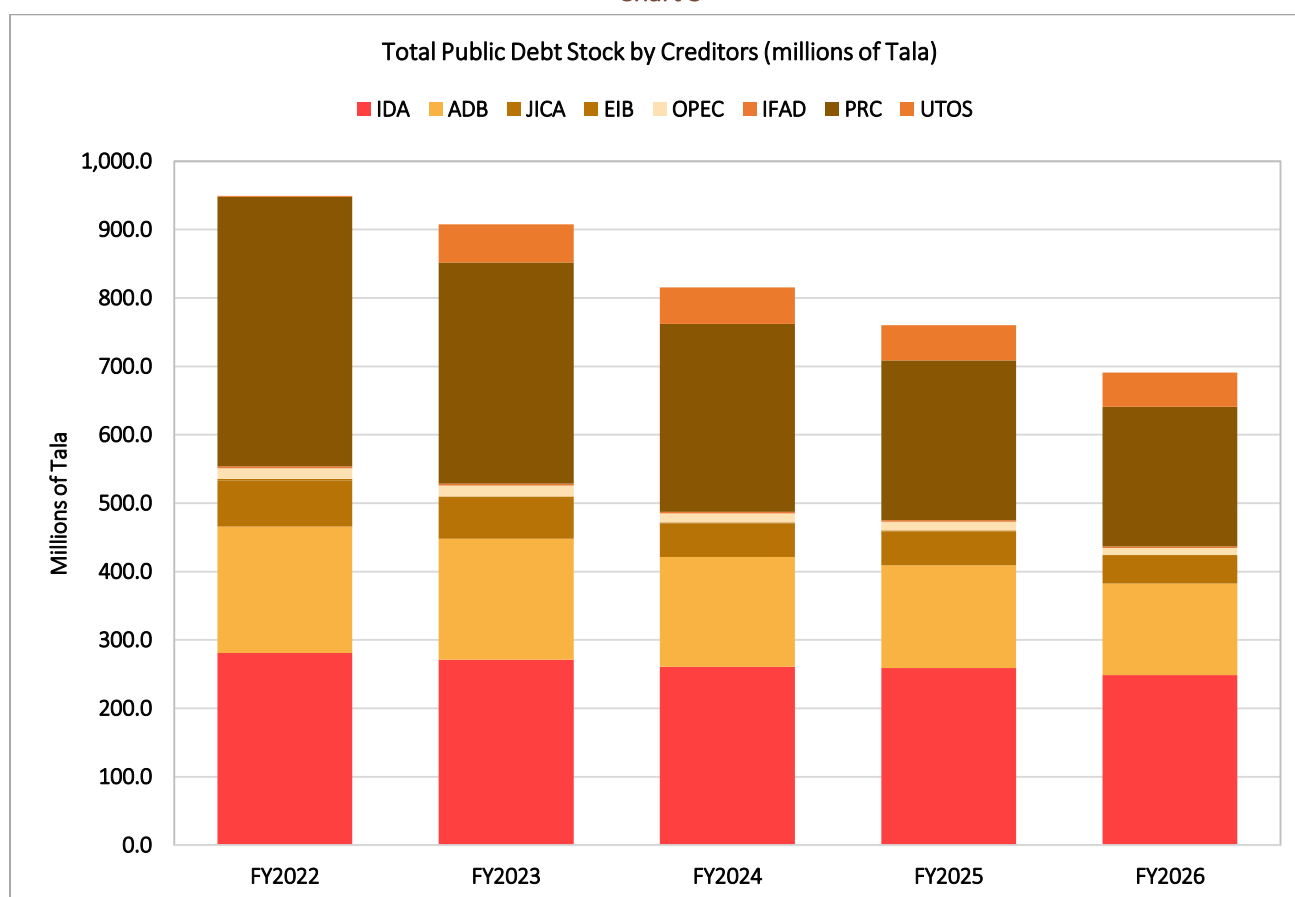


Chart 2b



10. Creditor composition: **Chart 3** shows that over the years there was an increasing trend in the proportion of the debt stock with IDA and UTOS, a decreasing trend in the proportion of the debt stock with EXIM Bank of PRC and JICA whilst OPEC, EIB and IFAD proportions remain relatively stable. In the domestic debt at the end of FY2026, Government SOE UTOS, was the main creditor and also the main creditor during the period.

Chart 3



B. Total Debt Service

11. Total Debt service trend showed increases in FY2023 and FY2024 due to recommencement of postponed debt service payments under the DSSI, an additional repayment for the IDA loan for the Samoa Agriculture Competitiveness Enhancement Project (**Chart 4**) that started in FY2023, the defaulted SAL loan with UTOS, and the depreciation of the Tala over most of the financial years under review. The total debt service trend then showed decreases in FY2025 and in FY2026 by 4.8% and by 6.1% respectively. The decreases were a result of some closed loans that were fully repaid, ongoing repayments over the period and the low debt service in FY2022 was due to the debt service payments for EXIM Bank of PRC, JICA and EEC/IDA loans suspended under the DSSI. The annual percentage increases in debt service payments in FY2023 and FY2024 were 44.6% and 3.8% respectively. **Chart 5** also shows composition of external and domestic debt service payments paid over the years.

Chart 4

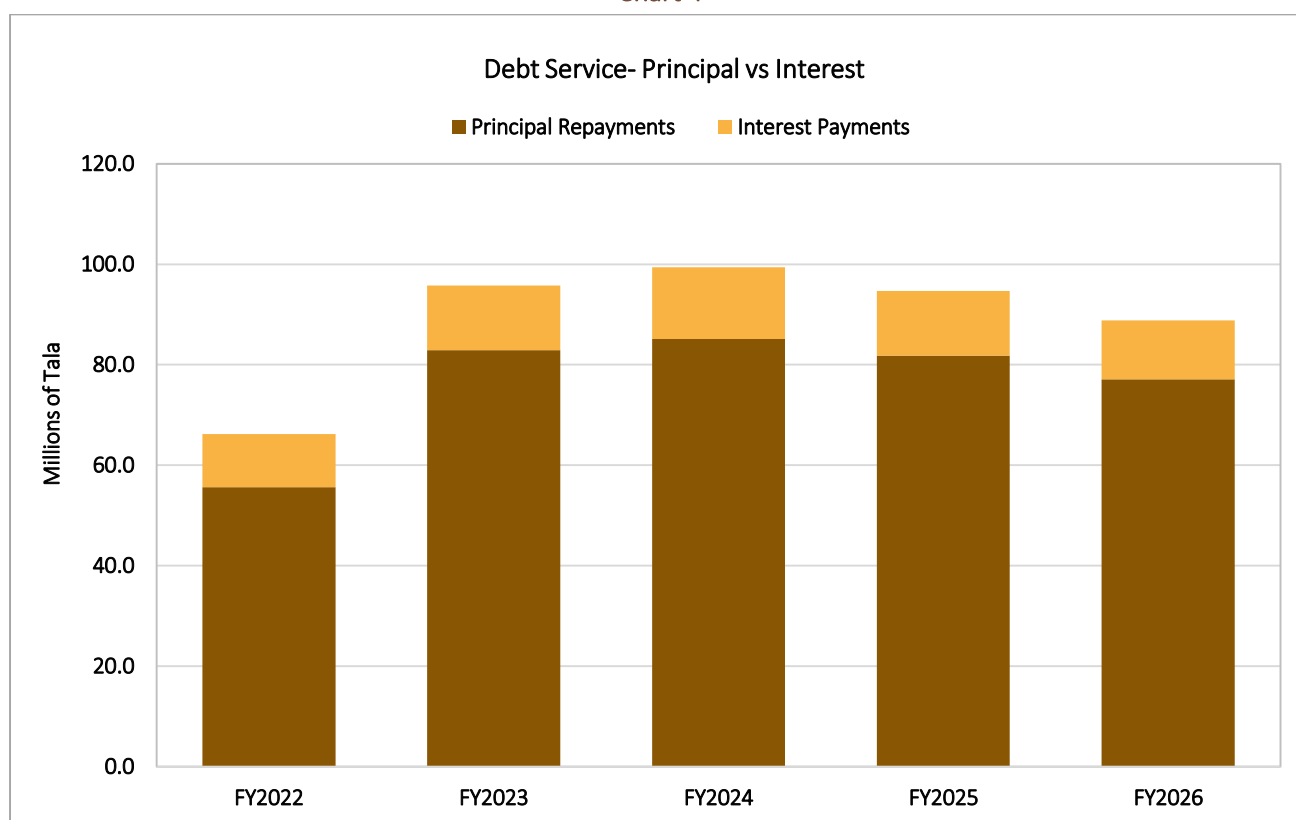
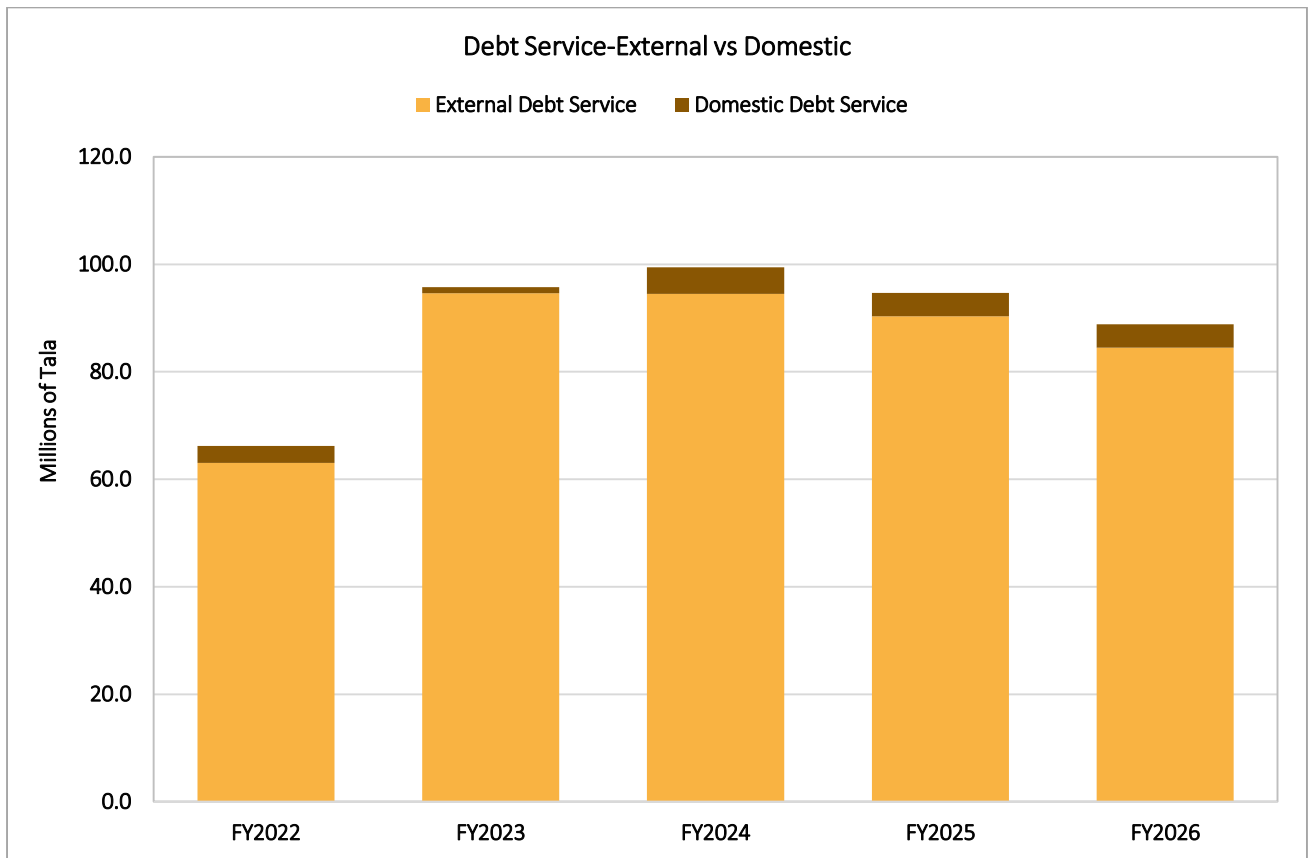
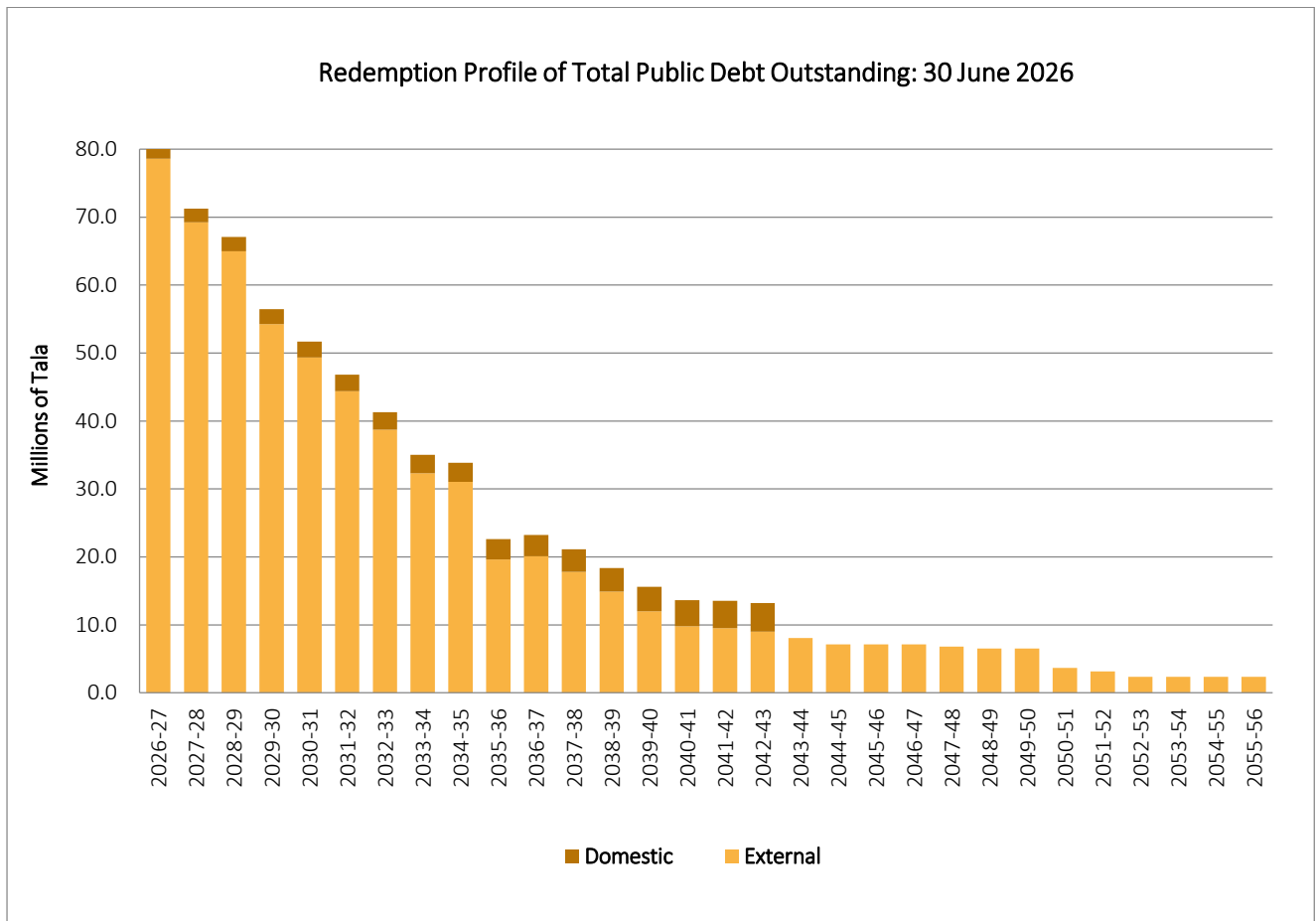


