



Report and Recommendation of the President to the Board of Directors

Project Number: 54243-001
July 2020

Proposed Countercyclical Support Facility Grant Independent State of Samoa: Health Expenditure and Livelihoods Support Program

This is the version of the document approved by ADB's Board of Directors that excludes information that is subject to exceptions to disclosure set forth in ADB's Access to Information Policy.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 24 June 2020)

Currency unit	–	tala (ST)
ST1.00	=	\$0.36
\$1.00	=	ST2.72

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
CPRO	–	COVID-19 pandemic response option
GDP	–	gross domestic product
HEALS	–	Health Expenditure and Livelihoods Support
IMF	–	International Monetary Fund
MOF	–	Ministry of Finance
NGO	–	nongovernment organization
SNPF	–	Samoa National Provident Fund

NOTES

- (i) The fiscal year (FY) of the Government of Samoa and its agencies ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2020 ends on 30 June 2020.
- (ii) In this report, “\$” refers to United States dollars, unless otherwise stated.

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PROGRAM AT A GLANCE

1. Basic Data		Project Number: 54243-001	
Project Name	Health Expenditure and Livelihoods Support Program	Department/Division	PARD/PASP
Country	Samoa	Executing Agency	Ministry of Finance
Recipient	Government of Samoa		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=54243-001-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=54243-001-PortAtaGlance		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Public sector management	Economic affairs management		4.00
	Public expenditure and fiscal management		4.00
	Social protection initiatives		8.00
Health	Disease control of communicable disease		2.00
	Health system development		2.00
	Total		20.00
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ Strengthening governance and institutional capacity			
		ADB Financing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.3, 1.5, 1.a		Effective gender mainstreaming (EGM)	✓
SDG 3.3, 3.c, 3.d			
SDG 5.2, 5.a		Poverty Targeting	
SDG 8.1, 8.5, 8.8		General Intervention on Poverty	✓
SDG 10.4			
SDG 16.6			
SDG 17.17			
4. Risk Categorization:	Low		
5. Safeguard Categorization	Environment: C	Involuntary Resettlement: C	Indigenous Peoples: C
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		20.00	
Sovereign COVID19 Pandemic Response Option: Asian Development Fund		20.00	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		20.00	
Currency of ADB Financing: US Dollar			

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed grant to the Independent State of Samoa for the Health Expenditure and Livelihoods Support (HEALS) Program under the Countercyclical Support Facility coronavirus disease (COVID-19) pandemic response option (CPRO).¹

2. The Samoa HEALS Program is part of an integrated package of Asian Development Bank (ADB) support to help the country's short-term efforts to mitigate the severe socioeconomic impacts and manage potential health impacts caused by the COVID-19 pandemic. The Samoa HEALS Program is aligned with ADB's Strategy 2030 operational priorities of addressing remaining poverty and reducing inequalities, accelerating progress in gender equality, and strengthening governance and institutional capacity.² It is consistent with the objective of directing concessional finance to the most vulnerable developing member countries. It is aligned with the Pacific Approach priority of managing risks and building resilience by strengthening the health sector and social protection.³ Samoa meets all access criteria of the CPRO (Table 1).

Table 1: Compliance with Access Criteria for the COVID-19 Pandemic Response Option

#	Access Criteria	ADB Staff Assessment
1.	Adverse impact of exogenous shock	Growth in Samoa is projected to fall to -5.0% in FY2020 and -2.0% in FY2021 (compared with pre-COVID-19 projections of 3.5% and 2.7%) as a result of the pandemic. Risks are significant on the downside, depending on the duration of the pandemic. The fiscal deficit as a share of GDP is projected to be 7.3% in FY2020 and 9.8% in FY2021 (compared with pre-COVID-19 projections of 1.2% and 2.0%) and the current account deficit as a share of GDP is projected to be 7.1% in FY2020 and 7.0% in FY2021 (compared with pre-COVID-19 projections of 3.0% and 0.8%). Rising unemployment (more than 16.0% of jobs lost by FY2021) and poverty (from 13.4% to 21.7% of households) are expected in the absence of adequate countercyclical support.
2.	Countercyclical development expenditures	The government has announced a comprehensive pro-poor stimulus program comprising two packages: the first worth \$24.8 million (3.1% of GDP) for FY2020 and the second worth \$31.1 million (3.8% of GDP) for FY2021. The government program includes measures to strengthen the health sector response, and support livelihoods (especially for vulnerable groups) and adversely affected sectors (particularly hospitality).
3.	Pre-shock record of generally sound economic management	Before the COVID-19 pandemic, Samoa was implementing a sound budgetary framework. From an overall fiscal balance of -5.4% of GDP in FY2014 (largely due to reconstruction expenditures following Cyclone Evan in FY2013), Samoa recorded a fiscal surplus of 2.7% of GDP in FY2019. Expenditures were controlled after the FY2014 spike, coming down from 43.3% of GDP to 31.2% in FY2019. Revenues rose, helped by improved domestic resource mobilization efforts, with tax revenues rising steadily since FY2016. From 54.9% of GDP in FY2015, external debt came down to 46.9% in FY2019, as the government relied primarily on grant assistance and reduced fiscal deficits. The current account balance improved from -8.1% of GDP in FY2014 to 2.3% in FY2019.
4.	Structural reforms	Strong actions in the form of early travel restrictions and social distancing have prevented a COVID-19 outbreak. Samoa has been under a state of emergency since 20 March 2020. The Health Emergency Operations Center operational plan has laid out a pandemic preparedness and management plan. A national sector preparations and response matrix against COVID-19 has been prepared, outlining actions for 14 ministries.
5.	Debt sustainability	Samoa was already at high risk of debt distress before the pandemic on account of its vulnerability and narrow economic base. Following the pandemic, debt will remain sustainable over the long run although still at high risk. The CPRO grant will help debt sustainability since it can substitute for potentially higher-cost borrowing to finance fiscal deficits. The government is accessing grants from partners to finance its FY2020 and FY2021 fiscal deficits to keep debt below 50% of GDP.

¹ ADB. 2020. *Policy Paper: ADB's Comprehensive Response to the COVID-19 Pandemic*. Manila.

² ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

³ ADB. 2016. *Pacific Approach 2016–2020*. Manila.

#	Access Criteria	ADB Staff Assessment
6.	Coordination with the IMF	ADB has been in close contact with the IMF, coordinating on key economic projections and debt sustainability analysis post-COVID-19. The IMF is strongly supportive of the CPRO. The IMF Rapid Credit Facility staff report and DSA (28 April 2020) has been provided in lieu of an IMF assessment letter.

ADB = Asian Development Bank, COVID-19 = coronavirus disease, CPRO = COVID-19 pandemic response option, DSA = debt sustainability analysis, FY = fiscal year, GDP = gross domestic product, IMF = International Monetary Fund. Note: More detailed information is in Appendix 4. Pre-COVID-19 projections are ADB assessments. Post-COVID-19 projections are based on ADB and IMF assessments.

Source: Asian Development Bank.

II. PROGRAM AND RATIONALE

A. Background and Development Constraints

3. Samoa is a small island country in the South Pacific, with a population of about 202,500 and an area of 2,842 square kilometers. It is vulnerable to frequent disasters caused by natural hazards.⁴ It is one of about a dozen countries worldwide that have yet to confirm a COVID-19 case. Despite avoiding direct COVID-19 effects, Samoa is expected to suffer economic contraction in FY2020–FY2021, with adverse socioeconomic impacts.

4. **Health sector challenges.** Samoa's health care system lacks the capacity to cope with an outbreak of COVID-19. Given the high prevalence of hypertension, diabetes, and cardiovascular diseases, Samoans are likely to be more vulnerable to COVID-19.⁵ Despite receiving test cartridges for COVID-19, the country's laboratory capacity still needs to be strengthened for local testing, and Samoa remains dependent on overseas COVID-19 testing. Samoa has only 0.34 physicians, 1.90 nurses, and 1.25 hospital beds per 1,000 people, and existing capacity could easily be overwhelmed in case of an outbreak. There are two referral hospitals, six rural district hospitals, and five community health centers in the country. Primary health facilities are understaffed. Ventilators, quarantine and intensive care facilities, and personal protective equipment for health care workers and patients to prevent the spread of COVID-19 are inadequate.

5. **Measles outbreak.** A measles outbreak in the second half of 2019, narrowly preceding the global COVID-19 pandemic, put significant pressure on the health care system.⁶ The outbreak resulted in more than 5,700 cases and 83 deaths, mostly children below 5. The government declared a state of emergency from 17 November to 28 December 2019. By December, a vaccination drive had brought the vaccination rate to more than 90% and controlled the outbreak.

6. **Measures to prevent and control COVID-19.** In view of these constraints and experiences, the government took decisive and proactive actions to prevent a COVID-19 outbreak (Table 2). Samoa was among the first countries to impose 14-day self-quarantine measures for travelers from COVID-19-affected economies and implement other travel restrictions. A state of emergency, declared on 20 March 2020, remains in effect, along with several social distancing measures. All international travel is suspended, except with Cabinet approval.

⁴ Recent disasters include a tsunami in FY2009, Cyclone Evan in FY2013, and Cyclone Gita in FY2018.

⁵ Lifestyle-related factors, including high body mass index, high fasting plasma glucose, dietary habits, and high blood pressure, have resulted in a growing burden of noncommunicable diseases. World Health Organization. 2018. *Global Health Estimates 2016: Disease Burden by Cause, Age, Sex, by Country and by Region, 2000–2016*. Geneva.

⁶ The measles vaccination rates for babies below 1 year fell from almost 75% in 2017 to below a third in 2018. In July 2018, two infants died in Samoa after receiving vaccinations against measles, mumps, and rubella, raising local fears over the vaccine itself and contributing to the sharp decline in vaccination rates. The deaths were later established to have been caused by the nurses mixing the vaccine with an expired muscle relaxant instead of water.