Chart 5



12. **Chart 6** shows the redemption profile (principal repayments only) based on the existing debt outstanding, separating longer maturity external debt from shorter maturity domestic debt. The profile indicates that from FY2027 to FY2029, the principal repayments will remain above SAT 60 million before it drops below in FY2030.

Chart 6



13. The total debt service requirements of Government (*Chart 7*) include the redemption profile in *Chart 6* plus interest payments. The chart shows a gradually decrease compared to historical level of around SAT 95 million, on average, and will remain above SAT 60 million for the next 4 years then decreases in the forward financial years as loans become fully repaid
14. *Chart 8* shows that, without new borrowing, the existing public debt stock will decline steadily and fully repaid by FY2056. Any new borrowing will add to the projected debt stock and debt service requirements. The choice of debt instrument for any planned new borrowings is crucial in managing the increasing debt service requirements.

Chart 7

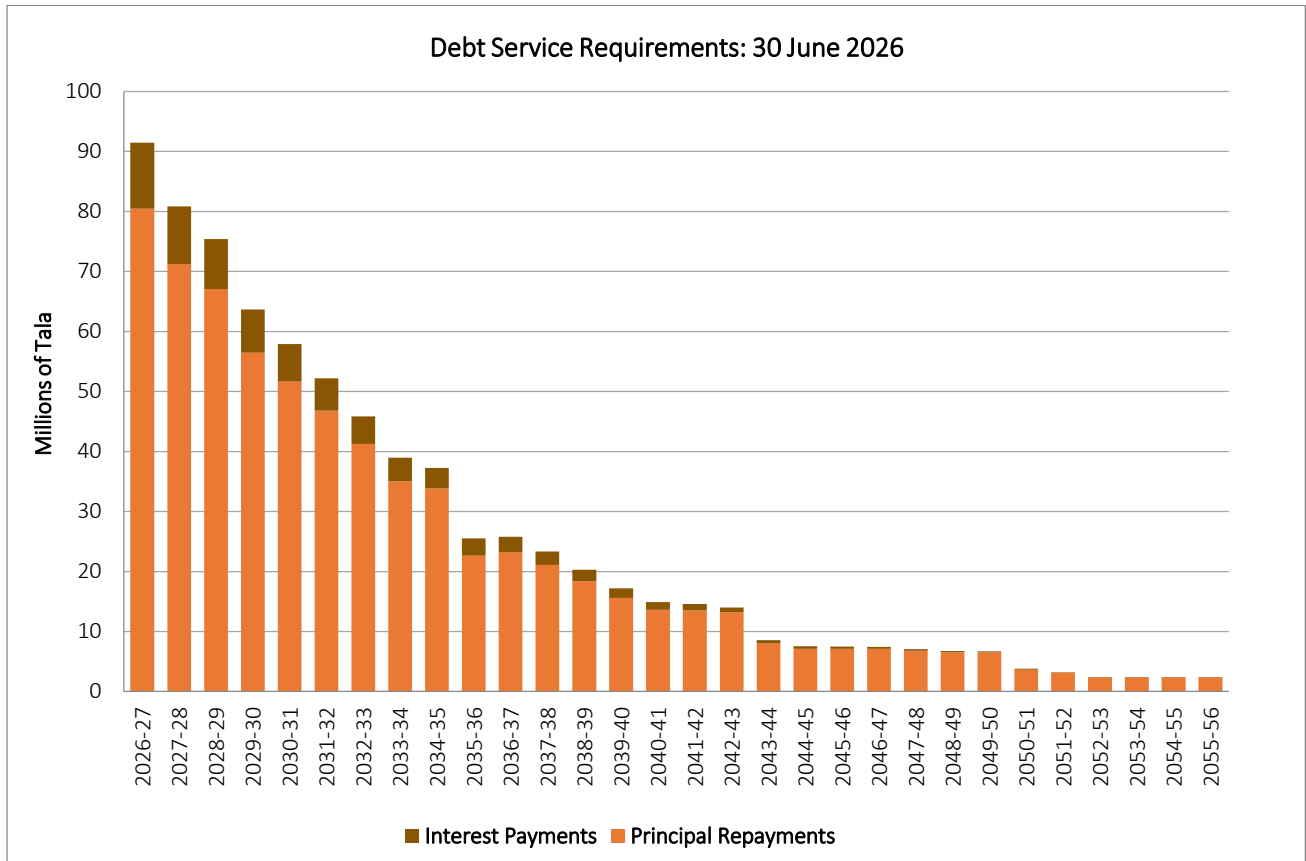
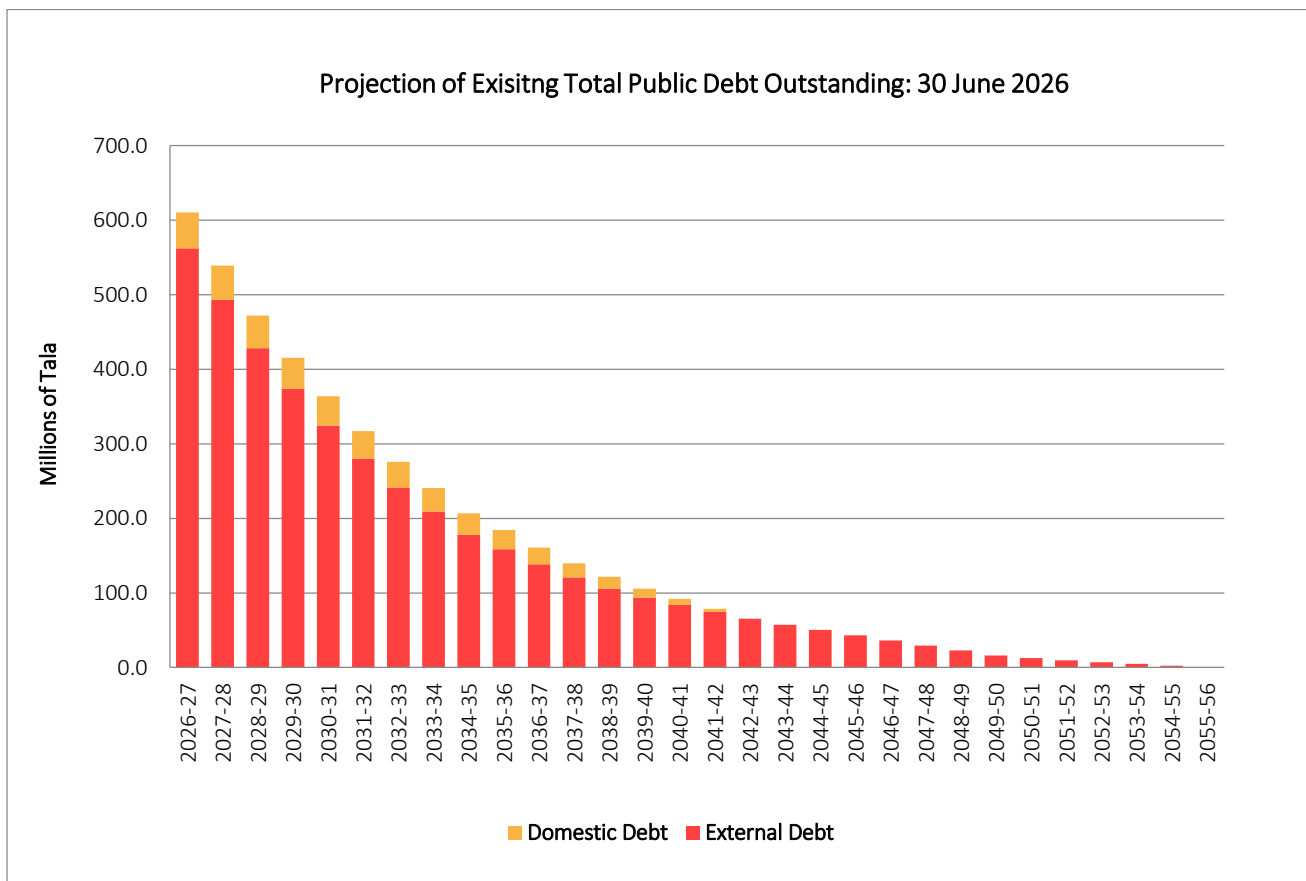


Chart 8



C. State-owned Enterprise Debt

15. The Government issues guarantees for SOE borrowings, and SOEs also borrow directly from financial institutions without the requirement of a Government guarantee, but these are not included in the current definition of total public debt consistent with the PFMA 2001. However, these explicit and implicit contingent liabilities pose significant fiscal risks to the Government and need to be monitored and managed effectively. Therefore, these contingent liabilities are included in all the debt reports, annual DSA and the MTDS.
16. Total SOE Debt Outstanding at the end of FY2026 was SAT 253.9 million⁶, equivalent to 7.2% of GDP. The SOE Debt consists of Government guarantees (explicit contingent liabilities), SOE debt not guaranteed by Government (implicit contingent liabilities) and the total On-lending Outstanding balances.
17. Total Government guarantees issued and outstanding at end of FY2026 was SAT 86.4 million, equivalent to 2.4% of GDP. The amount decreased by 7.3% when compared to FY2025. Government outstanding guarantees by creditors (**Chart 9**) show CBS (71.9%), UTOS (18.4%) and SNPF (9.7%). **Chart 10** shows the composition of Government guarantees by SOEs: DBS – 80.4%, SAA – 9.9%, SHC- 8.8% and SSS-0.9%. Four guarantees closed during the period: DBS’s loan with EIB, two SHC loans with CBS and PAL-SAL with BSP were fully repaid. SAL-PAL’s loan with UTOS defaulted which triggered guarantee to be called, written off the Airline’s financial records and recorded as Government domestic debt.
18. Other SOE direct borrowings from financial institutions at the end of June 2026 was SAT 19.5million, equivalent to 0.5% of GDP. There were two main SOEs with term debt collateralized by assets and by the end of FY2026, SHC was the only SOE currently reported, as SLC has settled its outstanding liability.
19. There were two active on-lending arrangements between Government and its SOEs (EPC and SSCC) at end June 2026. The total amount on-lent and outstanding was SAT 148.0 million: EPC (62.7%) and SSCC (37.3%). The terms of Government on-lending to SOEs on average, include an interest rate of 2% p.a, maturity of 27.5 years, and grace period of 7.5 years. One on-lending arrangements with DBS and UTOS were fully repaid and the EPC-PSEP on-lending was granted a debt relief arrangement in FY2023 by the Government to assist the Corporation with financial stability goals.

⁶ Provisional: The total amount includes SOE debt not guaranteed by the Government as at 31 March 2026 (latest available data).

Chart 9

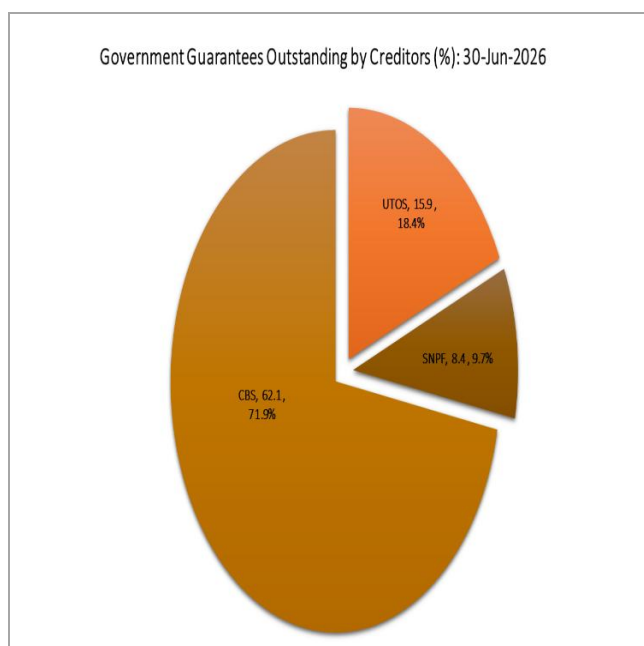
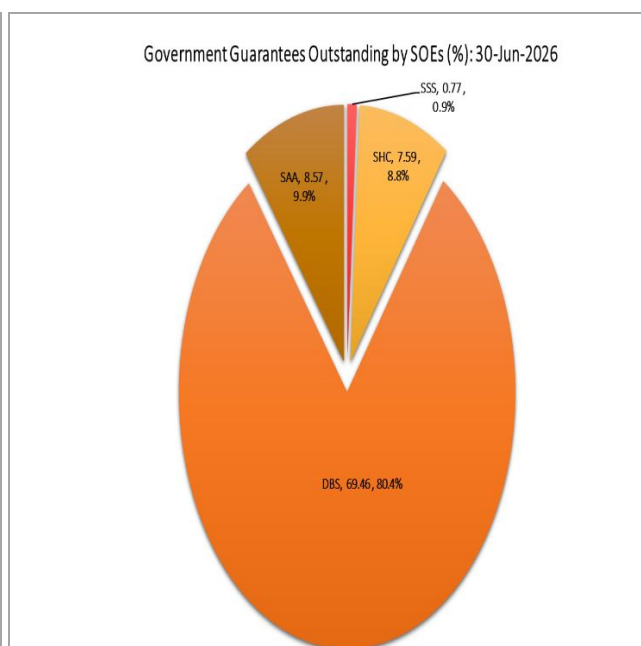


Chart 10



D. Cost and risk indicators of existing debt portfolio

20. **Table 3** shows that the overall cost and risks indicators in the total public portfolio are strongly driven by external debt. For instance, the low cost and low interest rate and refinancing risk in the external debt makes it more attractive compared to the domestic debt.
21. However, the external debt exposes Government to high foreign currency risk and this is important given movements in the “Tala” against the main loan currencies. Where feasible, diversifying currencies is important to mitigate the impact of direct cross rate fluctuations.
22. The characteristics of the debt instruments and the borrowing terms in the debt portfolio are shown in **Table 4**.

Table 3

COST AND RISK INDICATORS FOR TOTAL PUBLIC DEBT 30 JUNE 2026					
Indicators		Unit of Measure	External Debt	Domestic Debt	Total Debt
Amount		Millions of Tala	641.0	49.8	690.8
Nominal Debt		% of GDP	18.1%	1.4%	19.5%
Cost of debt	Weighted Average Interest Rate (Av.IR)	%	1.3%	5.0%	1.6%
FX risk	Foreign Currency debt	% of total debt	100.0%	-	92.8%
	Short-Term Foreign Currency debt	% of reserves	5.1%	-	5.1%
Refinancing risk	Average Time to Maturity (ATM)	years	7.6	10.2	7.8
	Debt maturing in 1yr	% of total debt	12.3%	3.8%	11.7%
Interest rate risk	Average Time to Re-fixing (ATR)	years	7.6	10.2	7.8
	Debt re-fixing in 1yr	% of total debt	12.3%	3.8%	11.7%
	Fixed rate debt	% of total debt	100.0%	100.0%	100.0%

Source: MOF

Table 4

CHARACTERISTICS OF DEBT INSTRUMENTS IN THE EXISTING DEBT PORTFOLIO			
Creditor	Category	Cost Characteristics	Main Risk Exposure
IDA-WB	Multilateral - Highly concessional	Interest rate: 0.75% -fixed Maturity: 40years including 10years gp	Foreign currency risk
ADB	Multilateral - Highly concessional	Interest rate: 1% p.a. during gp and 1.5% p.a. thereafter- fixed Maturity: 32years maturity including 8years gp	Foreign currency risk
IFAD	Multilateral – Highly concessional	Interest rate: 1% p.a. Maturity 40years including 10years gp	Foreign currency risk
EIB	Multilateral – Highly concessional	Interest rate: 0.5% p.a. Maturity 40years including 10years gp	Foreign currency risk
JICA	Bilateral - Highly concessional	Interest rate: 0.45% -fixed Commitment fee: 0.1% p.a., Maturity:30years including 10years gp	Foreign currency risk
EXIM Bank of PRC	Bilateral Semi-concessional	Interest rate: 2% p.a.-fixed Commitment fee: 0.25% p.a. Management fee: 0.25% (upfront) Maturity:20years including 5years gp	Foreign currency risk
OPEC	Multilateral Non-concessional	3.2% p.a. (average rate of existing loans) 1% p.a. service fee 20years maturity including 5years gp	Foreign currency risk
UTOS	Domestic – Commercial	Interest rate: 5% p.a. Maturity of 20years with no gp	Interest rate risk and refinancing risk

Source: MOF

III. REVIEW: MEDIUM TERM DEBT STRATEGY FY2022-FY2026

23. The MTDS FY2022-FY2026 was endorsed by Cabinet in April 2022 to guide public debt and borrowing decisions over a five-year horizon. This review covers five years of implementation of the MTDS FY2022-FY2026. The review assesses and reports on the compliance with the approved MTDS, highlights factors that have influenced implementation, and flags key lessons for the new MTDS FY2027-FY2031. Overall, the objectives of the MTDS were achieved by the end of the five-year term as cost and risks remained manageable and within prudent levels.

A. Evolution of Cost and Risk Characteristics

24. The borrowing cost and the risk exposures of debt to the Government have remained at a manageable level, though recent trends indicate a gradual and minor rise in cost and risk dynamics. Overall, the cost of debt showed slight increase primarily due to the Government assuming responsibility for a previously guaranteed loan that defaulted, exchange rate fluctuations and ongoing disbursements under existing loan agreements. However, the total interest payments relative to ordinary receipts and GDP have generally shown a downward trend over the review period. Debt portfolio risk remained moderate, although some refinancing exposure emerged due to the absence of new borrowing, which increased the concentration of existing loan repayments in the short term and shortened the remaining maturity profile. External debt also continued to dominate the total public debt portfolio throughout the period.
25. **Borrowing costs:** (*Table 5*) Interest payments relative to ordinary receipts increased from 1.63% in FY2022, to 1.68% in FY2023, then decreased to 1.53% in FY2024, 1.37% in FY2025 and 1.35% at the end of FY2026. Interest payments as a share of GDP decreased from 0.46% in FY2022 to 0.45% in FY2023, 0.44% in FY2024, 0.36% in FY2025 and 0.33% at the end of FY2026.

Table 5

Interest Costs	FY2022	FY2023	FY2024	FY2025	FY2026
Interest payments (millions in Tala)	10.6	12.9	14.3	12.8	11.7
Interest to Ordinary Receipts (%)	1.63%	1.68%	1.53%	1.37%	1.35%
Interest to GDP (%)	0.46%	0.45%	0.44%	0.36%	0.33%

Source: MOF, SBS

26. Ongoing disbursements on existing loans, the assumption of a Government-guaranteed loan following default, exchange rate movements, and the DSSI instruments contributed to the portfolio's overall cost.

- Ongoing disbursements contributed to the outstanding balances of two external loans. These included the disbursements under the OPEC funded Petroleum Bulk Storage Facilities (Phase IV) loan (3.2% interest, 15-year maturity with a 5-year grace period) and the drawdown of the ADB Pacific Disaster Resilience Program loan (1.0% interest, 16-year maturity with an 8 year grace period). Additionally, the final instalment of the OPEC loan was completed by the end of the period.
 - The PAL-SAL loan with UTOS that was guaranteed by Government defaulted in August 2022. The outstanding loan amount of SAT \$54.96 million was officially transferred to the Government for repayment in FY2023, with the interest rate and maturity restructured to 5% per annum and 20 years, respectively.
 - Loan instruments under the final extension of the DSSI also became effective during the review period. These instruments carried an interest rate of 0.45%, with a maturity of 6 years and a 1-year grace period.
27. The weighted average interest rate increased by around 9 basis points over the review period. The rate increased from 1.5% in FY2022 to 1.63% in FY2023, then decreased slightly to 1.62% in FY2024 and 1.59% in FY2025 and FY2026 (*Table 6*).
28. **Risk Profile:** The main risk in the public debt portfolio is the foreign currency risk, with a small degree of exposure to refinancing risk, although this remains low.
29. Foreign currency risk decreased over the period, but it remained high because most of the debt portfolio continued to be denominated in foreign currencies and the domestic debt share remained small throughout the review period. The foreign currency debt stood at 99.8% in FY2022 and decreased to 93.9% in FY2023. The share continued to decline further to 93.5% in FY2024, 93.2% in FY2025 and 92.8% in FY2026. The short-term foreign currency debt as a percentage of reserves was 11.1% in FY2022 then decreased to 8.0% in FY2023, 6.2% in FY2024, 5.2% in FY2025 and 5.1% in FY2026.
30. Refinancing risk increased, driven by higher repayments falling due in the short term. At the same time, the maturity profile of the debt portfolio shortened over the period. The share of debt maturing within one year was 8.9% in FY2022 and the ratio increased to 9.4% in FY2023, 9.8% in FY2024, 10.2% in FY2025 and 11.7% in FY2026. The ATM was 8.4 years in FY2022 and increased slightly to 8.5 years in FY2023 before reducing to 8.2 years in FY2024, 8.0 years in FY2025 and 7.8 years in FY2026. The decreases reflect a front-loaded repayment structure and highlight the importance of maintaining longer maturities for future borrowing to help manage refinancing risk.

31. Interest rate risk was low because all loans are fixed-rate and most were concessional. However, indicators like ATR and debt re-fixing in one year were high due to shorter effective maturities in the debt portfolio.
32. Credit risk is determined by the level of the Government's contingent liabilities, which reduced and remained low over the period.
- Total government guarantees and non-guaranteed SOE debt represented 8.2% of GDP in FY2022, declining to 6.8% in FY2023, 4.0% in FY2024, 3.4% in FY2025 and 3.0% in FY2026. Additionally, one guarantee was issued to SAA in October 2021, and a Risk Assessment was conducted before Cabinet approval and the issuance of a Deed of Guarantee.
 - In addition, SOE direct borrowings relative to GDP for the respective years were, 1.0%, 1.1%, 0.9%, 0.8% and 0.5%.
 - On-lending outstanding as a share of GDP over the same period was 7.6%, 6.2%, 4.8%, 4.2% and 4.2%, respectively.
33. **Level of debt:** Overall, total public debt to GDP ratio remained below fiscal target of 50% throughout the review period. Samoa was assessed as being at moderate risk of external and overall public debt distress⁷, a significant improvement from the high-risk assessment reported in February 2023 and in earlier DSAs dating back to 2015. Samoa's Country Policy and Institutional Assessment (CPIA) score declined to 3.22 in 2024. Under the baseline DSA, none of the external public and publicly guaranteed (PPG) debt or overall public debt burden indicators breached their respective thresholds. However, under the stress test scenarios, breaches occurred in the Present Value of external PPG debt-to-GDP and public debt-to-GDP indicators.

⁷ Findings of the IMF-WBG LIC DSF 2024

Table 6

COST AND RISK INDICATORS							
Indicators		Unit of Measure	FY2022	FY2023	FY2024	FY2025	FY2026
Amount		Millions of Tala	949.4	907.5	815.4	760.4	690.8
Nominal Debt		% of GDP	41.0%	31.8%	25.2%	21.2%	19.5%
Cost of debt	Weighted Average Interest Rate (Av.IR)	%	1.5%	1.63%	1.62%	1.59%	1.59%
FX risk	Foreign Currency debt	% of total debt	99.8%	93.9%	93.5%	93.2%	92.8%
	Short-Term Foreign Currency debt	% of reserves	11.1%	8.0%	6.2%	5.2%	5.1%
Refinancing risk	Average Time to Maturity (ATM)	years	8.4	8.5	8.2	8.0	7.8
	Debt maturing in 1yr	% of total debt	8.9%	9.4%	9.8%	10.2%	11.7%
Interest rate risk	Average Time to Re-fixing (ATR)	years	8.4	8.5	8.2	8.0	7.8
	Debt re-fixing in 1yr	% of total debt	8.9%	9.4%	9.8%	10.2%	11.7%
	Fixed rate debt	% of total debt	100%	100%	100%	100%	100.0%

Source: MOF

B. Performance Against the MTDS FY2022-FY2026 Targets

34. The MTDS FY2022–FY2026 established ten quantitative targets (*Table 7*) to guide borrowing decisions and manage key cost and risk exposures of the public debt portfolio. Performance against these targets was assessed based on portfolio outcomes over the review period and end of term result. Overall, seven of the ten targets were achieved, indicating compliance with the MTDS objectives. Targets related to borrowing practices, foreign currency risk, credit risk, and interest rate risk were achieved. However, the cost target was not met mainly because the PAL–SAL domestic loan carried commercial terms. Additionally, the refinancing risk targets were not rated because no new borrowing was contracted, existing debt repayments concentrated in the short term and shortening the average remaining maturity of the portfolio. The underlying trends and drivers influencing these outcomes are further discussed in *Sections II and III*.