Table 2: Timeline of Key Measures

#	Date	Measures
1.	27 January	Compulsory screening of passengers through special health declaration forms. Travelers from countries with active cases to be examined by medical practitioner at least 3 days before travelling to Samoa. Travelers originating from or transiting through mainland People's Republic of China to spend at least 14 days in self-quarantine at the country of last port that is free of the coronavirus disease.
2.	13 February	Advisory issued to airlines to disallow boarding for passengers without adequate screening.
3.	22 February	All cruise ships banned.
4.	29 February	International flights severely restricted.
5.	19 March	All incoming passengers (including citizens) to undergo medical check-up on entry.
6.	20 March	State of emergency declared, with social distancing measures.
7.	21 March	National Emergency Operations Centre activated.
8.	22 March	Suspension of flights from Australia, further restrictions on flights from New Zealand.
9.	23 March	Health Emergency Operations Center operational plan activated.
10.	25 March	Fines announced for individuals and businesses breaching quarantine restrictions.
11.	26 March	Fishing boats banned, only cargo ships allowed entry. International airport closed.

Source: Asian Development Bank, based on announcements by the Government of Samoa.

7. A Health Emergency Operations Center operational plan was activated in March to improve preparedness and planning.⁷ The Ministry of Health is the lead agency for the COVID-19 response. The plan lays out (i) hospital protocols specifying functions and operations of various departments to handle COVID-19 and non-COVID-19 patients separately; (ii) arrangements for procurement and handling of resources and equipment; (iii) human resource arrangements, specifying functions of doctors, nurses, and surveillance staff, and responsibilities for communications and border oversight; and (iv) COVID-19 briefing and reporting arrangements. Call center facilities have been established for the public to contact the Ministry of Health.

8. With support from the international community, Samoa has obtained medical equipment that can help in COVID-19 screening and control. The World Health Organization, and bilateral development partners, including Australia, Japan, New Zealand, the People's Republic of China, and the United States, have provided assistance in the form of infrared thermometers for screening at ports of entry and health care facilities, personal protective equipment to prevent transmission, and ventilators for patients requiring intensive care.

9. **Pre-COVID-19 sound macroeconomic management.** The IMF noted that despite confronting several economic challenges and frequent shocks, Samoa has proved its resilience by pushing through needed economic reforms.⁸ From a fiscal deficit of 5.3% of gross domestic product (GDP) in FY2014 largely caused by financing of Cyclone Evan reconstruction, expenditure controls and growing revenues (aided by strong own-tax performance) led to a fiscal surplus of 2.7% of GDP in FY2019. The external debt-GDP ratio broadly trended downward in the same period as fiscal deficits fell, and was 46.9% in FY2019—below the authorities' ceiling of 50.0%.⁹ The current account balance similarly improved from a deficit of 8.1% of GDP in FY2014 to a small surplus of 2.3% in FY2019, aided by growing remittance receipts and strong tourism earnings. GDP growth in FY2019 was 3.5%, underpinned by good performance in tourism, remittances, and construction (for the Pacific Games in July 2019), as the economy recovered from a contraction in FY2018 caused by the twin impacts of the closure of a large automotive parts manufacturing firm and Cyclone Gita. Banking system indicators were sound, with declining nonperforming loan ratios (7.1% in FY2015 to 3.9% in FY2019) and adequate liquidity.

⁷ Government of Samoa, Ministry of Health. 2020. *Health Emergency Operations Center Operational Plan*. Apia.

⁸ IMF. 2020. *Samoa: Staff Concluding Statement of the 2020 Article IV Mission*. Washington, DC.

⁹ Public external debt increased from 50% of GDP in FY2016 to 52% in FY2018, partly because Samoa could not access exclusive grant funding from the International Development Association and ADB in 2015 and 2016.

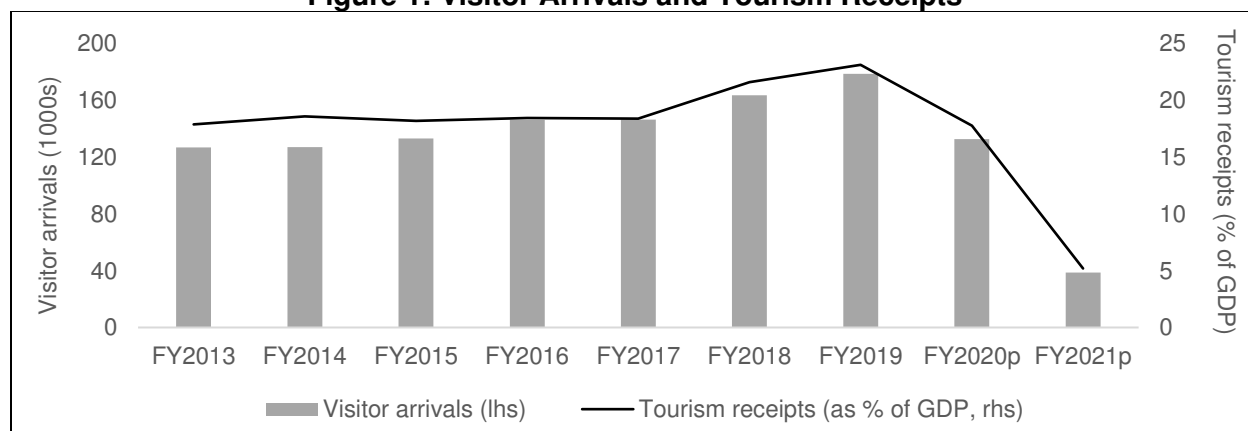
10. The pre–COVID-19 outlook for Samoa was healthy, with downside risks.¹⁰ Growth of 3.5% was projected for FY2020, with tourism expected to remain strong. A fiscal deficit of 1.2% of GDP was budgeted for FY2020, within the government’s indicative ceiling of 2.0%. High earnings from tourism and remittances were expected to lead to a current account surplus of 3.0% of GDP. Slowdown in tourism and vulnerability to external shocks were seen as key risks.

11. **Measles outbreak impacts.** Samoa performed strongly in the first quarter of FY2020. The Pacific Games led to visitor arrivals growing by 15.8% year-on-year, which contributed to real GDP growth of 5.2% year-on-year. The situation changed in the second quarter of FY2020 because of the economic decline resulting largely from the 6-week state of emergency declared to control the measles outbreak (para. 5). Visitor arrivals declined 11.3% year-on-year and growth was –3.7% year-on-year, the lowest quarterly outturn in six successive quarters. The economy was already under stress when the COVID-19 pandemic arrived in the third quarter of FY2020.

12. **Key channels for COVID-19 impacts.** The pandemic is leading to significant adverse socioeconomic consequences for Samoa through several channels:

- (i) **Tourism.** The contraction in visitor arrivals, which peaked at more than 178,500 arrivals in FY2019, will have major socioeconomic impacts. Assuming travel restrictions are in place until December 2020, visitor arrivals could plummet to about 38,500 in FY2021, with the contribution of tourism receipts to GDP also expected to fall significantly from 23.1% in FY2019 to about 5.2% in FY2021 (Figure 1). This will negatively impact the performance of allied sectors such as restaurants, accommodation, transport, and commerce, which together account for about a third of employment. Foreign exchange inflows will also fall.

Figure 1: Visitor Arrivals and Tourism Receipts



FY = fiscal year, GDP = gross domestic product, lhs = left-hand scale, p = projections, rhs = right-hand scale. Source: Asian Development Bank, and Central Bank of Samoa estimates.

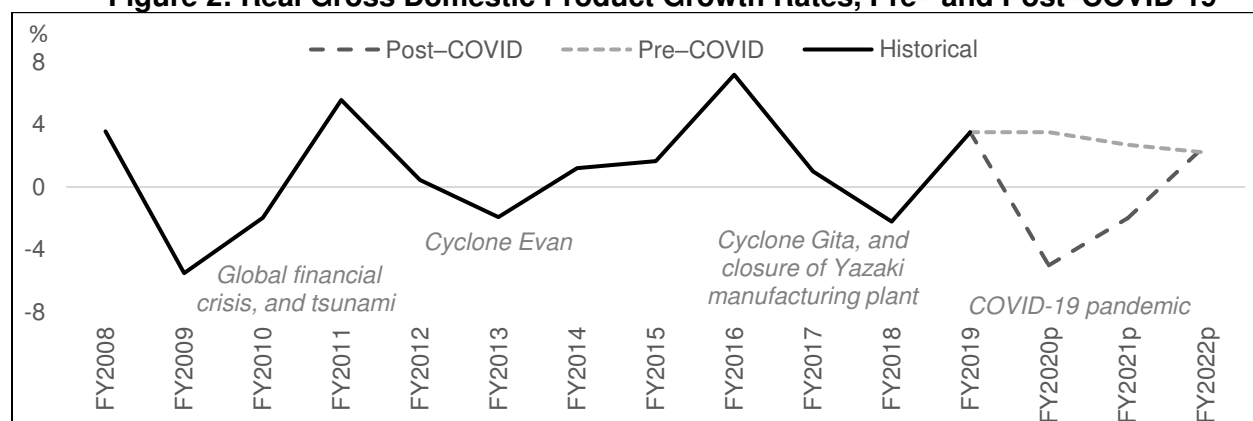
- (ii) **Remittances.** Remittances (23.4% of FY2019 GDP) are projected to decline by almost 10% in FY2020, as seasonal overseas workers—more than 2,500 of whom work in Australia and New Zealand every year—are affected by travel restrictions. Since more than 80% of remittances are through money transfer operators, loss of the operators’ correspondent banking relations in a tightening global regulatory landscape could further disrupt remittances. This will lead to lower consumption demand, particularly for vulnerable households that depend on remittance income, and declining foreign exchange earnings.

¹⁰ ADB. 2019. *Asian Development Outlook 2019 Update: Fostering Growth and Inclusion in Asia’s Cities*. Manila.

- (iii) **Trade.** Samoa's merchandise trade will suffer as tighter regulations on shipping and border closures hamper the flow of goods. Supply chain disruptions and lower demand from tourism-related businesses will lead to imports (41.1% of FY2019 GDP), including food and fuel, declining by FY2021. Exports (5.8% of FY2019 GDP) are expected to contract by about 10% in FY2020 as key export partners enter recession. Restrictions could weaken small export-oriented agribusiness industries, which support employment and income of many smallholders.
- (iv) **Construction.** Construction, which makes up about 6%–7% of GDP and supports about 7% of jobs, will be cut in half in FY2020. Some decline was to be expected with the completion of projects related to hosting the 2019 Pacific Games. Restrictions on international travel prevent movement of foreign consultants, contractors, and engineers (who are important for major infrastructure projects), and hamper imports of required construction equipment and materials.

13. **Economic impacts.** These developments will translate into significant impacts on the economy. GDP growth in FY2020 is projected to be –5.0% (Figure 2). Development partners have a consensus on FY2020 growth, with the IMF and the World Bank also projecting a 5.0% contraction. Opinion varies on FY2021 growth, depending on the expected length of lockdown and the timing of the projections. The World Bank projects no growth in FY2021¹¹ and the IMF projects a 1.5% contraction.¹² ADB projects a 2.0% contraction in FY2021, in line with government estimates, assuming restrictions until December 2020, followed by cautious reopening.¹³

Figure 2: Real Gross Domestic Product Growth Rates, Pre- and Post-COVID-19



COVID-19 = coronavirus disease, FY = fiscal year, p = projections.

Source: Asian Development Bank estimates.

14. Significant fiscal pressures will lead to urgent financing needs. Compared with pre-COVID-19 estimates of fiscal deficit–GDP ratios of 1.2% in FY2020 and 2.0% in FY2021, post-COVID-19 estimates have gone up to 7.3% and 9.8% respectively (Table 3). The directly affected sectors have multiple linkages to the rest of the economy; in addition to being employment-intensive, they contribute tax revenue and convertible currency. The fiscal impacts will include foregone revenues from tourism royalties, visa fees, import duty concessions for essentials, and border taxes. The stimulus program to protect vulnerable groups and affected private sector enterprises will cause total expenditures to rise.

¹¹ World Bank. 2020. *East Asia and the Pacific in the Time of COVID-19—Regional Economic Update, April 2020*. Washington, DC.

¹² IMF. 2020. *Samoa. Request for Disbursement under the Rapid Credit Facility—Press Release; Staff Report; and Statement by the Executive Director for Samoa*. IMF Country Report No. 20/138. Washington, DC.

¹³ Government of Samoa. 2020. *Economic Consequences of COVID-19: The Outlook So Far*. Press Release. 20 April.

Table 3: Fiscal Framework, FY2016–FY2022
(% of GDP, unless otherwise specified)

Item	FY2016	FY2017	FY2018	FY2019e	FY2020p	FY2021p	FY2022p
Total revenue and grants	28.5	29.3	30.7	33.9	28.4	25.5	28.1
Total revenue	26.3	27.3	27.7	29.7	21.5	20.2	23.2
of which: tax revenue	23.8	24.5	25.0	25.7	19.0	20.5	20.6
Grants	2.2	1.9	2.9	4.2	6.9	5.3	4.8
Total expenditure	28.9	31.4	30.6	31.2	35.7	35.4	35.8
Current expenditure	24.1	23.2	24.5	25.9	30.3	29.7	29.9
of which: wages and salaries	7.8	8.1	9.2	10.4	10.3	11.1	11.1
Capital expenditure	4.8	8.2	6.1	5.3	5.4	5.7	5.9
Overall balance	(0.4)	(2.1)	0.1	2.7	(7.3)	(9.8)	(7.8)
in million tala	(8.4)	(44.1)	1.5	60.4	(158.7)	(215.2)	(178.3)
GDP (million tala, current prices)	2,089.3	2,109.4	2,105.7	2,227.5	2,174.9	2,185.8	2,292.4

e = estimates, FY = fiscal year, GDP = gross domestic product, p = projections.

Source: Asian Development Bank estimates; and IMF. 2020. *Samoa. Request for Disbursement under the Rapid Credit Facility—Press Release; Staff Report; and Statement by the Executive Director for Samoa*. IMF Country Report No. 20/138. Washington, DC.

15. The current account deficit–GDP ratio is projected to widen to 7.1% in FY2020 and 7.0% in FY2021, largely because of declining tourism and remittances, compared with pre–COVID-19 projections of 3.0% and 0.8% in surpluses.¹⁴ This could push official foreign reserves from 6.6 months of import cover in March 2020 to 2.9 months by FY2021. This is below the IMF-recommended 5 months of import cover and poses risks due to Samoa’s import dependence. Inflation is expected to rise in Samoa with global supply chain disruptions. Despite declining global commodity and oil prices and weakening domestic demand, the IMF projects consumer price index inflation to average 2.8% in FY2020 and 2.5% in FY2021, marginally higher than pre–COVID-19 projections of 2.0% in FY2020 and 1.9% in FY2021.

16. Samoa’s banking indicators are generally sound, with sufficient liquidity. Nonperforming loans are 3.9% of total loans and banks have provisions for them. Loan defaults are imminent as private sector activity contracts and incomes fall due to COVID-19 impacts. More than 70% of outstanding credit is for sectors directly affected by COVID-19: 32% for construction, 13% for trade, and about 25% for other services (including tourism). While no significant impacts are seen yet, the financial sector could come under pressure through loan defaults and financial soundness indicators could breach macroprudential thresholds.

17. **Social impacts.** The pandemic will have profound social impacts. About 41,500 Samoans were working in FY2017, of whom 37.2% were in the informal sector.¹⁵ By FY2021, more than 8,000 Samoans could lose their jobs, mainly in tourism and allied sectors. ADB estimates that about 30% of job losses could be women.¹⁶ The percentage of households living below the national basic needs poverty line could go up from 13.4% to 21.7% due to the pandemic.¹⁷ Poorer households could be hit hard by the decline in remittances. The elderly, disabled, and those with pre-existing health conditions will be more vulnerable because of COVID-19 impacts on access to basic and essential services. Social protection programs are limited. A universal pension scheme for people over 65 provides monthly payments, plus free health care in public hospitals

¹⁴ ADB. 2019. *Asian Development Outlook 2019 Update: Fostering Growth and Inclusion in Asia’s Cities*. Manila.

¹⁵ ADB estimates based on Samoa Bureau of Statistics. 2017. *Samoa Labor Force Survey Report, 2017*. Apia.

¹⁶ Women make up a third of workers in tourism and allied sectors.

¹⁷ Samoa National Statistics Office and United Nations Development Programme Pacific Centre. 2016. *Samoa Hardship and Poverty Report*. Apia.

and free interisland travel on public seagoing vessels. The government provides disability assistance through grants and subsidies to special education programs. The Samoa National Provident Fund (SNPF) is mandatory for formal workers and voluntary for informal workers. The country has no unemployment benefit schemes.

18. **Gender impacts.** Women will be affected through increased risk of infection to frontline health workers, job and income losses, and intimate partner violence. Based on the latest available data, 10.2% of female-headed households are vulnerable to slipping into basic needs poverty compared with 7.8% of male-headed households (footnote 17). Fewer women are employed than men in the formal sector, resulting in disproportionately more men getting social security benefits covering the formal sector.¹⁸ Women are more likely to work in wholesale and retail trade (which is affected by the economic downturn) and in public administration. Micro businesses make up 80% of the private sector, and 40% of them are headed by women. About 33% of women in business obtained bank loans, while the rest rely on family savings or a partner's income.¹⁹ Interest rates charged by microfinance facilities tend to be high.

19. **Downside risks to outlook.** The effects of the COVID-19 pandemic are likely to be protracted, and lockdowns and restrictions could continue well into FY2021 or even beyond until an effective COVID-19 vaccination is developed and distributed. This could lead to more severe socioeconomic impacts than described. An outbreak of COVID-19 or a major disaster caused by natural hazards (which hits Samoa every 4 or 5 years) could be devastating.

20. **Government's socioeconomic response.** The government has formulated a comprehensive countercyclical response program to mitigate the adverse impacts of COVID-19 (paras. 21–24).²⁰ The government program comprises two fiscal stimulus packages: one for ST66.3 million (\$24.8 million) as an FY2020 supplementary budget and another for ST83.1 million (\$31.1 million) as part of the FY2021 budget. The government program aims to (i) safeguard livelihoods and purchasing power of citizens, (ii) support productive sectors, and (iii) strengthen the health sector (Table 4). Given data and information constraints and significant informal employment, the risks of exclusion of vulnerable people are high, prompting a blanket extension of relief for some interventions. The government has considered the special needs of women and vulnerable groups in its response (paras. 38–39).

Table 4: Samoa's Countercyclical Response Program

Item	FY2020 Package	FY2021 Package
Safeguarding livelihoods and purchasing power of citizens	ST33.5 million	ST67.6 million
Supporting productive sectors	ST12.5 million	ST10.6 million
Strengthening the health sector	ST20.3 million	ST4.9 million
Total	ST66.3 million	ST83.1 million

Note: The health sector response in the stimulus program excludes ST120.6 million to the Ministry of Health under the FY2021 budget appropriations for individual ministries.

Source: ADB estimates, based on Government of Samoa announcements.

21. **Safeguarding livelihoods and purchasing power of citizens.** Under the government's countercyclical response program, the SNPF has announced a one-time special dividend for its 85,000 members, which includes formal and informal workers. A one-time ST400 special pension has been added to the elderly pension scheme (para. 17), and the pension has been increased

¹⁸ Labor force participation rates are 31.5% for women and 55.0% for men, and unemployment rates are 20.0% for women and 7.5% for men (footnote 15).

¹⁹ ADB. 2015. *Promoting Gender Equality and Women's Empowerment*. Consultant's Report. Manila (TA-6143 REG).

²⁰ A supplementary budget of ST23.6 million (1.1% of GDP) approved in December 2019 in response to the measles outbreak included ST12.4 million for the Ministry of Health and to cover expenses for measles eradication.

by ST15 a month. The prices of electricity and water have been reduced until December 2020 for households and several commercial businesses, with the Ministry of Finance (MOF) carrying the bulk of the costs. A one-off cash transfer of ST50 is provided for all Samoans. Unemployment benefits will be provided for 3,000–6,500 Samoans.²¹ Special paid training has been set up for up to 2,000 workers laid off in the hospitality and allied sectors.²² The SNPF has allowed contributors rendered unemployed in the hospitality industry to withdraw 20% of their contributions. The Samoa Housing Corporation has provided a 3-month moratorium on loan repayments. Import duty on specific food essentials identified by the MOF has been reduced.