Table 7

QUANTITATIVE TARGETS AND STATUS BY THE END OF THE MTDS TERM									
Key Indicators	Sub-indicators		End of FY2026 Targets	FY2022	FY2023	FY2024	FY2025	FY2026	FY2026 Status
Cost	1	Implied Interest Rate	≤1.4%	1.11%	1.42%	1.76%	1.69%	1.70%	not achieved
	2	Number of new loans approved below minimum concessionality	0	0	0	0	0	0	achieved
	3	Number of new loans approved without compliance	0	0	0	0	0	0	achieved

		to procedures and guidelines							
Foreign Currency Risk	4	FX debt % of total debt	≤98%	99.8%	93.9%	93.5%	93.2%	92.8%	achieved
	5	Short term FX debt % reserves	<15%	11.1%	8.0%	6.2%	5.2%	5.1%	achieved
Credit Risk	6	Total Guarantees and non-guarantees % of GDP	≤10%	8.2%	6.8%	4.0%	3.4%	3.0%	achieved
	7	Number of new guarantees issued without compliance to procedures and guidelines	0	0	0	0	0	0	achieved
Refinancing Risk	8	% of total public debt maturing in 1year	<5%	8.9%	9.4%	9.8%	10.2%	11.7%	not rated
	9	Total ATR	>13years	8.4	8.5	8.2	8.0	7.8	not rated
Interest Rate Risk	10	% of total debt in variable interest rates	<2%	0%	0%	0%	0%	0%	achieved

Source: MOF

35. Cost of Debt: The implied interest rate at the end of period rate was 1.7%, exceeding the target of 1.4% due to a combination of the PAL-SAL loan default interest payments, on-going disbursements and Tala depreciation, but there were no new loans contracted by Government during the period. The borrowing strategy set out in the MTDS was followed, and the requirement that all borrowings meet minimum concessionality threshold was met.
36. Foreign Currency Risk: Both foreign currency risk sub-targets were achieved. Share of foreign currency debt declined after FY2022 and remained below the MTDS ceiling of 98% from FY2023, and short-term foreign currency debt as a share of reserves remained below the 15% threshold for all the years. However, the foreign currency composition of the portfolio remains structurally high compared to the small size of the domestic debt.
37. Credit Risk: The credit risk target was achieved during the review period. Total guarantees and non-guaranteed SOE debt remained well below the fiscal target of 10% of GDP, and no new guarantees were issued outside approved procedures. Application of the Government Guarantee and On-lending Policies during the period strengthened contingent liability assessment and monitoring practices.
38. Refinancing Risk: Refinancing risk targets by the end of the term were not rated. The share of debt maturing within one year remained above the MTDS threshold of <5%, and the Average Time to Re-fixing (ATR) remained below the target of >13 years. These outcomes reflect the existing maturity profile of the debt portfolio and front-loaded repayment structures, rather than new borrowing decisions as no new borrowings occurred during the review period.

39. Interest Rate Risk: The interest rate risk target was achieved throughout the review period. The share of variable-rate debt remained at 0% across all years, well below the MTDS ceiling of <2%. This is a result of new no borrowings, reliance on fixed interest rates and concessional loans, safeguarding the portfolio from interest rate volatility.

C. Implementation of the MTDS

40. The MTDS FY2022-FY2026 comprised of five main dimensions encompassing of key initiatives to implement and achieve the overall debt management objective of the Government. This section highlights the implementation experience under each of these dimensions (*Table 8*).

Table 8

PLANNED MTDS INITIATIVES AND IMPLEMENTATION STATUS BY END OF FY2026			
Dimension	Key Initiatives		Result
1. Contracting new borrowings	1	Minimize cost of debt, by contracting only new loans that are concessional with a minimum 35% grant element and for projects with positive economic return and at least sufficient to meet the interest and repayments costs.	completed
	2	Limit new loans approved within the period of this MTDS to assist in its fiscal consolidation programs and keep debt at a sustainable level.	completed
	3	Government to develop the domestic debt market	in progress
	4	Implement procedures and guidelines for contracting new loans, develop the Government Guarantee Policy and implement the On-lending Policy 2020 to ensure compliance to the MTDS and debt management objectives.	completed
2. Monitoring and Reporting	5	Establish the Debt Management Division within MOF for prudent debt management and activate full functions of DMU which should include the management and monitor of Contingent Liabilities costs and risks	completed
	6	Complete migration to Meridian and fully utilize the system functionalities such as recording of guarantees and on-lending	in progress
	7	Arrange to have another DEMPA for Samoa within the 2nd – 3rd year of the new MTDS, since the last assessment was in 2010.	completed
	8	Conduct annual review of the MTDS and submit to Cabinet for approval within the first quarter after the Fiscal year end as required in the PFMA.	completed
	9	Submit annual report to Parliament including debt management operations and MTDS implementation required by PFMA.	completed
	10	Timely dissemination and publication of the quarterly debt bulletin on MOF website.	completed
	11	Arrange a performance audit for Government debt management operations within the period of the MTDS.	in progress
3. Monitor and manage contingent liabilities	12	Complete the debt database consolidation for all Government debt including the guarantees and on-lending using Meridian/CS-DRMS.	in progress
	13	Develop a Government Guarantee Policy to guide and enact the operations of issuing Government guarantees	completed
	14	Implement the approved On-lending Policy and the proposed Government Guarantee Policy	completed
4. Improved cash management	15	Continue to strengthen Government cash management by reactivating the cash management committee meetings and improved cash flow reporting.	completed
5. Capacity building	16	Continue to build capacity of staff within the ministry and across Government to improve awareness on debt management operations and increased monitoring and management of Government debt portfolio. Capacity building needs identified includes analytical skills, monitoring of fiscal risks, conducting DSA, DeMPA and evaluation of debt management operations, Meridian System/CSDRMS training, and to develop and review the MTDS.	completed

Source: MOF

41. Contracting new borrowings:

- The Ministry continued to comply with the PFMA 2001 and the amendments passed by Parliament in March 2015. The MTDS FY2022–FY2026 was developed, approved by Cabinet in April 2022 and published on the MOF website. It included a review of the MTDS FY2016–FY2020. Technical assistance from ADB supported this crucial task.
- From FY2022 to FY2026, the Government committed not to contract any new public debt, in line with its fiscal consolidation and risk mitigation objectives. This approach meant that the MTDS’s borrowing conditions, such as the minimum concessionality threshold of a 35% grant element and the requirement to prioritize economically viable projects, were not triggered. Absence of new borrowing reflected adherence to the MTDS’s overarching principles of prudent borrowing, debt sustainability, and mitigation of debt distress risks.
- To meet financing needs, the Government relied on domestic budgetary resources and external grant assistance. This demonstrated fiscal discipline and helped avoid additional pressure on the public debt portfolio. The strategy also supported macroeconomic stability during a period of heightened global uncertainty and rising debt servicing costs. Overall, the Government remained fully compliant with the safeguards and risk thresholds outlined in the MTDS framework.
- MOF maintained the procedures and guidelines for contracting new public debt throughout the review period. While no new loans were contracted, the framework remained in force and ready for application, reflecting ongoing institutional alignment with the MTDS. Similarly, the On-lending Policy, approved in October 2020, remained in effect and available for use, even though no new on-lending arrangements were executed. The Government Guarantee Policy, developed and approved by Cabinet in April 2022, was implemented during the review period and applied to the risk assessments of existing guarantees, consistent with the MTDS’s commitment to prudent fiscal risk management.
- An important step in domestic debt market development was achieved through the development of the Procedures for the Issuance of Government Debt Securities which was approved by Cabinet in June 2026. The Procedures clarify required institutional roles and step by step processes to guide implementation of future issuance of Government debt securities including T-Bills and T-Bonds. However, broader domestic debt market development remained limited during the review period. There was no significant activity over the period for the T-bills programme and remained limited to short-term cash management purposes. Additionally, with the availability of cash reserves, overdraft

facilities, and ongoing reforms in cash management, the T-bill programme was not prioritised. Although the 2013 Debt Management Reform Plan outlined staged recommendations for developing the domestic market, these recommendations have not been implemented. The Domestic Market Development Committee, established in 2010, also remained inactive.

42. Monitoring and Reporting:

- In May 2024, MOF officially established the new Debt Management Division within the Ministry for prudent debt management. The approved structure of the division consisted of seven positions, including the Assistant CEO, two principal debt management officers, two senior debt management officers and two debt management officers. By the end of June 2026, only three roles were occupied and four positions remained vacant.
- Full migration to Meridian was completed. Training for the staff on how to use the new debt system was conducted. However, recording of guarantees and on-lending in the new system could not be completed because the system could not reflect the annuity nature of the loan instruments in the guarantee and on-lending portfolios.
- The DEMPA for Samoa was completed (DEMPA Report June 2026). From 27 January to 4 February 2025, the World Bank conducted a DEMPA mission in collaboration with MOF.
- MOF completed all its Annual Reports during the review period, which were approved by Cabinet and submitted to Parliament. The reports included the completed debt reports for the respective years, which detailed the annual reviews of debt management operations and the implementation of the MTDS. However, the MOF Annual Reports were not completed within the timeframes.
- All quarterly debt bulletins were completed, disseminated and published on the Ministry's website. However, minor delays were noted during the review period due to constrained capacity and staffing challenges.
- MOF continued to maintain and update quality manual debt databases for all Government debt including the guarantees and on-lending. However, only Government debt was recorded in Meridian while guarantees and on-lending arrangements were not consolidated using Meridian.
- Exchange of information continued between the MOF, CBS, MPE and SBS: Collaboration improved and includes timely receipt of CBS bank statements, daily exchange rates, foreign reserves data, GDP figures and Government guarantee data, and has improved the quality of debt reporting and publication.

- Little progress was made on the performance audit for Government debt management operations

43. Monitor and manage contingent liabilities:

- The MOF successfully completed the development of the Government Guarantee Policy, which formalized and strengthened the process for issuing government guarantees. The policy was approved by Cabinet in April 2022. WB funded TA supported the completion of this initiative. Only one Government guarantee was issued to the Samoa Airport Authority (SAA) during the review period. Although the Guarantee Policy was approved after this transaction, the Ministry conducted an extensive risk assessment prior to Cabinet approval. The Deed of Guarantee, signed in October 2021, stipulated a principal amount of ST\$10 million, an interest rate of 6.9% per annum, and a term of 20 years.
- Following the approval of the Guarantee Policy, the Ministry conducted Credit Risk Assessments (CRAs) for existing guarantees, in line with the risk management requirement set out in the policy. Four CRAs were approved by Cabinet, an updated CRA for PAL-SAL and a CRA for SHC were in progress, and a CRA was conducted for the Gambling Control Authority, a non-guaranteed SOE. The credit rating results for the approved CRAs were: C for PAL-SAL, C for DBS, B for SSS and B for SAA.
- The Ministry also maintained the approved On-lending Policy, which remained in effect throughout the review period, although no new on-lending arrangements were undertaken. The Policy guides the administration, monitoring, and management of risks and costs associated with Government on-lending. A key feature is the Credit Risk Framework to be for assessing the credit risk of SOEs and inform Cabinet submissions on any proposed on-lending arrangements.
- MOF continued to maintain the Consolidated database for Government guarantees. The database improved the quality of risk assessments prepared for requests for Government guarantees. Risk assessments provided information to assist Cabinet Submissions for informed decision making before the approval of Government guarantees proposals.
- All contingent liabilities such as Government guarantees, on-lending, and SOE direct borrowings were recorded in the Ministry's debt management manual databases and included in all published public debt reports. Contingent liabilities were also considered in the DSA conducted jointly by IMF and World Bank and in the MTDS 2022-2026.
- MOF continued to improve data collection and reporting quality for Government guarantees and SOE direct borrowings to support quarterly and annual reporting. Data on

the majority of outstanding Government guarantee balances were sourced directly from creditor statements. The data and reports were crucial to the risk assessments of requests for Government guarantees and the annual CRAs of existing guarantees.

- Communication with MPE improved, as quarterly SOE reports and SOE Annual Reports were provided. However, the quarterly reports continued to be delayed by three months after the end of each quarter. In addition, assistance from MPE was provided on certain matters when risk assessments for SOE guarantees were prepared.

44. Improved cash management:

- MOF continued to strengthen Government cash management by holding regular Cash Management Committee meetings and improving cash flow reporting. A Cash Flow Management Unit under the Accounts Division exists within the Ministry and is dedicated to ensuring prudent cash flow management. The Unit provided quarterly cash flow reports and daily reports on the cash position to the Committee. The Committee met regularly to review the reports and endorsed all of them.

45. Capacity building:

- MOF continued to build staff capacity in debt management operations and increased the monitoring and management of the Government debt portfolio. Capacity-building programs and initiatives covered training in analytical skills, monitoring fiscal risks, conducting DSAs and DeMPAs, evaluating debt management operations, using the Meridian System, and developing and reviewing the MTDS. One staff member pursued a master's degree and completed it in 2025.
- The Ministry developed a Capacity Building Plan (CBP), which is to be updated every year. The plan for FY2025 is published on the website and it includes the capacity needs for debt management staff and scheduled capacity building initiatives. Some of the planned initiatives remained outstanding. The plan for FY2026 was also drafted.

D. Key Highlights of the Implementation of the MTDS FY2021/22-FY2025/26

46. The review of the MTDS FY2021/22–FY2025/26 identified the following key highlights in public debt management.

- No new public debt was contracted during the MTDS period, consistent with the Government's fiscal consolidation objectives and debt sustainability priorities.
- Overall cost and risk exposures remained manageable, supported by concessional financing terms, fixed interest rates, and restricted borrowing.

- The Government Guarantee Policy was approved and applied, and structured Credit Risk Assessments were conducted for existing guarantees, improving the quality of risk analysis and Cabinet decision making.
- The Debt Management Division was formally established within MOF, providing a more clearly defined mandate and institutional structure for debt management functions.
- Quarterly debt bulletins and annual debt reporting continued, and a DeMPA was conducted after more than a decade, providing an independent assessment of debt management performance.
- Migration to the Meridian debt management system was completed, improving debt recording and reporting, although consolidation of guarantees and on-lending remains incomplete due to technical constraints.
- Domestic debt market development remained limited in terms of issuance activity. However, important preparatory work commenced through the development of the Procedures for the Issuance of Government Debt Securities to strengthen readiness and operational capability for future issuance.

E. Key Lessons Learned

47. Implementation of the MTDS FY2022–FY2026 has provided critical insights into what works effectively in Samoa’s debt management environment. Key lessons include:

- **Value of Quantitative Targets and Risk Thresholds:** The adoption of quantitative targets and forward-looking targets has been essential in guiding borrowing decisions, even in the absence of new loans. These indicators offered a structured framework to monitor cost and risk, enabling early identification of vulnerabilities in the portfolio.
- **Formalization of Risk Management Policies:** The development and implementation of the Government Guarantee Policy and On-lending Policy have strengthened fiscal oversight and institutionalized the use of credit risk assessments. These frameworks have enhanced transparency, improved discipline in contingent liability management, and contributed to more informed Cabinet decision-making.
- **Improved Institutional Coordination:** Collaboration between the MOF and key stakeholders such as the MPE, the CBS, and the SBS, lenders, development partners, significantly improved. This resulted in improved debt data quality, alongside more timely quarterly performance monitoring, and cohesive debt reporting.

- **Strengthened Operational Tools and Systems:** The phased migration to the Meridian debt management system has marked a major step in modernizing debt operations. Although the system's advanced features are not yet fully utilized, it has already improved data reliability and the capacity to generate reports as needed.
- **Broadened Contingent Liability Oversight:** The development and maintenance of databases for government guarantees and non-guaranteed SOE debt have enhanced the Ministry's ability to monitor fiscal risks. These tools now underpin more robust credit risk assessments and inform Cabinet submissions with updated data.
- **Cash Flow Management Enhancements:** Daily monitoring of cash balances and regular meetings of the Cash Management Committee have strengthened liquidity planning. Participation in the G20 DSSI during FY2022 also supported fiscal resilience during the COVID-19 crisis.

48. Challenges and Areas for Improvement

- **Foreign Currency Risk:** The predominance of foreign currency denominated debt increases exposure to external shocks and exchange rate volatility. Limited domestic financing options further constrain risk diversification.
- **Refinancing Risk:** Public debt started to face refinancing risk due to relatively short average maturities and limited refinancing options.
- **Capacity Constraints:** The Debt Management Division remains understaffed, with limited and concentrated technical capacity to undertake the full range of debt management functions. This has delayed key initiatives, including recording guarantee and on-lending data in Meridian, formalising internal procedures and completing some annual credit risk assessments. MOF also continues to rely on external expertise for the DSA. Additional staffing and sustained capacity development are needed, with future technical assistance structured to ensure active staff participation, effective knowledge transfer and retention of skills within MOF.
- **Limited Financing Options:** Samoa's small domestic market and narrow investor base limit financing options and the ability to diversify financing sources and reduce foreign currency debt. Although the procedures and institutional arrangements for issuing Government securities have been strengthened, further work is required to assess investor demand and gradually develop domestic financing as a complementary funding source, taking account of its higher cost and the capacity of the domestic market.

- **Reliable and Timely Debt Data and Reporting:** Staffing constraints, competing priorities and delays in receiving stakeholder data continue to affect the timeliness of reporting and the availability of complete, updated information. This has sometimes required the use of provisional data, including GDP estimates from SBS and quarterly SOE reports from MPE. Progress has been made in recording Government guarantees and SOE debt database, but further review and verification are required to improve the completeness and reliability of these records.
- **Annual update of MTDS and Annual Borrowing Planning:** DeMPA identified the need to strengthen the annual updating of the MTDS, and the Annual Borrowing Plan was not rated.

IV. MEDIUM TERM DEBT MANAGEMENT STRATEGY FY2027-FY2031

A. Debt Management Objective

49. “To ensure that the financing needs of the State are met at all times on a timely basis and that the borrowing costs of the State are as low as possible over the medium term, within a prudent risk level.” (PFMA 2001)

B. Borrowing Purposes

50. Government borrowing purposes in Section 78A of the PFMA 2001 are as follows:
- i. to finance any deficit in the approved budget of the State;
 - ii. to maintain a cash balance at a level or range determined by the Minister;
 - iii. to lend money in accordance with the Act;
 - iv. to honour obligations under outstanding State guarantees;
 - v. to refinance outstanding State debt, including repayment of a loan prior to its maturity date, and repurchase of State debt securities;
 - vi. to immediately protect or eliminate effects caused by a natural or environmental disaster or any other national emergency;
 - vii. to meet requests by the Central Bank to issue Treasury bills for the sole purposes of supporting monetary policy objectives; and
 - viii. any other purposes as may be approved by the Cabinet.

C. Scope and Coverage

51. The Strategy covers the Central Government debt consisting of external and domestic public debt, which forms the basis for assessing the alternative borrowing strategies. The Government’s credit risk exposure from guarantees and on-lending, and the potential fiscal risk arising from SOE debt not guaranteed by Government were also considerations.
52. The MTDS has a five year time horizon and is aligned with the relevant Government legislation and policies, including but not limited to the following:
- Public Finance Management Act 2001 and amendments
 - Pathway for the Development of Samoa FY2026/27-FY2030/31
 - Sector Plans
 - Development Cooperation Policy 2010
 - Fiscal Strategy Statement FY2026/2027
 - Budget Estimates FY2026-27
 - Government On-lending Policy 2020
 - Government Guarantee Policy 2022

D. Macroeconomic and Fiscal Context

53. Samoa's economy continued recovery during FY2025 following the reopening of international borders and the resumption of economic activity after the COVID-19 pandemic. Economic growth was recorded at 4.2% in FY2025. However, towards the end of FY2026, real GDP contracted by 0.4%, primarily due to weaker activity in commerce and transport, the completion of major construction projects, and higher fuel and shipping costs. Economic growth is projected to recover to 3.0% in FY2027, remain at 3.0% in FY2028 and increase slightly to 3.1% in FY2029. Recovery is expected to be supported by public investment, tourism, remittance supported household consumption, private sector activity and implementation of priorities under the PDS FY2026/27–FY2030/31. Inflation continued to ease, declining from 1.9% in FY2025 to 1.0% by May 2026 and remained below the CBS's 3.0% target. Samoa's external position also remained strong, supported by continued growth in tourism earnings and remittance inflows, with official foreign reserves reaching approximately SAT1.65 billion, equivalent to 16.5 months of import cover, by May 2026. However, Samoa remains vulnerable to natural disasters, climate-related shocks, imported inflation, exchange-rate movements, higher fuel and transport costs, geopolitical tensions, project implementation delays and less favourable financing conditions in external markets.
54. PDS FY2026/27–FY2030/31 provides the overarching national development framework that covers the term of the MTDS. The PDS is guided by five Key Strategic Outcomes: (i) Inclusive Social Development, (ii) Sustainable Economy, (iii) Trusted Governance, Rule of Law and Security, (iv) Safeguarded Climate-resilient Environment and (v) Structured Public Works and Sustainable Infrastructure. Achieving these outcomes will require continued public investment and development partner support, particularly in energy, water, climate and disaster resilience, health, agriculture and infrastructure. The scale and timing of these development priorities will therefore influence the Government's financing requirements.
55. The Fiscal Strategy Statement FY2026/2027 establishes the medium-term fiscal framework for supporting national development priorities. It sets an expansionary fiscal policy stance for FY2027 anchored in maintaining fiscal sustainability. The fiscal outlook (**Table 9**) is guided by the Government's fiscal rules, including maintaining the budget deficit within 3.5% of GDP, keeping public debt below 50% of GDP and keeping debt service within 20% of ordinary receipts, excluding grants. Revenue is projected to increase over the short term, supported by recent revenue performance, strengthened tax administration, compliance and enforcement measures. Total expenditure is also projected to increase, reflecting the Government's

development and service delivery priorities. Despite the expansionary fiscal stance, the budget deficit is projected to remain within the fiscal rule and decline over the period.

Table 9

MACROECONOMIC AND FISCAL OUTLOOK				
Indicator (in millions of Tala and %)	FY2026	FY2027	FY2028	FY2029
Nominal GDP	3,543.4	4,015.1	4,272.2	4,530.2
Foreign Reserves	1,544.4	1,655.8	1,675.8	1,670.8
Revenue, including grants	941.7	1,188.2	1,215.1	1,226.2
Total expenditure	1,066.7	1,313.1	1,335.2	1,336.9
Budget deficit	125.0	124.9	120.1	110.7
Cash deficit	210.9	215.9	211.0	201.7
Public debt (% of GDP)	19.5	16.2	14.1	12.7
Debt service (% of ordinary receipts)	10.4	9.0	7.5	7.0

Note: FY2030–FY2031 estimates assume the latest FY macro-fiscal position is maintained.

Source: MOF, CBS, SBS

56. The Budget FY2026-27 marks the first year of implementation of the PDS FY2026/27–FY2030/31. It is presented under the theme “AIGA - Accelerating Inclusive Growth and Access” and reflects the Government’s commitment to inclusive growth, community empowerment, resilience, social protection, private sector development and strengthened public services. The Budget approach is built around six key policy priorities: (i) responding to the fuel-supply crisis, (ii) empowering communities and strengthening social-protection systems, (iii) investing in human-capital development, (iv) strengthening governance, justice and public-sector integrity, (v) supporting private sector growth and economic diversification, and (vi) promoting culture, sports and national identity. The increase in total expenditure reflects higher public investment, expanded social protection programmes, strengthened public services and the Government’s response to the fuel-supply crisis. The projected cash deficit declines over the medium term.
57. These macro-fiscal variables, together with debt service obligations and available financing sources, inform the Government’s financing and borrowing requirements over the medium term. The projections remain sensitive to shocks, including geopolitical tensions, fuel and commodity price pressures, weaker external demand, supply-chain disruptions, project implementation delays, capacity constraints, contingent liabilities, climate and natural disaster related shocks, public health risks and other national emergencies. Material changes in these conditions could affect revenue, expenditure, grants and financing disbursements and, consequently, the borrowing requirement.

58. Samoa's public debt position has improved and remains within the fiscal targets. Total public debt declined to SAT690.8 million at the end of June 2026, equivalent to 19.5% of GDP. Based on the projections in **Table 9** the Public debt is projected to continue declining as a share of GDP and remain well below the 50% target over the next five years. Debt service is also projected to decline and remain below the policy ceiling of 20% of ordinary receipts.

E. Financing Requirements and Borrowing Plan FY2027-FY2031

59. The overall borrowing approach is designed to meet approved financing requirements and support the national development priorities outlined in the PDS, at the lowest possible expected cost over the medium term, consistent with prudent risk. Informed by the assessment of alternative strategies in **Section F**, the Government will continue to prioritize concessional external borrowing, seeking the most favorable terms available. Where concessional external borrowing is available and sufficient to meet approved financing requirements, semi-concessional external borrowing will not be required. Only where concessional external borrowing is unavailable or insufficient may semi-concessional external borrowing be considered for approved priority development needs, provided that the terms, costs, risks and impact on total debt are consistent with the overall MTDS, fiscal and debt-sustainability objectives, and that the borrowing complies with the PFMA 2001. The MTDS does not provide for unrestricted semi-concessional external borrowing, and such borrowing may be considered only:
- i. when no sufficient concessional resources are available for the approved financing need; and/or
 - ii. through a project- or purpose-specific exception, such as "up to \$Y, but only for Project X."
60. Any such semi-concessional external borrowing must be for an approved priority development need and remain consistent with the MTDS's fiscal and debt-sustainability objectives, cost-and-risk considerations and the PFMA 2001. It must also remain within any applicable annual PPA ceiling under the World Bank's SDFP and comply with the relevant Government assessment and approval requirements.
61. For the purposes of this MTDS, external borrowing with a grant element of at-least 35% is classified as concessional. Concessional borrowing offers favourable terms available to Samoa, including low interest rates, long maturities and grace periods. External borrowing with a grant element of at-least 25% but less than 35% is classified as semi-concessional, with terms less

favourable than concessional borrowing but more favourable than commercial borrowing. External borrowing with a grant element below 25% is classified as non-concessional. The minimum grant element for new external loans is 25%. These classifications guide the borrowing order and controls applied under this MTDS. Examples of the different borrowing terms in Samoa's existing debt portfolio are provided in **Table 4 and the Glossary**.