22. The government has committed that all public servants will remain employed and that public service recruitment will be fast-tracked. Free health care for senior citizens and children below 15 and free maternal health care will continue without reductions. In view of import restrictions arising from border closures, the government is enhancing food security through support for taro, cocoa, coconut, fruit, and vegetable growers; waiver of licensing fees for domestic fishing vessels until December 2020; and employment of laid-off workers for land clearing and planting. Ongoing government projects, including developments for roads and water, will continue to ensure incomes for workers.

23. **Supporting productive sectors.** Rent-free operations for businesses and for about 4,000 market vendors are allowed from April to August 2020 on property owned by the government. The Development Bank of Samoa has set up special credit facilities for working capital for small businesses affected by COVID-19.²³ The Women in Business Development Program will support sustainable businesses using farm-based resources run by women. The government will provide funding of ST0.85 million to support female artisans (para. 39). Payments to the SNPF and the Accident Compensation Corporation are frozen for 6 months for the hospitality sector and 2 months for other sectors. The electricity usage rate for hotels is reduced significantly until December, to support the hospitality industry. The government is carrying 3 months of loan repayments for all small businesses under its Government Guarantee Schemes. Partial compensation is being provided to exporters for lost exports (agriculture and fishing).

24. **Strengthening the health sector.** Samoa will continue to prepare for COVID-19, guided by the Health Emergency Operations Center operational plan (para. 7). Funds from the government's stimulus program will help upgrade isolation rooms in hospitals (including a negative pressure room to prevent cross-contamination), strengthen quarantine facilities and laboratory capacity for local testing, and procure medical supplies and consumables. At least 100 frontline health workers will receive training on infection prevention control, contact tracing, and risk communication, such as limiting exposure of vulnerable groups to nonemergency consultations. These measures will be particularly important as Samoa reopens borders. All frontline health workers at Samoa's two referral hospitals will receive personal protective equipment appropriate for COVID-19. Each of 365 village women's committees will receive ST3,600 to promote rural health and sanitation practices (para. 39). Risk benefits in case of COVID-19 infection or death will be earmarked for frontline health workers, up to 1 year's salary.

25. **Financial sector measures.** In addition to the fiscal stimulus measures, the Central Bank of Samoa is committed to maintaining an accommodative monetary policy stance and providing

²¹ The benefits will use existing payroll for those who remain employed and individual bank accounts or direct claims for those who have lost their jobs. Beneficiaries will register themselves as affected workers, to be vetted by the Chamber of Commerce and relevant industry groups.

²² Affected workers will self-enroll to avail themselves of customized training on hospitality and services by the Australia Pacific Training Coalition and Samoa Tourism Authority.

²³ The facilities will support activities such as indigenous handicrafts and organic farming.

liquidity to support the private sector. The Central Bank of Samoa is engaging weekly with the Commercial Banks Association to ensure the soundness of the banking system in view of current and future disruptions to economic activities, reflect changes in loan classification and resulting losses in a timely and reliably manner, and provide guidelines on prudent loan restructuring. To monitor local inflation and prevent price gouging, the government has revived the Price Control Board to enforce a price ceiling for preselected necessities during the state of emergency.

B. Proposed Program and ADB's Value Addition

26. **Proposed program.** The Samoa HEALS Program will help the government implement its countercyclical COVID-19 stimulus expenditures. It will support relief measures for vulnerable groups and economic stimulus measures for productive sectors. It will provide the government with the fiscal space to meet critical public health needs while managing the economic downturn.

27. **ADB's value addition.** The Samoa HEALS Program builds on a strong base of country knowledge and relationships. In the past, ADB has supported emergency response, infrastructure, public sector management, and health.²⁴ ADB has advised the authorities on the stimulus program, particularly on formulating pro-poor responses that empower women. ADB has provided technical assistance through a rapid social assessment to understand the gender-differentiated socioeconomic impacts of the pandemic on the poor and vulnerable and collect baseline data.²⁵ Further advisory assistance will be provided to implement the stimulus program, monitor the impacts on vulnerable groups (including women), and design additional measures as needed.²⁶

28. The Samoa HEALS Program is part of an integrated package of ADB assistance that covers immediate response to COVID-19, short-term response to manage adverse socioeconomic impacts, and medium-term response to promote recovery and resilience. In the immediate aftermath of the pandemic, Samoa drew down \$2.9 million in grants from the Pacific Disaster Resilience Program for contingent disaster financing.²⁷ ADB is collaborating with the United Nations Children's Fund (UNICEF) on the procurement of essential medical equipment and supplies.²⁸ In the short term, the government's response to manage the socioeconomic impact is supported by the Samoa HEALS Program. An Asia Pacific Disaster Response Fund grant is also under discussion. In the medium term, ADB will support the health sector (including in the context of safe reopening of borders and reviving tourism),²⁹ improve public sector management, promote state-owned enterprise reforms, and boost disaster resilience. The contingent disaster financing, which has been drawn down, will be replenished and support reforms to strengthen disaster resilience. ADB will build the government's capacity to further reinforce the design and targeting of safety nets for the poor and vulnerable, including women (footnote 25). Proposed infrastructure projects in the pipeline will assist recovery, with priority given to local contractors to create jobs.

²⁴ Through policy-based lending, ADB has supported state-owned enterprise reforms, procurement and debt management, and resilience to climate change. ADB. 2016. *Proposed Programmatic Approach and Policy Based Grant for Subprogram 1. Independent State of Samoa: Fiscal Resilience Improvement Program*. Manila.

²⁵ ADB. 2020. *Strengthening Social Protection in the Pacific*. Manila (TA 9963-REG). Initial findings from the assessment confirmed that the proposed measures are appropriate, especially the priority given to affected workers and vulnerable groups.

²⁶ ADB. 2019. *Pacific Economic Management (Phase 3)*. Manila (TA 9719-REG).

²⁷ ADB. 2017. *Proposed Policy-based Loans, Policy-based Grants, and Technical Assistance Grant for the Pacific Disaster Resilience Program*. Manila.

²⁸ ADB. 2020. *Regional Support to Address the Outbreak of Coronavirus Disease 2019 and Potential Outbreaks of Other Communicable Diseases*. Manila (TA 9950 REG).

²⁹ ADB. 2018. *Proposed Loan and Grants. Independent State of Samoa, Kingdom of Tonga, Tuvalu, and Republic of Vanuatu: Systems Strengthening for Effective Coverage of New Vaccines in the Pacific Project*. Manila.

29. **Development partner coordination.** ADB has coordinated with partners to ensure a timely and substantial response, building on lessons from past engagement.³⁰ Dialogue between partners has been facilitated since 2009 by the joint policy action matrix process, which brings together ADB, the World Bank, and the governments of Australia and New Zealand to support Samoa's reform program. ADB's Pacific Country Office in Apia has participated formally and informally in development partner coordination meetings. ADB participated in the IMF's Article IV meetings in Apia in February 2020, and has coordinated with the IMF on post-COVID-19 key macroeconomic projections through regular dialogue and sharing of information. An IMF Rapid Credit Facility staff report was provided in lieu of an assessment letter (footnote 12).³¹

30. To support the implementation of Samoa's first stimulus package worth \$24.8 million in FY2020, the World Bank provided \$5.1 million in grants in March 2020 from its Catastrophe Deferred Drawdown Option and approved another \$3.4 million in grants in April 2020 through an emergency health project.³² ADB contributed \$2.9 million in grants in April 2020 (para. 28). Budget support and/or support to improve preparedness and response estimated at \$4.3 million in grants have been provided by the governments of Australia, Japan, New Zealand, and the People's Republic of China; the World Health Organization; several United Nations agencies; and the European Union.³³ The IMF approved \$22.03 million from the Rapid Credit Facility in April 2020 as balance of payments support to the Central Bank of Samoa.³⁴

C. Impacts of the Reforms

31. The Samoa HEALS Program is aligned with the following impacts: (i) effective and collective health response to the COVID-19 pandemic ensured (footnote 7), and (ii) an improved quality of life for all.³⁵ The effect of the Samoa HEALS Program will be adverse effects of COVID-19 on citizens and businesses mitigated. This will be achieved through (i) incomes of citizens, particularly vulnerable groups, safeguarded; (ii) productive sectors supported; and (iii) COVID-19 infection prevention, preparedness, and control strengthened. Specific measures are aligned with the government's comprehensive countercyclical response program (paras. 21–24).³⁶

D. Development Financing Needs and Budget Support

32. **Financing needs.** The government's financing needs will increase by \$64.7 million in FY2021 due to COVID-19. ADB's \$20 million CPRO will cover 24.5% of the projected FY2021 financing need of \$81.4 million. The Samoa HEALS Program focuses largely on supporting the government's second stimulus package (para. 20), although ongoing measures from the first package are also included. The government plans to seek additional grants from development partners, including policy-based grants that the World Bank and the governments of Australia and New Zealand are planning for FY2021 (Table 5). The government will seek additional project grants from bilateral partners. In the absence of sufficient grants to cover FY2021 development financing needs, the government plans to reprioritize budgeted non-stimulus expenditures or rely on domestic resource efforts (including direct assistance from public bodies and state-owned

³⁰ Development coordination (accessible from the list of linked documents in Appendix 2).

³¹ International Monetary Fund Assessment Letter (accessible from the list of linked documents in Appendix 2). ADB requested the letter on 20 April 2020, and the IMF provided the Rapid Credit Facility staff report on 28 April 2020.

³² International Development Association. 2020. *Samoa COVID-19 Emergency Response Project*. Washington, DC.

³³ The remaining \$9.1 million of the first package was funded through the government's foregone revenues, support from public bodies and reprioritization of other expenditures, with some measures to be implemented in FY2021.

³⁴ The support has a 0% interest rate, a grace period of 5.5 years, and a final maturity of 10 years.

³⁵ Government of Samoa, Ministry of Finance. 2016. *Strategy for the Development of Samoa 2016/17-2019/20: Accelerating Sustainable Development and Broadening Opportunities for All*. Apia.

³⁶ The design and monitoring framework is in Appendix 1.

enterprises). No new external or domestic loans are planned in the budget.

Table 5: Samoa's Financing Needs and Expected Support in FY2021

Item	FY2021 Pre-COVID-19		FY2021 Post-COVID-19		Change (\$ million)
	(\$ million)	(% of GDP)	(\$ million)	(% of GDP)	
Revenues	255.8	30.7	209.6	25.5	(46.2)
Expenditures	272.5	32.7	291.0	35.4	18.5
Financing needs	16.7	2.0	81.4	9.8	64.7
<i>Post-COVID-19 Financing Plan</i>					
ADB CPRO grant			20.0	2.4	-
World Bank grant			15.0	1.7	
New Zealand grant			3.1	0.4	
Australia grant			7.5	0.9	
Other (under discussion)			35.8	4.3	

ADB = Asian Development Bank, COVID-19 = coronavirus disease, CPRO = COVID-19 pandemic response option, FY = fiscal year, GDP = gross domestic product.

Source: ADB estimates; Government of Samoa estimates; and IMF. 2020. *Samoa. Request for Disbursement under the Rapid Credit Facility—Press Release; Staff Report; and Statement by the Executive Director for Samoa*. IMF Country Report No. 20/138. Washington, DC.

33. The government has requested a grant not exceeding \$20.0 million from ADB's Special Funds resources (Asian Development Fund) to help finance the Program. The grant proceeds will support development financing needs, excluding ineligible items.³⁷

34. **Debt sustainability.** Samoa was at high risk of debt distress before COVID-19 because of its vulnerability to disasters, but the debt was considered sustainable.³⁸ A post-COVID-19 IMF debt sustainability assessment finds that external debt continues to be at high risk, and sustainable over 20 years, even with financing of fiscal deficits through concessional loans (footnote 12).³⁹ Maintaining the indicative deficit target at 1% of GDP on average starting FY2023, and below the authorities' 2% annual deficit ceiling over the medium term, while seeking external grants to finance development, can lower the debt-GDP trajectory. ADB's assessment confirms that Samoa's debt will remain sustainable following COVID-19.⁴⁰ Since the government is seeking grants to finance fiscal deficits, Samoa's debt-GDP trajectory will be lower than envisaged by the IMF. The CPRO grant will help Samoa's debt sustainability by substituting for potentially more expensive borrowing to support the government's priority expenditures in a time of fiscal need.

E. Implementation Arrangements

35. The MOF will be the executing agency for the Samoa HEALS Program and oversee and coordinate its implementation. Despite technical and institutional capacity constraints, risks are mitigated as the government plans to primarily use functioning mechanisms to implement and monitor its program.⁴¹ The stimulus program will mostly use existing databases and disbursement channels to reach the target beneficiaries.⁴² A national response matrix has been prepared covering measures to be adopted by all government ministries, and chief executive officers of the ministries are responsible for overseeing implementation of sectoral actions. The government will

³⁷ List of Ineligible Items (accessible from the list of linked documents in Appendix 2).

³⁸ IMF. 2019. *Samoa: 2019 Article IV Consultation-Press Release; Staff Report; Staff Statement; and Statement by the Executive Director for Samoa*. IMF Country Report No. 19/138. Washington, DC.

³⁹ Samoa's external debt is mostly long term, with more than 50% being concessional loans owed to the World Bank and ADB, and the rest to bilateral partners (80% to the People's Republic of China).

⁴⁰ Debt Sustainability Analysis (accessible from the list of linked documents in Appendix 2).

⁴¹ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

⁴² Summary of Key Social Protection Measures in Stimulus Program (accessible from the list of linked documents in Appendix 2).

work with nongovernment organizations (NGOs) and village committees to provide welfare services to the poor and vulnerable. The government will monitor the budget execution and flow of funds for countercyclical measures through MOF quarterly reports. Monitoring of specific components will be subject to program monitoring using existing mechanisms (e.g., SNPF reviews of pensions and employment, and Ministry of Health reports on preparedness). ADB will provide technical assistance to implement specific measures as requested, monitor social outcomes, and support the government to evaluate results of social protection measures using sex-disaggregated data, overseen by ADB's Pacific Country Office in Apia.

36. The Samoa HEALS Program will be implemented from 1 July 2020 to 30 June 2021. The proceeds of the grant will be withdrawn, upon effectiveness, following ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

III. DUE DILIGENCE

37. **Governance.** The government is able to implement its budget, but there are weaknesses in procurement, accounting, financial reporting, and auditing. Improvements in public financial management are being supported by development partners, including ADB (footnotes 30 and 40). Anticorruption efforts are governed by legislation and regulations, with an active civil society putting checks on the government. An ombudsman, appointed by parliament, is in place to investigate citizens' complaints against the government. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the MOF and the government.

38. **Poverty and social.** Since elderly people are more vulnerable to poverty, the Samoa HEALS Program includes a one-off pension of ST400 per person for all elderly (estimated 10,000 people, of whom 54% are women), plus a ST15 monthly increase in elderly pensions. Unemployment benefits are budgeted for 3,000–6,500 workers (\$300 one-off payment for job loss, \$200 for forced leave without pay, \$100 for reduced working hours without pay). Resources are earmarked for frontline health care workers' risk benefits in case of COVID-19 infection or death. The one-time special dividend from the SNPF will cover 85,000 members, including informal workers. The stimulus program includes a one-time transfer of ST50 to all citizens, an estimated 10.1% of whom live below \$3.20/day. In-kind support and subsidies include reductions in water and electricity tariffs until December 2020 for households, 13.4% of which are poor and 19.5% headed by women. Funding is provided for assistance to vulnerable groups (including the disabled) through social welfare NGOs. Housing assistance is budgeted for poor households in need, and rent-free operations for about 4,000 market vendors until August 2020 will help informal workers. Removal of duties on basic food items until August 2020 as well as price controls to prevent inflation in the price of necessities will help the poor. Labor-market programs for the unemployed include support to agricultural firms to hire workers for land clearing and planting, and short-term paid training for up to 2,000 staff laid-off in the hospitality industry.

39. **Gender.** The Samoa HEALS Program is classified as *effective gender mainstreaming*. The program includes several proactive gender actions to help women meet their immediate needs during the crisis and to support women's empowerment in the medium and longer term. Measures to mitigate health risks include ring-fencing essential health services, including maternal health care, and risk benefits for frontline health workers (of whom 57% are women). Measures to address the impact of job losses include maintaining public service employment (of whom 53% are women) and introducing unemployment benefits for affected workers (of whom about 30% are estimated to be women). Support for women entrepreneurs includes (i) credit facilities and interest relief, including for rural women's microfinance loans; (ii) increased funding to women artisans to allow the preservation of cultural heritage; and (iii) support for the Women

in Business Development program under the Ministry of Agriculture and Fisheries. About 4,000 market vendors (of whom more than 75% are women) will operate rent-free from April until August 2020. Financial support is also provided for NGOs delivering services for gender-based violence survivors. To support women's participation and decision-making, the government will reestablish village women's committees as a central development coordination mechanism and forum for women's collective agency and leadership in communities, and provide ST3,600 each to 365 committees. The committees will disseminate information on COVID-19 and promote rural health and sanitation practices. Additional measures that will benefit women include removal of duties on basic food items, price controls, reduction in utility tariffs, one-off ST50 cash transfers to all Samoans, and higher elderly pensions.

40. **Safeguards.** Following ADB's Safeguard Policy Statement (2009), the Samoa HEALS Program is classified as *category C* for the environment, involuntary resettlement, and indigenous peoples. The actions have been assessed and are not expected to result in or lead to involuntary resettlement or negatively affect indigenous peoples or the environment.

41. **Risks.** Major risks and mitigating measures are summarized in Table 6 and described in detail in the risk assessment and risk management plan (footnote 41).

Table 6: Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
Prolonged COVID-19 pandemic and containment render the economic stimulus less effective, leading to further adverse effects.	ADB engages continually with the government and other development partners to devise an effective and appropriate response, including additional support if required.
Other external shocks (including disasters caused by natural hazards) undermine the fiscal position.	ADB plans to replenish in 2020 the contingent disaster financing facility that was drawn down because of the pandemic, so that the government has access to grants in case of another emergency.
Insufficient internal controls on government expenditure management (with elections coming up in early 2021) lead to diversion of resources for non-priority expenditures.	ADB closely monitors expenditures in collaboration with other development partners, including through MOF quarterly reports on countercyclical expenditures. Development partners provide support to implement stimulus measures as needed.

ADB = Asian Development Bank, COVID-19 = coronavirus disease, MOF = Ministry of Finance.

Source: Asian Development Bank.

IV. ASSURANCES

42. The government has assured ADB that implementation of the Program shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the grant agreement.

V. RECOMMENDATION

43. I am satisfied that the proposed grant would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the grant not exceeding \$20,000,000 to the Independent State of Samoa from ADB's Special Funds resources (Asian Development Fund) for the Health Expenditure and Livelihoods Support Program, on terms and conditions that are substantially in accordance with those set forth in the draft grant agreement presented to the Board.