62. Samoa's external financing environment has shifted following the improvement in its debt distress rating from high to moderate and reclassification by the World Bank from lower-middle-income to upper-middle-income status. Access to IDA resources is also informed by the World Bank's Sustainable Development Finance Policy, which replaced the Non-Concessional Borrowing Policy on 1 July 2020. Under ADB's February 2026 classification, Samoa is an ADF Blend country, with access to a combination of ADF grants and concessional lending. Other development partners and financial institutions apply their own eligibility conditions, allocation and financing frameworks. These are some considerations that influence the financing volume, composition and borrowing terms available to Samoa.
63. The Government will seek to make effective use of concessional resources available from its multilateral and bilateral partners. Potential external borrowing sources include IDA, ADB, EIB, the OPEC Fund, JICA and IFAD. Financing from Asian Infrastructure Investment Bank (AIIB), Australian Infrastructure Financing Facility for the Pacific (AIFFP) and other credible official sources will also be considered where appropriate. The current pipeline includes proposed concessional loan components for investments in energy, water, climate change and disaster resilience, health, agriculture and infrastructure. These sources and pipeline projects remain subject to appraisal, financing negotiations and approval. **Table 4** presents the indicative terms assumed for concessional borrowing. During implementation financing conditions will vary by source, instrument and purpose and will be established through the relevant financing agreement. The terms of semi-concessional or non-concessional financing will depend on the relevant lender, financing instrument and prevailing market conditions.
64. The development of the domestic market remains a key initiative. Developing the Government's capacity to issue domestic securities, even in limited amounts, will be important to diversify the financing sources available to Government (including in the event of shocks), and will contribute to the broader development of Samoa's financial market. Any domestic issuance would be introduced progressively, taking account of the financing requirements, investor demand, market capacity, operational readiness, and the relative cost and risk of domestic instruments. Potential investors may include UTOS, SNPF, ACC and other eligible

institutions. The MOF will coordinate with the CBS, as fiscal agent, to strengthen the institutional, legal and operational arrangements required for Government securities.

65. Borrowing plans will be implemented through the annual budget process and procedures for contracting new loans and issuing Government debt securities, considering the financing requirements and availability. New borrowings will be assessed based on cost, terms, impact on total debt, repayment profiles and risks. This preserves flexibility to respond to changing conditions without deviating from the debt management objective and the MTDS.

F. Assessment of Debt Management Strategies: Cost-Risk Trade-off

66. To inform the formulation of the MTDS FY2027–FY2031, a quantitative analysis was conducted to assess the cost and risk implications of four alternative borrowing strategies. Using the World Bank–IMF MTDS Analytical Tool, the analysis compares the expected cost and risk characteristics of the public debt portfolio under each strategy over the five year period. It also considers the potential effect of contingent liabilities arising from Government guarantees, which may create fiscal costs and increase public debt if they materialise.
67. Four alternative strategies were designed and reflect different combinations of concessional, semi-concessional, non-concessional and domestic financing, in light of the Government’s objective of gradually developing the domestic debt market. The macroeconomic and fiscal projections used in the analysis are consistent with the Fiscal Strategy Statement FY2027. The strategies assessed are:
- Strategy 1 (S1): Status Quo - Maintain Mostly Concessional External Borrowing
 - Strategy 2 (S2): External Borrowing with Increased Share of Less Concessional Financing
 - Strategy 3 (S3): Optimised Diversification of Financing Sources with Domestic Borrowing Introduced
 - Strategy 4 (S4): Domestic Debt Market Development
68. **Description of baseline and alternative scenarios:** The analysis applies baseline assumptions for exchange rates and interest rates, as presented in *Table 10*. The foreign currencies in the public debt portfolio include CNY, USD, EUR and JPY, and the Tala is assumed to depreciate against these currencies by 2% per annum. Baseline interest rates for external borrowing are based on the average effective rates. A rate of 4% was used as a proxy for Treasury bonds, based on the weighted-average yield on 364-day CBS securities, given the absence of an established Government securities yield curve. Each strategy was also subjected to exchange rate and interest rate shocks to assess its performance under adverse market conditions.

69. Exchange rate shocks are particularly relevant because 93% of the public debt portfolio is denominated in foreign currencies. Interest rate shocks were applied to selected semi-concessional and non-concessional instruments that are more likely to vary under major changes. Existing fixed rate debt is not directly affected by these interest rate shocks.

Table 10

BASELINE SCENARIO AND SHOCKS				
Shocks	Description	Baseline	Moderate shock	Extreme Shock
Exchange Rate	Foreign currencies modelled in the debt portfolio	2% depreciation for main currencies in the portfolio USD, CNY, JPY and EUR	15% depreciation shock to baseline in 2027	30% depreciation shock to baseline in 2027
Interest Rate	Selected semi-concessional and non-concessional instruments	Interest rates assumed for the selected borrowing instruments	200-basis-point shock above the baseline	300-basis-point shock above the baseline
Combined shock			15% depreciation shock plus moderate shock interest rate	

70. The baseline depreciation assumption of 2% was derived from the portfolio-weighted average annual downside depreciation of 2.1% over 2018–2026. The largest annual depreciation observed during this period was approximately 10%. Therefore, a moderate shock of 15% was applied, and the extreme shock doubles this to 30%. Under the LIC-DSF, the standalone depreciation test applies a one-time nominal depreciation of 30%, and the combined stress test applies half that magnitude.

71. **Description of alternative strategies**

- i. **Strategy 1 (S1): Status Quo - Maintain Mostly Concessional External Borrowing.** S1 is a benchmark strategy and maintains the Government's current borrowing direction. It assumes that 100% of new financing requirements over FY2027–FY2031 are met from external sources, primarily through instruments on concessional terms. The composition of new financing is 45% from IDA, 40% from ADB and 5% each from IFAD, OPEC and EXIM Bank of the PRC. The strategy tests the portfolio effect of preserving low average borrowing costs, long maturities and limited short-term refinancing exposure, against continued concentration in foreign currency debt. S1 provides the benchmark against which the cost and risk indicators of the other strategies are assessed.

- ii. **Strategy 2 (S2): External Borrowing with Increased Share of Less Concessional Financing.** S2 also assumes that 100% of new financing requirements are met from external sources. Compared with S1, it increases the share of instruments carrying semi- and non-concessional terms. The financing composition is 25% from IDA, 30% from ADB and 15% each from OPEC, EXIM Bank of the PRC and AIIB. The strategy tests the use of a broader external creditor base if the available concessional financing envelope is insufficient to meet approved financing requirements. It measures the effect of higher marginal borrowing rates and less favorable financing terms on portfolio costs, debt-service obligations and risk indicators.
- iii. **Strategy 3 (S3): Optimized Diversification of Financing Sources with Domestic Borrowing Introduced.** S3 introduces domestic borrowing gradually and maintains external financing as the principal source. All financing requirements in FY2027 and FY2028 are met externally. The external share subsequently declines to 90% in FY2029, 85% in FY2030 and 80% in FY2031, with domestic financing accounting for 10%, 15% and 20%, respectively. In FY2027 and FY2028, the external financing component comprises 80% concessional and 20% semi-concessional financing. From FY2029 to FY2031, it comprises 95% concessional and 5% semi-concessional financing. Concessional loans are assumed from IDA, ADB and IFAD, and semi-concessional financing from EXIM Bank of the PRC and OPEC. The domestic component consists entirely of 10-year Treasury bonds. Some use of domestic borrowing reduces concentration in foreign-currency financing, with concessional external loans supporting the portfolio's cost and maturity profile. S3 assesses the cost-risk implications of phased smart diversification across external and domestic borrowing sources.
- iv. **Strategy 4 (S4): Domestic Debt Market Development.** S4 assumes an accelerated increase in domestic borrowing over the strategy period. The financing composition is 85% external and 15% domestic in FY2027, 80% external and 20% domestic in FY2028, 70% external and 30% domestic in FY2029, and 50% external and 50% domestic in FY2030 and FY2031. The external financing component comprises 75% concessional and 25% semi-concessional financing throughout FY2027–FY2031. The domestic component consists entirely of 10-year Treasury bonds in FY2027. From FY2028 to FY2031, it comprises 70% 10-year Treasury bonds and 30% 5-year Treasury bonds. This higher domestic financing scenario tests the reduction in foreign-currency exposure and dependence on external funding against the resulting increase in borrowing costs and refinancing risk. It also represents a faster expansion of Government securities issuance and greater use of domestic market capacity.

72. **Analysis of strategies and outcomes of the analysis:** The cost risk trade-off charts (*Charts 11 - 15*) illustrate performance of the alternative strategies under five debt burden indicators.

- i. Overall, S1 generally records the lowest cost and the smallest shock impact due to concessional external borrowing. Low interest rates and favourable repayment terms help contain debt service payments and debt accumulation. However, access to this financing is subject to creditor allocations, eligibility requirements and the availability of concessional resources. S1 also increases foreign currency debt to 97.17% of the portfolio by FY2031. S3 records lower nominal and present value debt ratios than S2, reduces foreign currency debt to 91.30%, maintains a longer ATM than S2 and S4, and produces the lowest external debt service burden relative to international reserves. S4 achieves the largest reduction in foreign currency exposure but records higher borrowing costs and a shorter average maturity. Timing and scale of financing required for PDS and annual budget priorities may also require selective access to other official external and domestic financing sources. The results support concessional external borrowing as the prioritized financing source, together with gradual diversification consistent with the approach assessed under S3.
- ii. Nominal debt-to-GDP (*Chart 11*): S1 records the lowest baseline debt-to-GDP ratio at 30.55% in FY2031, followed by S3 at 30.62%, S2 at 30.69% and S4 at 31.10%. The difference between the lowest and highest outcomes is 0.55 percentage points. S1 records the smallest increase under the extreme shock and S4 records the largest increase. Under all four strategies, debt increases from 19.5% of GDP in FY2026 to approximately 31% by FY2031 because the analysis assumes that the projected financing requirements are met through borrowing. All baseline outcomes remain below the Government's fiscal target of 50% of GDP. Higher interest payments under costlier financing mixes increase gross financing requirements and borrowing.
- iii. PV of Debt to GDP (*Chart 12*): S1 records the lowest present value of debt at 18.94% of GDP, followed by S3 at 20.05%, S2 at 20.78% and S4 at 23.88%. S1 also records the smallest shock impact and S4 records the largest. The difference between the lowest and highest present-value outcomes is 4.93 percentage points. This demonstrates the effect of financing terms on the economic value of debt, as low interest rates, extended grace periods and long maturities reduce the present value of future obligations.
- iv. Total debt service-to-GDP (*Chart 13*): S1 has the lowest baseline debt service ratio and the smallest shock impact in FY2031. S2 and S3 produce almost identical baseline outcomes at 1.696% and 1.697% of GDP, respectively, and the shock impacts are also virtually identical.

The different financing compositions under S2 and S3 do not produce a material difference in FY2031 debt service because a substantial share of principal repayments falls beyond the strategy period. This includes principal on the 10-year Treasury bond introduced under S3 and on new external loans with grace periods extending beyond FY2031. S4 records the highest baseline debt service ratio and the largest shock impact.

- v. Interest-to-Revenue (Chart 14): S1 has the lowest interest burden relative to Government revenue and the smallest increase under the modelled shocks. S2 and S3 produce similar baseline outcomes, but S3 has a smaller shock impact. S4 records the highest baseline interest burden and the largest shock impact due to its greater use of domestic securities at higher estimated interest rates.
- vi. External Debt Service-to-International Reserves (Chart 15): S3 records the lowest baseline external debt service burden relative to international reserves, followed by S1, S4 and S2. Under the exchange rate shock, all strategies record an increase of approximately 1 percentage point, with S3 retaining the lowest ratio. Under the interest rate and combined shocks, S1 records the lowest ratio, followed by S3, S4 and S2. Overall, S3 performs best under the baseline and exchange rate shock, and S1 performs best under the interest rate and combined shocks. S2 records the highest ratio under every scenario. Despite having the smallest external debt share, S4 does not record the lowest ratio under the baseline or any of the shock scenarios.