Masatsugu Asakawa
President

21 July 2020

DESIGN AND MONITORING FRAMEWORK

Country's Overarching Development Objectives			
<p>Effective and collective health response to the COVID-19 pandemic ensured (Health Emergency Operations Center operational plan)^a</p> <p>An improved quality of life for all (Strategy for the Development of Samoa 2016/17-2019/20)^b</p>			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>Effect of the Reform^c</p> <p>Adverse effects of COVID-19 on citizens and businesses mitigated</p>	<p>By December 2021</p> <p>a. At least 95% of suspected cases of COVID-19 reported and investigated per approved protocol (FY2019 baseline: not applicable)</p> <p>b. At least 24,000 registered workers employed, of whom at least 42% are women (FY2019 baseline: 24,375 employed, of whom 42.1% are women)</p> <p>c. At least 70% of small and micro enterprises that receive economic stimulus support from special credit facilities established at the Development Bank of Samoa for enterprises affected by COVID-19 still in business (FY2019 baseline: not applicable)</p>	<p>a. Ministry of Health annual reports</p> <p>b. Samoa Bureau of Statistics quarterly employment reports</p> <p>c. Sex-disaggregated data from surveys conducted post-program (by the government and/or other organizations)</p>	<p>Prolonged COVID-19 pandemic and containment render the economic stimulus less effective, leading to further adverse effects.</p> <p>Disasters caused by other external shocks (including natural hazards) undermine the fiscal position.</p>
<p>Reform Areas</p> <p>1. Incomes of citizens, particularly vulnerable groups, safeguarded</p>	<p>By June 2021</p> <p>1a. One-off special pension of ST400 provided to at least 10,000 elderly citizens, of whom at least 54% are women (FY2019 baseline: not applicable)</p> <p>1b. Special dividend from the SNPF paid to 85,000 members, including all women members^d (formal and informal sector) (FY2019 baseline: not applicable)</p> <p>1c. Electricity and water rates reduced for all households (including female-headed households, which make up 19.5% of all households) from April to December 2020^e (FY2019 baseline: not applicable)</p>	<p>1a.–1b. SNPF annual reports</p> <p>1a.–1f. Special monitoring of social and gender impacts (with TA support)</p> <p>1c.–1f. Ministry of Finance quarterly reports</p>	<p>Insufficient internal controls on expenditure management lead to diversion of resources for non-priority expenditures.</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
2. Productive sectors supported	<p>1d. Employment in public administration remains at least 5,866, of whom at least 53% are women (FY2019 baseline: 5,866 employees, of whom 53% are women)</p> <p>1e. Free health care for the elderly and children below 15 and free maternal health care maintained without any reductions (FY2019 baseline: free health care for the elderly and children below 15 and free maternal health care)</p> <p>1f. Unemployment benefits paid to at least 3,000 workers, of whom at least 30% are women (FY2019 baseline: not applicable)</p> <p>2a. At least 4,000 market vendors (of whom at least 75% are women) operate rent-free on selected government-owned properties from April to August 2020 (FY2019 baseline: not applicable)</p> <p>2b. Special credit facilities for small businesses (including women-owned businesses) affected by COVID-19 operational at the Development Bank of Samoa^f (FY2019 baseline: not applicable)</p> <p>2c. At least 2,000 laid-off hospitality workers, of whom at least 30% are women, receive paid training in soft and minor skills (FY2019 baseline: not applicable)</p> <p>2d. Support program worth ST0.85 million for female artisans and preservation of cultural heritage in place (FY2019 baseline: ST0.35 million)</p> <p>2e. Agricultural stimulus support program worth ST2 million for fruit and vegetable growers in place (FY2019 baseline: not applicable)</p> <p>2f. Women in Business Development program worth ST0.3 million in place, under the Ministry of</p>	<p>2a.–2f. Ministry of Finance quarterly reports</p> <p>2a.–2f. Special monitoring of social and gender impacts (with TA support)</p>	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
3. COVID-19 infection prevention, preparedness, and control strengthened	<p>Agriculture and Fisheries (FY2019 baseline: not applicable)</p> <p>3a. At least 100 health workers, of whom at least 55% are women, trained in COVID-19 case definition, management, and treatment (FY2019 baseline: not applicable)</p> <p>3b. 100% of health workers, of whom at least 55% are women, in two national referral hospitals receive personal protective equipment appropriate for COVID-19 (FY2019: not applicable)</p> <p>3c. Funding of ST3,600 provided to each of the 365 village women's committees to promote rural health and sanitation practices (FY2019 baseline: not applicable)</p> <p>3d. Frontline health workers' risk benefit program worth a total of \$0.5 million earmarked in budget to support 1,020 frontline workers (57% of whom are women) in case of COVID-19 infection or death (FY2019 baseline: not applicable)</p>	<p>3a.–3b. Ministry of Health quarterly reports</p> <p>3a.–3d. Special monitoring of social and gender impacts (with TA support)</p> <p>3c. Ministry of Finance quarterly reports</p> <p>3d. FY2020–FY2021 annual budget documents</p>	
<p>Budget Support Asian Development Bank: \$20.0 million (Asian Development Fund grant)</p>			

COVID-19 = coronavirus disease, FY = fiscal year, SNPF = Samoa National Provident Fund, TA = technical assistance.

^a Government of Samoa, Ministry of Health. 2020. *Health Emergency Operations Center Operational Plan*. Apia.

^b Government of Samoa, Ministry of Finance. 2016. *Strategy for the Development of Samoa 2016/17-2019/20: Accelerating Sustainable Development and Broadening Opportunities for All*. Apia.

^c Due to uncertainties in how the outbreak will unfold, its economic effects, the need for government responses to be flexible as the situation evolves, and because new data collection and reporting systems to monitor the crisis are being developed and evolving, it is not yet possible to set more specific and realistic effect of the program targets than those presented in the DMF. Additional indicators to measure the effects will be identified at a later stage and used to report on the program's effectiveness as comprehensively as possible in the project completion report.

^d Sex-disaggregated data on SNPF members is currently unavailable.

^e The government has announced ST0.10 reduction in electricity unit rates, and ST0.20 reduction in water unit rates. Government of Samoa. 2020. *Budget Address on the Second Supplementary Budget Estimates 2019/2020*. 7 April 2020. Apia.

^f Credit facilities will cover working capital for existing businesses. Sex-disaggregated data on women-owned businesses is currently unavailable.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=54243-001-2>

1. Grant Agreement
2. Development Coordination
3. Country Economic Indicators
4. International Monetary Fund Assessment Letter
5. Summary Poverty Reduction and Social Strategy
6. Risk Assessment and Risk Management Plan
7. List of Ineligible Items
8. Debt Sustainability Analysis

Supplementary Documents

9. Summary of Key Social Protection Measures in Stimulus Program
10. Gender Monitoring Matrix
11. Safeguards Assessment Matrix

DEVELOPMENT POLICY LETTER

Please address all correspondence to:
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Government of Samoa
OFFICE OF THE MINISTER OF FINANCE

(Ministry of Finance; Central Bank of Samoa; Development Bank of Samoa; Samoa International Finance Authority; Samoa Life Assurance Corporation; Samoa National Provident Fund; National Energy Coordination Committee; National Tenders Board; Unit Trust of Samoa;)

03 June 2020

Mr. Masatsugu Asakawa
President
Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Subject: Samoa Health Expenditure and Livelihoods Support Program

Dear Mr. Asakawa:

The Government of Samoa would like to thank the Asian Development Bank for the proposed support for Samoa's efforts to combat the socio-economic effects of the COVID-19 pandemic on the poor and vulnerable, and to ensure the country's economy rebounds as swiftly as possible in these challenging times. The Government is fully committed in its efforts to respond to the pandemic, and has taken several critical measures as outlined below.

This development policy letter registered Samoa's interest in obtaining a \$20 million grant under the countercyclical support facility using the novel coronavirus disease 2019 (COVID-19) Pandemic Response Option (CPRO) for the Samoa Health Expenditure and Livelihoods Support Program. The assistance is muchly needed and timely as the Government seeks to implements its stimulus measures aimed at addressing the adverse social and economic impact from stringent containment and closure measures.

The coronavirus pandemic has been likened by many as a "Social and Economic Tsunami". This is due to the devastating effects of the pandemic that is nondiscriminatory and affects any person, therefore affecting Government operations, businesses and companies upon which the livelihoods and services of any nation rely on particularly the manufacturing industries overseas. At the end of last year, we responded to the measles epidemic. For the past eight months, the Government has effectively actioned and put into

place the necessary policies to protect our nation from any more epidemics to come as well as to try and revert our economy back to pre-epidemic levels. With early action, we have successfully prevented the coronavirus from breaching our borders. However, these measures have taken a toll on our economy, and affected our people. Our tourism sector, which is the lifeline for many citizens and businesses, has been particularly devastated.

We are committed to strengthening our health sector and supporting our businesses and citizens through these difficult times. In April 2020, we announced a countercyclical support package of ST 66.3 million as a second supplementary budget. As part of our FY2020/2021 budget, we have announced another countercyclical support package of ST 83.1 million. This assistance is the result of close collaboration between the various Government Ministries and Corporations, and is outlined below.

The Health sector response will cover steps for preparedness and prevention; negative pressure rooms; isolation rooms; quarantines; testing, tracing, reporting and treatment; and COVID-19 medical and consumables. We will further strengthen our rural hospitals. Risk benefits will be provided to frontline workers, in case of COVID-19 infection or death.

Several measures have been announced to enable the private sector. We will allow temporary rent-free operations for businesses and market vendors on several properties owned by the Government. We have suspended payments for the Samoa National Provident Fund and the Accident Compensation Corporation for six months for the hospitality sector and two months for other sectors. We have reduced significantly the electricity usage rate for hotels until December, and will subsidize the cost. We will carry temporary loan repayments for all small businesses under the Government Guarantee Schemes, and also provide some interest relief for business loans with commercial banks. Special credit facilities for small businesses affected by COVID-19 have been set up by the Development Bank of Samoa. Paid training has been organized for employees laid off in the hospitality sector. Government will compensate 5% of the value of primary agricultural exports and 1% of the value of fishing exports lost between February and May. License fees for class A, class B, and class C fishing vessels will be waived.

We will protect the livelihood of Samoans, and have taken steps to support purchasing power. The National Provident Fund has refunded all personal loan repayments for March, while contributors rendered unemployed in the hospitality sector will be able to withdraw 20% of their contributions—which is usually implemented for retired, migrated, or deceased contributors. The National Provident Fund has also announced a one-time dividend for its members as COVID-19 response. Samoa Housing Corporation has provided a 3-month moratorium on loan repayments, and reduced interest for 6 months. Import duty on specific food essentials has been reduced. In order to support our elderly citizens, a one-off payment has been added to the elderly pension scheme, and the pension has been

increased by ST15 tala a month. The prices of electricity and water have been reduced until December, for households and several commercial businesses, with the Government carrying the bulk of the reduction. We have announced a one-off cash transfer of ST50 for all Samoans, true to our principle of ensuring that no one gets left behind. Unemployment benefits will be provided and special paid training has been set up for up for workers laid off in the hospitality and allied sector.