73. Cost Risk Trade off

Chart 11

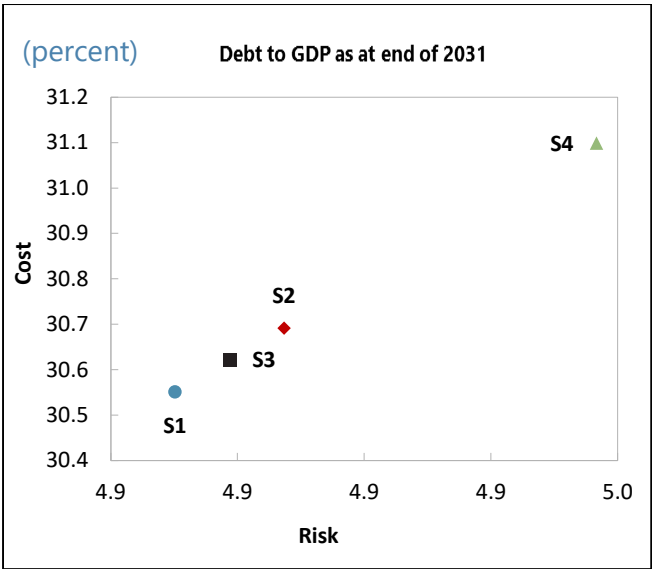


Chart 12

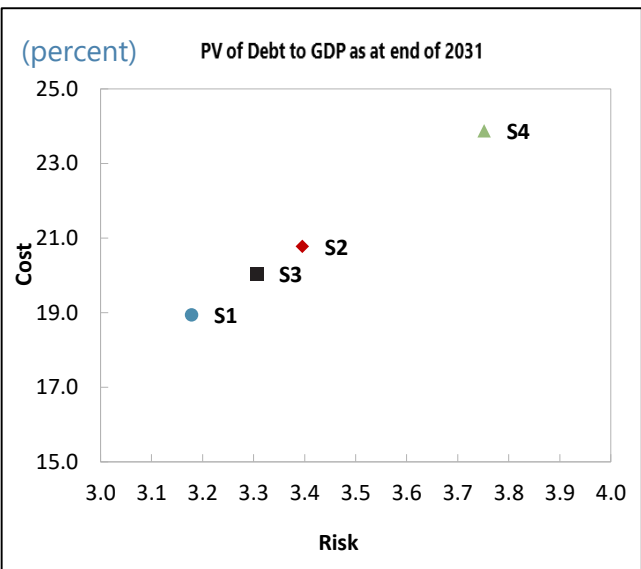


Chart 13

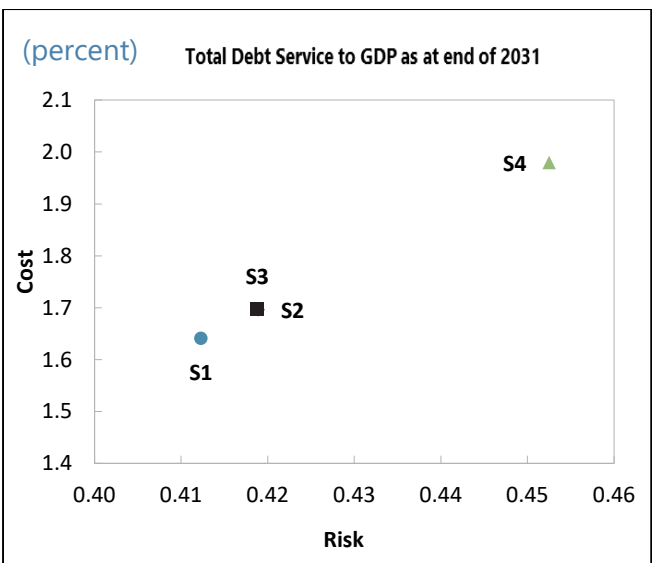


Chart 14

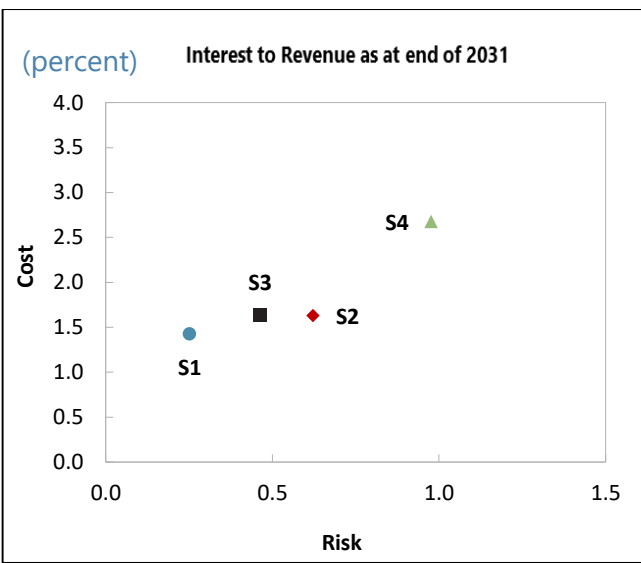
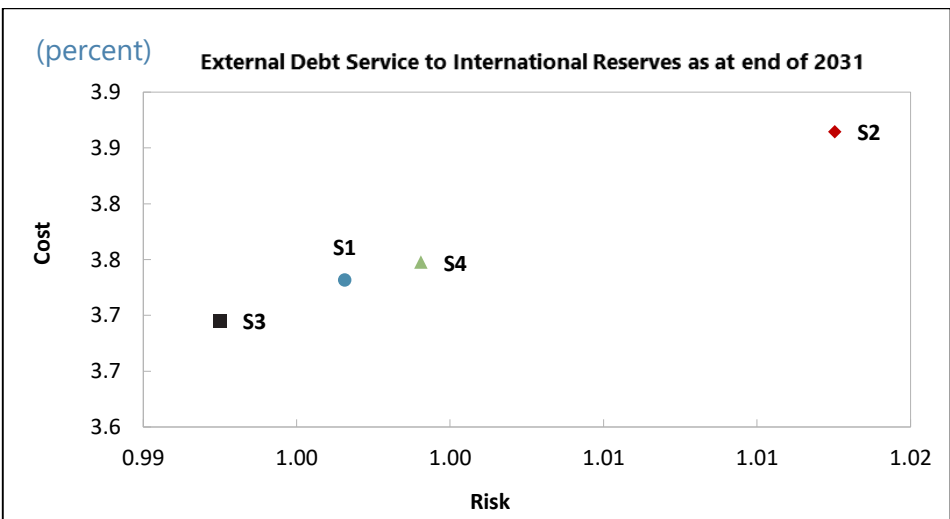


Chart 15



74. Risk Indicators (**Table 11**): Across all four strategies, the shares of debt maturing and refixing within one year decline from 10.6% baseline to between 3.72% and 3.79% by FY2031. This decline results from short maturities in the existing portfolio and the use of long term external loans under all strategies, supplemented by domestic bonds under S3 and S4. Fixed rate debt remains at 100% of the portfolio. S1 has the longest average ATM and ATR, both at 17.67 years, followed by S3 at 16.04 years, S2 at 14.91 years and S4 at 13.50 years. Although S4 has the lowest one-year debt maturity share at 3.72%, it also has the shortest ATM and ATR, indicating lower immediate refinancing exposure but a shorter overall maturity profile.
75. S1 records the lowest interest cost, with interest payments equivalent to 0.39% of GDP and an implied interest rate of 1.39%. The interest-payment ratio is 0.44% of GDP under both S2 and S3, with implied interest rates of 1.61% and 1.70%, respectively. S4 records the highest interest cost, with interest payments equivalent to 0.73% of GDP and an implied interest rate of 2.87%, consistent with its greater use of domestic securities at higher assumed rates.
76. Foreign currency exposures differ across the strategies. Relative to baseline, foreign currency debt increases to 97.17% under S1 and 97.18% under S2 by FY2031. The share declines to 91.30% under S3 and 74.58% under S4 due to the introduction of domestic Treasury bonds. Short-term external debt relative to international reserves declines from 5.1% in FY2026 to 2.67% under all four strategies.

Table 11

COST-RISK INDICATORS - BASELINE SCENARIO						
Risk Indicators		2026	As at end 2031			
		Current	S1	S2	S3	S4
Nominal debt as percent of GDP		19.5	30.55	30.69	30.62	31.10
Present value debt as percent of GDP		16.3	18.94	20.78	20.05	23.88
Interest payment as percent of GDP		0.3	0.39	0.44	0.44	0.73
Implied interest rate (percent)		1.6	1.39	1.61	1.70	2.87
Refinancing risk	Debt maturing in 1yr (percent of total)	10.6	3.79	3.77	3.78	3.72
	Debt maturing in 1yr (% of GDP)	2.3	1.16	1.16	1.16	1.16
	ATM External Portfolio (years)	7.5	17.96	15.13	16.74	15.61
	ATM Domestic Portfolio (years)	9.7	6.59	6.59	8.02	6.71
	ATM Total Portfolio (years)	7.6	17.67	14.91	16.04	13.50
Interest rate risk	ATR (years)	7.6	17.67	14.91	16.04	13.50
	Debt refixing in 1yr (percent of total)	10.6	3.79	3.77	3.78	3.72
	Fixed rate debt incl T-bills (percent of total)	100	100.00	100.00	100.00	100.00
FX risk	FX debt as % of total	92.8	97.17	97.18	91.30	74.58
	ST FX debt as % of reserves	5.1	2.67	2.67	2.67	2.67

77. **Impact of Contingent Liability:** A secondary analysis was conducted to consider the impact of Contingent Liabilities as Government guarantees and On-lending arrangements pose risks and

costs to Government. The analysis increased the borrowing requirement to SAT212million on average using the same expected cost and risk characteristics of the public debt portfolio after undertaking the four alternative borrowing strategies for the next 5 years.

78. The primary and major impact of contingent liabilities show that for all the strategies there was an average increase of 9% in the debt to GDP ratio at the end of FY2031. In addition, strategies that include domestic sources, semi-concessional and non-concessional had the highest changes. The interest payment as a percentage of GDP increased under all the strategies with highest changes in S3 and S4.
79. Risk Indicators (**Table 12**): S1 shows more resilience and ability to absorb the impact of Contingent liabilities. S1 has the lowest interest payment as a share of GDP at 0.42%. However, S1 continues to have high exposure to foreign currency risks as the debt in foreign currency as a share of total debt portfolio remains 97.4% at the end of FY2031.

Table 12

COST-RISK INDICATORS - BASELINE SCENARIO WITH CONTINGENT LIABILITY IMPACT					
Risk Indicators	2026	As at end 2031			
	Current	S1	S2	S3	S4
Nominal debt as percent of GDP	19.5	33.21	33.37	33.29	33.82
Present value debt as percent of GDP	16.3	20.35	22.41	21.60	25.91
Interest payment as percent of GDP	0.3	0.4154	0.4767	0.4783	0.7961
Implied interest rate (percent)	1.6	1.39	1.62	1.71	2.93

G. Management of Risks

80. The financial risks in the Government debt portfolio are the foreign currency risks, credit risk, interest rate risk and refinancing risk. The Government is exposed to high levels of foreign currency risks and credit risks.
81. **Foreign currency risk** relates to the vulnerability of the debt portfolio and the Government's debt costs resulting from a depreciation or devaluation of the domestic currency. The public debt portfolio is 93% denominated in foreign currencies: SDR, CNY, USD, JPY and EUR. Depreciation of the Tala against these currencies requires more Tala to service the debt. The strategy is to prioritise concessional external borrowing to meet Government's financing needs. However, the Government's exposure to the foreign currency risk remains high, and there is little the Government can do to mitigate or control this risk. To minimise foreign currency risk, the Government will prioritize new foreign currency loans that are concessional, with a grant element of at least 35%, make progressive development in the domestic market and allocate contingent budget to cater for exchange rate fluctuation.

82. **Credit risk** arises from the Government's exposure to contingent liabilities. In the context of debt management, contingent liabilities consist of Government guarantees, on-lending and SOE direct borrowing. Although total contingent liabilities trend declined over the review period (*refer Sections II and III*), credit risk remains material because contingent liabilities can be triggered suddenly and impose large fiscal costs. Government guarantees percent of GDP was 7% in FY2022 and it declined to 2.4% in FY2026. The decrease was primarily driven by the Samoa Airways default on a government-guaranteed loan in FY2023. When PAL-SAL defaulted, the Government assumed the outstanding obligation of around SAT 55million, converting a contingent liability into direct Government debt, increasing the debt stock and the debt service requirements. Managing credit risk is therefore a key priority over the MTDS term. The Government will continue to apply and strengthen the On-lending and the Government Guarantee Policies, supported by the Credit Risk Assessment Framework (CRAF), to ensure new guarantees and on-lending commitments are assessed consistently before approval and monitored effectively over time. The CRAF applies a quantitative score-card approach, using financial and business risk indicators and weightings (*Table 13*), to support assessments of Government guarantee and on-lending proposals prior to approval. Enhanced reporting and adherence to targets on guarantees will support early identification and containment of emerging credit risks and protect debt sustainability.

Table 13

FINANCIAL RISK (%)		BUSINESS RISK (%)	
Indicator	Weighting	Indicator	Weighting
Financial Position/Solvency	40%	Government Policy	30%
Performance/Profitability	40%	Management	50%
Impact from the Guarantee/On-lending	20%	Industry	20%

Source: MOF

83. **Interest rate risk** refers to the risk of increases in the cost of debt arising from changes in interest rates. All loans in the portfolio have fixed interest rates and are mostly on concessional terms, thus, interest rate risk is low. The ATR was 7.8 years and debt refixing in one year was about 11.7% of the total debt outstanding. To manage interest rate risk, borrowings at fixed and low interest rates are preferred.
84. **Refinancing risk** is the risk that debt will have to be refinanced at an unusually high cost or, in extreme cases, cannot be refinanced at all. The ATM for Government existing public debt portfolio was at 7.8 years and the debt maturing within one year was 11.7% of total debt outstanding. Refinancing risk increased because no new long-term borrowing occurred during the review period, and repayments on existing debt became more concentrated in the shorter

term. To manage the refinancing risk in the portfolio, the Government should prioritize loans with long maturities.

85. **Operational risk** may arise from transaction and recording errors, weaknesses in internal controls, failures in systems or services, staff shortages and turnover, legal or reputational risks, security breaches and natural disasters that disrupt debt management operations. MOF's main exposure relates to staff capacity constraints, difficulties in retaining technical expertise and limited awareness of debt management across Government and among stakeholders. To manage these risks, the Debt Management Division was established and will focus on developing operational manuals and procedures, implementing the Ministry's continuity plan, and conducting ongoing debt management training and staff capacity building.

H. Targets and Implementation Measures for FY2027-FY2031

86. **MTDS Quantitative Targets:** MTDS FY2027-FY2031 is the third Strategy to include monitoring indicators and strategic targets. The Strategy also incorporated an analysis on the impact of Contingent liabilities. **Table 14** sets out the targets and indicators for monitoring and managing the costs and risks of the debt portfolio. The targets show the cost and risk levels that the MTDS aims to maintain or achieve and provide measurable benchmarks for monitoring implementation, including whether borrowing activities comply with the approved MTDS.
87. The FX debt percentage at end of June 2026 was 93%, and with the preferred strategy of prioritizing concessional external borrowing, this is estimated to increase. Credit risk was determined from the average ratio of 5.1% of Government guarantees and SOE debt to GDP over the last 5 years.