The Government continues to acknowledge the role of women in the economy. Provisions for the "Ie Samoa Show" (Display of Samoan Fine Mats) has been increased to support traditional mat weaving. Village women's committees have been revived, and we will pay ST3600 to each to assist with initial activities. Women will benefit from interest relief on loans from South Pacific Business Development. They will also benefit from measures to protect the unemployed, from increased cash transfers, and from measures to control prices and provide housing support to the needy.

We are committed that all public servants will remain employed. Government projects will continue, to ensure income generation opportunities for workers. Free healthcare for senior citizens, maternal health, and children below 15 will be secured. We will enhance food security through support for taro, cocoa, coconut, fruit and vegetable growers, and employment to laid-off workers for land clearing and planting.

We believe these and other measures are the right approach to handle the COVID-19 crisis in Samoa. We are firmly committed to implementing these measures, and will ensure their successful impacts on the economy through these challenging times.

ADB's Samoa HEALS program will help us as we face declining revenues and step up stimulus expenditures. We would like to thank ADB for working closely with the Government in developing this program. We look forward to speedy approval of the program.

Yours sincerely,



Hon. Sili Epa Tuioti
Minister of Finance

**ASSESSMENT OF COMPLIANCE WITH THE ELIGIBILITY CRITERIA FOR THE COUNTERCYCLICAL SUPPORT FACILITY
AND THE COVID-19 PANDEMIC RESPONSE OPTION**

Access Criteria	ADB Staff Assessment
Adverse impact of exogenous shock	<p>Development constraints. Samoa, classified as an upper-middle-income country with a gross domestic product (GDP) per capita of US\$4,231 in FY2019, is a small Polynesian island country located in the South Pacific. The economy expanded by an annual average of 4.3% between 2002 and 2007, before the global financial crisis, but since 2009, growth has slowed to an average of 1.0% per year, due in large part to a sequence of economic shocks and disasters due to natural hazards that hit the country over this period. Samoa's economic development opportunities are constrained by remoteness from large markets and foreign suppliers, the small size of the domestic market, as well as the high frequency and intensity of disasters. These challenges have translated into comparatively low and volatile GDP growth rates, elevated public debt, high vulnerability to external shocks, and significant import dependence. These factors limit the government's ability to effectively respond to COVID-19.</p> <p>Key impact channels. The ongoing COVID-19 pandemic has significantly impacted the ability of Samoa's economy to sustain growth, maintain resilience in the face of adverse external shocks, and weather the contagion effects of the global slowdown. While early border closures have prevented a single confirmed case of COVID-19 in Samoa, the impact of the global contraction and strict travel restrictions and social distancing guidelines have had severe consequences for the Samoan economy through the following channels:</p> <ul style="list-style-type: none"> • Tourism. The key channel of socioeconomic impacts is through contraction in visitor arrivals, which had peaked at more than 178,500 arrivals in FY2019. Assuming travel restrictions in place until December 2020, visitor arrivals could plummet to about 38,500 in FY2021, with the contribution of tourism receipts to GDP also expected to fall significantly from 23.1% of GDP in FY2019 to around 5.2% in FY2021. This will negatively impact the performance of allied sectors like restaurants, accommodation, transport, and commerce which together account for about a third of employment. Foreign exchange inflows will also fall. • Remittances. Remittances (23.4% of FY2019 GDP) are projected to decline by almost 10% in FY2020, as seasonal workers—about 2,500 of whom work in Australia and New Zealand every year—are affected by travel restrictions. Since more than 80% of remittances are through money transfer operators, loss of the operators' correspondent banking relations in a tightening global regulatory landscape could further disrupt remittances. This will lead to lower consumption demand, particularly for vulnerable households who depend on remittance income, and declining foreign exchange earnings. • Trade. Samoa's merchandise trade will also suffer as tighter regulations on shipping and handling and border closures hamper the flow of goods. The country is highly dependent on imports (41.1% of FY2019 GDP), including food and fuel. Supply chain disruptions and restrictions in major trading partners will lead to imports falling by FY2021. Exports were only 5.8% of Samoa's FY2019 GDP, but are expected to contract by about 10% in FY2020 as Samoa's key export partners go into recession. Restrictions on movement of goods can weaken Samoa's export-oriented small and micro agribusiness industries which support employment and income of many smallholders. • Construction. Construction activity, which is about 6%–7% of GDP and supports about 7% of jobs, will be cut in half in FY2020. Some decline was to be expected with the completion of projects related to hosting the Pacific Games. Restrictions on international travel prevent movement of foreign consultants, contractors, and engineers who are important players in major infrastructure projects, and also hamper imports of construction equipment and materials for these projects. <p>Downward revision in projections for key economic variables. Economic impacts will be transmitted through these channels. The economy is projected to contract for two successive years, in FY2020 and FY2021. Expenditures, which were largely declining after the Cyclone Evan reconstruction phase in FY2014 due to fiscal prudence, are set to rise with fiscal stimulus and higher health expenditures to prepare for COVID-19; and revenues, which were rising since FY2016 due to domestic tax efforts and higher grants,</p>

Access Criteria	ADB Staff Assessment																													
	<p>will decline as tax revenues fall. The fiscal deficit will rise from an average of 1.8% of GDP in FY2013–FY2019 to 8.3% in FY2020–FY2022. The current account balance is projected to fall to its lowest levels since Cyclone Evan reconstruction in FY2014, largely due to a fall in tourism earnings and remittances, with current account deficits expected to average \$46.5 million projected for FY2020–FY2022. With disruptions to global supply chains and high dependence on imports, prices of imported goods are set to rise. Banking system indicators are generally sound, with declining non-performing loan ratios (7.1% in FY2015 to 3.9% in FY2019) and adequate liquidity, but could also come under stress with loan defaults as economic activity falls. The impacts of COVID-19 have led to significant downward revisions in projections of key economic variables for FY2020 and FY2021, as summarized below.</p> <table border="1" data-bbox="625 451 1831 623"> <thead> <tr> <th rowspan="2">Item</th> <th colspan="2">FY2020 Projections</th> <th colspan="2">FY2021 Projections</th> </tr> <tr> <th>Pre-COVID</th> <th>Post-COVID</th> <th>Pre-COVID</th> <th>Post-COVID</th> </tr> </thead> <tbody> <tr> <td>Real GDP growth (%)</td> <td>3.5</td> <td>(5.0)</td> <td>2.7</td> <td>(2.0)</td> </tr> <tr> <td>Fiscal balance (% of GDP)</td> <td>(1.2)</td> <td>(7.3)</td> <td>(2.0)</td> <td>(9.8)</td> </tr> <tr> <td>Current account (% of GDP)</td> <td>3.0</td> <td>(7.1)</td> <td>0.8</td> <td>(7.0)</td> </tr> <tr> <td>CPI inflation (%)</td> <td>2.0</td> <td>2.8</td> <td>1.9</td> <td>2.5</td> </tr> </tbody> </table> <p>Source: Asian Development Bank.</p> <p>Significant social distress. The pandemic will lead to social pressures in Samoa. Over 8,000 jobs could be lost by FY2021, mostly in the tourism and allied sectors, of which about 30% could be women. Latest available data shows greater risks for vulnerable groups, who may slip into poverty.</p> <ul data-bbox="590 764 1919 932" style="list-style-type: none"> • 8.3% of households nationally are at risk of slipping below the food poverty line, and 10.6% are at risk of slipping the below basic needs poverty line • Female-headed households and the elderly (aged 65+) are more at risk of slipping into poverty. • Remittances are particularly important for poorer households, who will be more at risk if remittance fall. • Vulnerability is greater among the 37.2% of all workers in the informal sector (including subsistence agriculture), of which about 25.0% are women. <p>Downside risks to outlook. The effects of the COVID-19 pandemic is likely to be protracted, and lockdowns and restrictions could continue well into FY2021 or even beyond until and effective COVID-19 vaccination is developed and distributed. This can lead to more severe impacts on the economy than described. An actual outbreak of COVID-19 or a major disaster caused by natural hazards (which hits Samoa every 4 or 5 years) could be devastating.</p>	Item	FY2020 Projections		FY2021 Projections		Pre-COVID	Post-COVID	Pre-COVID	Post-COVID	Real GDP growth (%)	3.5	(5.0)	2.7	(2.0)	Fiscal balance (% of GDP)	(1.2)	(7.3)	(2.0)	(9.8)	Current account (% of GDP)	3.0	(7.1)	0.8	(7.0)	CPI inflation (%)	2.0	2.8	1.9	2.5
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Countercyclical development expenditures	<p>The government has put in place a comprehensive pro-poor countercyclical stimulus program, comprising two fiscal stimulus packages. The government's program comprises measures to safeguard livelihoods and purchasing power of citizens; support productive sectors; and strengthen the health sector.</p> <p>The first stimulus package, a supplementary budget for FY2020 of ST66.3 million (\$24.8 million, 3.1% of GDP) was approved by Parliament in April 2020. It contains several important measures,</p> <ul data-bbox="590 1243 1919 1404" style="list-style-type: none"> • ST20.3 million for health sector response including: preparedness and prevention; negative pressure and isolation rooms; quarantine facilities; testing, tracing, reporting, and treatments; training for health workers; and COVID-19 medical and consumables. • ST12.5 million for private sector economic activity (with special measures for hospitality sector) including: temporary rent-free operations on property owned by SNPF, Samoa Ports Authority, and Samoa Airports Authority; reduction in electricity rates for hotels; and capital injection for Samoa Airways 																													