Table 14

COST AND RISK TARGETS FOR MTDS FY2027–FY2031 ⁸			
Risk Exposure	Indicators		Targets
Cost	1	Implied Interest Rate	≤1.8%
	2	Number of new external loans approved below the minimum concessionality threshold	0
	3	Number of new loans approved without compliance to the procedures and guidelines	0
	4	Number of Government Debt Securities (T-Bonds/T-Bills) issued without compliance to the Procedures	0
Foreign Currency Risk	5	FX debt % of total debt	≤98%
	6	Short term FX debt as % of reserves	<15%
Refinancing Risk	7	% of total public debt maturing in 1year	≤10%
	8	Total Average Time to Maturity (ATM)	≥10years
Interest Rate Risk	9	% of total debt in variable interest rates	<2%
Credit Risk	10	Total Guarantees and SOE Debt not guaranteed % of GDP	≤10%
	11	Number of new guarantees and on-lending issued without compliance to procedures and guidelines	0

Source: MOF

88. **MTDS Implementation Measures:** The following implementation measures will support implementation of the MTDS and achievement of its targets. MOF, in coordination with relevant Ministries and stakeholders, will lead the implementation of these measures.

89. Contracting New Borrowings:

- Ongoing Implementation Measures
 - i. To minimize the cost of public debt, the Government will prioritize new external loans that are concessional, with a grant element of at-least 35%. Where concessional external borrowing is unavailable or insufficient, semi-concessional external borrowing with a grant element of at-least 25% but less than 35% may be considered, subject to the borrowing controls and approval requirements set out in paragraphs 59 and 60. The minimum grant element for new external borrowing is 25%. Loans will be considered for projects with positive economic returns that are at least sufficient to meet the associated interest and principal repayment costs.
 - ii. Implement the Procedures and Guidelines for Contracting New Loans and the Procedures for the Issuance of Government Debt Securities to ensure compliance with the MTDS and achievement of the Government's debt management objectives.

⁸ The MTDS Tool incorporates the updated macroeconomic and fiscal outlook, and some targets were therefore updated. The implied interest rate and refinancing risk targets are based on the results in Table 11, with judgement applied to the refinancing targets to balance actual portfolio trends with the Tool projections. A new target was added for Government debt securities. All other targets remain unchanged.

- New Initiatives
 - iii. Review and update the Procedures and Guidelines for Contracting new loans
 - iv. Establish a MOF-CBS Domestic Market Development Working Committee and incorporate this work under the MOU on Information Sharing on Macroeconomic and Fiscal Operations between MOF and CBS.
 - v. Prepare annual MTDS updates in order to produce an Annual Borrowing Plan (ABP) which will be part of the annual Budget process and annex to the Cabinet submission. The first ABP will be prepared as part of the FY2027-28 Budget submission. It would serve as a link between the MTDS and the actual financing operations to be conducted in a given fiscal year, setting out the intended mix of financing sources to meet the government's gross financing needs. From FY2028, the annual MTDS update and ABP will consider, as appropriate, an annual or project-specific limit for semi-concessional external borrowing, aligned with the applicable annual PPA.

90. Monitoring and Reporting: ⁹

- Ongoing Implementation Measures
 - i. Conduct annual review of the MTDS and submit to Cabinet for approval within the first quarter after the fiscal year end, as required under the PFMA.
 - ii. Continue to submit the annual report to Parliament, which includes information on debt management operations and MTDS implementation, as required under the PFMA.
 - iii. Continue timely dissemination and publication of the quarterly debt bulletin on the Ministry's website.
 - iv. Continue to strengthen the consolidation and quality of data on Government debt and contingent liabilities in the debt databases, including Meridian.
- New Initiatives
 - v. Improve the centralisation of debt management data in Meridian by completing the recording of guarantees and on-lending and increase the use of relevant debt monitoring, projection, reporting and cost-and-risk analysis system features.
 - vi. Gradually develop an interface between Meridian and the Government's Financial Management System

⁹ Paragraphs 90(i) and (ii) are based on the requirements of the PFMA. To comply with these requirements in practice, MOF prepares the annual Public Debt Report, which includes the annual MTDS review and forms part of the MOF Annual Report submitted to Cabinet for approval and then to Parliament.

- vii. Arrange a performance audit for Government debt management operations within the period of the MTDS.

91. Monitoring and Management of Contingent liabilities:

- Ongoing Implementation Measures
 - i. MOF, with assistance from the MPE when required, will implement the approved On-lending Policy and the Government Guarantee Policy and continue credit risk assessments for SOEs.
- New Initiatives
 - ii. Review the Government Guarantee Policy 2022 during the MTDS period.
 - iii. Improve the collection and recording of SOE debt.

92. Improved Cash-flow Management:

- i. Ongoing Implementation Measure: MOF will continue to strengthen Government cash management through Cash Management Committee meetings and improved cash-flow reporting and forecasting.
- ii. New Initiative: Improve the process of debt servicing forecasting

93. Capacity Building:

- i. MOF to strengthen the technical capacity of DMD staff and improve debt management awareness across Government. Key capacity needs include debt analysis, fiscal risk monitoring, Credit Risk Assessments, Debt Sustainability Analysis (DSA), DeMPA, evaluation of debt management operations, use of the Meridian system, and development and review of the MTDS.

V. APPENDIX 1: GLOSSARY OF TECHNICAL AND DEBT MANAGEMENT TERMS

Purpose: The Glossary contains and explains key technical terms used throughout the MTDS. Most definitions are adapted from World Bank and IMF Frameworks and are intended to assist readers understand debt indicators, borrowing strategies, and policy targets presented in the Strategy. The concessionality classifications used in this glossary are those adopted for the purposes of this MTDS.

TERM	DESCRIPTIONS	EXAMPLE
Average Time to Maturity (ATM)	The weighted average time remaining until all principal repayments become due. Measures refinancing risk.	An ATM of 8 years means principal repayments fall due in 8 years on a weighted-average basis
Average Time to Refixing (ATR)	The weighted average time until interest rates on debt are reset. Measures interest rate risk.	An ATR of 10 years indicates limited exposure to interest rate changes.
Annual Borrowing Plan (ABP)	A plan outlining anticipated government borrowing requirements, timing and financing sources.	Annual borrowing to finance a budget deficit and development projects.
Bilateral Creditor	A foreign government or government agency that lends directly to another government.	JICA and EXIM Bank of PRC.
Budget Deficit	Occurs when government expenditure exceeds revenue.	FY2027 projected budget deficit of SAT124.9 million.
Commercial Loan	A loan provided on market-based terms, generally at a higher cost and/or with less favourable repayment terms than concessional financing.	UTOS loan with a 5% interest rate, 20-year maturity and no grace period.
Commitment Fee	A fee charged on the undisbursed portion of a loan.	JICA charges a commitment fee of 0.1% per annum.
Concessional Financing	Financing provided on favourable terms with a grant element of at least 35%.	An IDA loan with 0.75% interest rate p.a and 40-year maturity
Concessionality	The degree to which loan terms are more favourable than market terms, measured by the grant element.	A loan with a 40% grant element
Contingent Liability	A potential government obligation that depends on a future event	A Government guarantee becoming payable after borrower default
Country Policy and Institutional Assessment (CPIA)	World Bank assessment of a country's policy and institutional performance	Used in Debt Sustainability Analysis assessments
Credit Risk	Risk that a borrower or guaranteed entity fails to meet obligations	An SOE defaults on a government guaranteed loan
Credit Risk Assessment (CRA)	Evaluation of the financial strength and repayment capacity of an entity	Risk assessment undertaken before issuing a government guarantee
Credit Risk Assessment Framework (CRAF)	A framework used to assess guarantee and on-lending risks	Assessing DBS before approving a guarantee request
Debt Distress	A situation in which a borrower experiences difficulties in meeting debt service obligations	A country requiring debt restructuring
Debt Management	The process of establishing and executing a strategy for managing government debt to raise required financing at the lowest possible cost over the medium to long term, consistent with a prudent degree of risk	MOF managing borrowing and debt service obligations
Debt Management Performance Assessment (DeMPA)	World Bank methodology for assessing public debt management practices	Samoa's DeMPA completed in 2025

Debt Security	A borrowing instrument issued by Government to raise money from investors, with commitment to repay the amount borrowed with interest over a specified period	Treasury Bills and Treasury Bonds
Debt Service	Payments of principal and interest due on debt	Annual repayments on external loans
Debt Service Ratio	Debt service payments relative to revenue	Debt service equals 9% of ordinary receipts
Debt Sustainability	The ability of a borrower to maintain its current borrowing policies and services its debt without requiring exceptional financing or compromising growth	Maintaining public debt below 50% of GDP
Debt Sustainability Analysis (DSA)	A framework for assessing a country's ability to meet current and future debt service obligations under baseline and stress scenarios	IMF-World Bank assessment of Samoa's debt distress risk
Disbursement	Release of funds under a loan agreement	Drawdown of an ADB project loan
Domestic Debt	Debt owed to domestic creditors, generally in local currency	Government loan owed to UTOS
Domestic Debt Market	Market for issuance and trading of local government securities	Treasury Bond market in Samoa
Exchange Rate	Value of one currency relative to another	SAT against USD
Exchange Rate Risk/Foreign Currency Risk	Risk arising from movements in exchange rates affecting debt servicing costs	Tala depreciation increases loan repayment costs
External Debt	Debt owed to foreign creditors	Loans from IDA and ADB
Face Value (Par Value)	Amount repaid to the investor at maturity	SAT1,000 Treasury Bond redeemed at maturity
Financial Instrument	A contract creating a financial asset for one party and a liability for another	Loans, bonds, guarantees and Treasury Bills
Fiscal Space	Capacity of government to undertake additional spending without undermining sustainability	Lower debt levels create additional fiscal space
Fiscal Threshold	Quantitative limit established to monitor fiscal risk	Public debt below 50% of GDP
Fixed Interest Rate Debt	Debt with an interest rate that remains unchanged throughout the loan term	An IDA loan with a fixed 0.75% interest rate
Foreign Reserves	Foreign currency assets held by the Central Bank	Reserves equivalent to 16.5 months of imports
Government Guarantee	A legally binding commitment by Government to repay debt if the primary borrower defaults	Guarantee issued for an SOE loan
Grant Element	The financial benefit provided by concessional financing, calculated as the difference between the loan's face value and its present value expressed as a percentage of face value	Minimum grant element of 25% for new external loans under this MTDS
Grace Period	Period during which principal repayments are not required	Ten-year grace period on an IDA loan
Gross Domestic Product (GDP)	Total value of goods and services produced within a country	Samoa's GDP estimated at SAT3.5 billion
Highly Concessional Financing	Financing with very low interest rates, long maturities and high grant elements	IDA and ADB concessional loans
Implied Interest Rate	Interest payments expressed as a percentage of total outstanding debt.	Portfolio interest rate of 1.7%
Interest Rate Risk	Risk arising from changes in interest rates	Variable-rate borrowing becomes more expensive
Liquidity Risk	Risk of being unable to meet payment obligations when due	Insufficient cash to meet debt service
Maturity	Date when principal must be repaid	A bond maturing in 2037

Medium Term Debt Management Strategy (MTDS)	A framework developed by the World Bank and IMF to guide a government's debt management decisions and operations, balancing cost and risk while meeting financing needs	Samoa MTDS FY2027-FY2031
Meridian System (Commonwealth Meridian)	A web-based public debt management system developed by the Commonwealth Secretariat used to record, manage and analyze various debt types and supports integration with external systems	Recording and tracking loans and debt services
Multilateral Creditor	International financial institution owned by multiple countries	World Bank and ADB
Non-Concessional Loan	Loan with market-based or commercial financing terms and little or no grant element or external borrowing with a grant element below 25%.	UTOS loan with 20years maturity, no grace period and 5% p.a interest rate
On-Lending	Lending by Government to an entity using funds borrowed or obtained by the Government from another financial instutional	Government on-lent to EPC funds borrowed from JICA
Overdraft Facility	Short-term credit available for temporary financing needs	Bank overdraft used for cash management purposes
Present Value (PV) of Debt	Discounted value of future debt service obligations	Used in DSA calculations
Public Debt	Financial liabilities requiring future payments of interest and principal by the public sector to creditors	External and domestic government debt outstanding
Restructured Debt	Debt whose original repayment terms have been modified	Rescheduled SOE debt repayments
Semi-Concessional Loan	A loan with terms between concessional and commercial borrowing or borrowing with some terms that are more favourable than ordinary commercial borrowing, with a grant element of 25% or more but less than 35%.	EXIM Bank Financing: 2% interest rate p.a, 20-year maturity and 5 years grace period
Special Drawing Rights (SDR)	IMF reserve asset based on a basket of currencies	Loans denominated in SDR
Treasury Bill (T-Bills)	Short-term Government debt security with maturity less than one year	364-day Treasury Bill
Treasury Bond (T-Bond)	Medium to Long Term Government Debt Security issued to meet financing requirements	10-year Treasury Bond
Variable Interest Rate Debt	Debt whose interest rate changes according to a benchmark rate	Loan linked to a floating market rate
Weighted Average Interest Rate	Average interest cost of the debt portfolio weighted by debt amounts	Portfolio cost of 1.6%
Yield	Return earned by investors from holding a debt security	Treasury Bond yield of 4%