Access Criteria	ADB Staff Assessment
	<ul style="list-style-type: none"> • ST27.5 million to enhance purchasing power of Samoans, including: assistance from SNPF (withdrawal of 20% of contribution for unemployed in the hospitality sector); temporary moratorium and interest reduction on housing loan repayments; ST300 special pension added to next monthly pension for elderly; and temporary reduction in water and electricity tariffs. • ST3.5 million to support food security through intensifying local agricultural and fishing developments, including equipment and consumables required in the commercialization of local value-added agricultural processes like breadfruit flour, coconut oil, avocado margarine and others to substitute imports. • ST2.5 million for multisector response to COVID-19 as required, including community outreach, communication, education, and police. Furthermore: all public servants to remain employed; all government projects for roads, airport and water to continue to ensure income generation opportunities; and free health care to continue for senior citizens, children below-15, and maternal health. <p>As part of the budget for FY2021, a second stimulus package of ST83.1 million (\$31.1 million, 3.8% of GDP) was approved in June 2020. The package includes several countercyclical support measures.</p> <ul style="list-style-type: none"> • ST4.9 million for health sector response, including upgrades to district hospitals to better prepare for COVID-19; promoting rural health and sanitation practices through 365 rural village women's communities; and assistance for frontline workers and their families in case of infection/death while serving COVID-19 patients. • ST10.6 million for private sector economic activity including: 2% interest relief for business loans with commercial banks; special credit facilities for small businesses; paid training for up to 2000 laid off hospitality employees; reduction in electricity rates for hotels until December; and partial compensation to exporters for lost exports (agriculture and fishing). • ST60.1 million to enhance purchasing power, including: special dividend from SNPF (85,000 members); one-off cash transfer of ST50 to all citizens; one-off unemployment subsidy (ST300 if laid off, ST200 if leave without pay, ST100 if reduced work hours for up to 6,500 workers); rental subsidy until August for market vendors; ST100 special pension and ST15 increase in pension for 10,000 elderly (for one year); extension of temporary reduction in water and electricity tariffs (until December); and duty concession on food essentials. • ST2.2 million to support food security through support for taro, cocoa, coconut, fruit and vegetable growers; waiver of licensing fees for domestic fishing vessels until December; and employment to laid-off workers. • ST5.3 million for multisector response, including: community outreach; shelter financing for households in need; one-time increase in annual grants to schools to support COVID-19 prevention measures; and support to vulnerable groups through community service organizations.
Pre-shock record of generally sound economic management	<p>Prior to the COVID-19 pandemic, Samoa was implementing a sound budgetary framework. The authorities implemented measures aimed at improving revenue collection, including tax strengthening. The authorities' financial sector policies, including the focus on updating the supervisory and regulatory framework and improving access to credit, were largely in line with IMF recommendations. The external position of Samoa was also assessed to be broadly in line with fundamentals and desired policy settings.</p> <p>Economic management was generally sound prior to the pandemic. Samoa developed a medium-term fiscal framework in March 2013 (in the aftermath of Cyclone Evan disruptions) to bring the government's fiscal position to more sustainable levels over 3–5 years. ADB supported the development of this framework through the joint policy action matrix process, along with other development partners. The medium-term fiscal framework laid out various targets: (i) budget deficit below 2% of GDP; (ii) current expenditure below 30% of GDP; (iii) personnel costs below 40% of current expenditure; (iv) public debt below 50% of GDP; (v) debt service below 20% of total revenue; and (vi) import cover between 4–6 months of imports. Since FY2016, through fiscal consolidation measures, Samoa has largely stayed within these targets.</p>

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	<p>Aided by these policies, from an overall fiscal balance of -5.4% of GDP in FY2014 (largely due to Cyclone Evan reconstruction expenditures), Samoa recorded a fiscal surplus of 2.7% in FY2019. Expenditures were controlled after the FY2014 spike, coming down from 43.3% of GDP in FY2014 to 31.2% in FY2019. Revenues rose due to improved domestic resource mobilization efforts, with tax revenues rising steadily since FY2016. From 54.9% of GDP in FY2015, external debt has come down to 46.9% in FY2019, as the government relied primarily on grant assistance and lowered fiscal deficits. The government internally targets debt to be 50% of GDP or below, and relies primarily on grants or concessional loans to finance development as needed.</p> <p>The current account balance improved from -8.1% of GDP in FY2014 to 2.3% in FY2019, aided by strong tourism and growing remittances. Samoa had reserves amounting to more than 6 months of import cover when COVID-19 hit the world economy. The financial sector was healthy. Capital adequacy and liquidity ratios were trending upwards, with the liquid asset ratio exceeding its 5-year average, and banks were well-provisioned.</p> <p>Given generally sound macroeconomic management, the pre-COVID-19 outlook for Samoa was reasonably healthy, albeit with downside risks. Growth of 3.5% was projected for FY2020, with tourism expected to remain strong. A fiscal deficit of 1.2% of GDP was budgeted for FY2020, well within the government's threshold of 2.0%. High earnings from tourism and remittances were expected to continue, and lead to a current account surplus of 3.0% of GDP for FY2020. Slowdown in tourism and vulnerability to external shocks were considered the key risks facing the economy.</p>
Structural reforms	<p>Strong actions in the form of early travel restrictions and social distancing have prevented a COVID-19 outbreak. Samoa is one of the first countries in the world to implement strict travel restrictions in an effort to keep the economy free of COVID-19. Samoa has also been quick to take action in response to COVID-19 developments. On 18 March 2020, Samoa reported its first suspected case of the coronavirus, an individual who had travelled from New Zealand. In response, the Samoan Government required all travelers including Samoan citizens to undergo a medical check-up upon returning. On 20 March 2020, Samoa declared a state of emergency, closing its borders to all but returning citizens. On 26 March 2020, the international airport was closed.</p> <p>Through a proactive approach, the Health Emergency Operations Center operational plan was prepared with the objective to enhance the health sector's capacity in surveillance, early detection, control and prevention, response, and recovery from the COVID-19 outbreak in the country. The plan is flexible and being reviewed and updated as and when required by Ministry of Health. The plan was activated on 23 March 2020.</p> <p>A national sector preparations and response matrix against COVID-19 was also prepared in March, outlining short-, medium-, and long-term actions for the following sectors: agriculture, communications, community, education, energy, environment, finance, health, law and justice, public administration, trade and commerce, transport and communications, tourism, and water and sanitation. All chief executive officers of government ministries and public bodies were empowered to exercise their statutory functions and duties provided under any legislation for the implementation of the actions outlined in the matrix.</p>
Debt sustainability	<p>Samoa was already at high risk of debt distress prior to the pandemic, on account of its vulnerability and narrow economic base. Following the pandemic, external public debt will remain sustainable over the long run, although still at high risk. Domestic debt was only 1.5% of total public debt in FY2019. External debt as a share of GDP is expected to rise as higher fiscal deficits give rise to potential debt-creating flows. Maintaining the indicative deficit target at 1% of GDP on average starting from FY2023, and below the authorities' 2% annual deficit ceiling over the medium term, while seeking external grants to finance development projects, can lower the debt-GDP trajectory. Domestic debt is less than 0.8% of GDP, and will not affect debt sustainability if maintained at low levels.</p> <p>The Medium Term Debt Management Strategy 2016–2020 aims to achieve the government's overall debt management objective</p>

Access Criteria	ADB Staff Assessment
	<p>to ensure that the financing needs of Samoa are met at all times on a timely basis and that the borrowing costs are as low as possible over the medium term, within a prudent risk level. The strategy mandates that borrowing over the medium term should continue to prioritize external concessional borrowing by limiting approval for external loans to those with at least 35% grant element and that support projects with a minimum positive economic return sufficient to cover the interest and repayment costs. In addition, monitoring and management of public debt includes (i) implementation of the procedures and guidelines for contracting new loans and issuance of guarantees approved by Cabinet in 2014 to ensure that fiscal targets are adhered to; (ii) submission of annual reports to Cabinet and Parliament on debt management operations of the government; and (iii) setting of strategic indicators and targets to monitor the costs and risk exposure of the public debt portfolio. Effective implementation of the Medium Term Debt Management Strategy 2016–2020 is crucial to keep Samoa’s debt at sustainable level.</p> <p>Samoa’s external debt is on concessional terms, and long-term in nature. More than one half of total external debt is owed to multilateral institutions (mostly the World Bank and ADB), and the rest comes from bilateral donors, of which around 80% is owed to the People’s Republic of China. Debt is transparently reported, with the Ministry of Finance publishing government debt statistics on its website every quarter. This report covers the currency and creditor composition of government debt and the lending terms. The government seeks to maintain an indicative ceiling of 50% for the total debt–GDP ratio. Discussions with ADB suggest that the government is seeking to finance higher fiscal deficits following COVID-19 through grant financing from partners, with no loan financing specified in the budget. Any shortfall in partner grants is expected to be made up from revenue efforts (including direct assistance from public bodies and state-owned enterprises) and reprioritization of non-stimulus expenditures. The CPRO grant will help debt sustainability since it can substitute for potentially higher cost borrowing to finance fiscal deficits. The government is seeking grants from partners to finance its FY2020 and FY2021 deficits. No new loans (external or domestic) are planned to finance the fiscal deficit.</p>
Coordination with the IMF	<p>ADB has been in close contact with the IMF, and has coordinated on key economic projections and debt sustainability analysis post-COVID. The IMF is strongly supportive of the CPRO, and the Rapid Credit Facility staff report and debt sustainability analysis (28 April 2020) have been provided in lieu of an assessment letter.</p> <p>The IMF concluded in its assessment that the macroeconomic and financial sector performance in FY2019 was broadly sound, and that Samoa showed resilience despite frequent external shocks. Based on the IMF’s analysis, real GDP growth rebounded to 3.5% in FY2019, after a contraction in FY2018 due to the impacts of Cyclone Gita and the closure of an automotive manufacturing plant. The IMF was projecting GDP growth of 4.4% in FY2020 before COVID-19, and a fiscal deficit of 1.8% of GDP. The IMF noted that the risks to the outlook are tilted to the downside, largely due to the country’s high vulnerability to disasters and the potential withdrawal of correspondent banking relationships. In this context, the IMF has highlighted the need to build fiscal buffers, while implementing structural reforms targeted at boosting potential growth and making growth more inclusive.</p>

ADB = Asian Development Bank, COVID-19 = coronavirus disease, CPI = consumer price index, CPRO = COVID-19 pandemic response option, FY = fiscal year, GDP = gross domestic product, IMF = International Monetary Fund, SNPF = Samoa National Provident Fund.

Source: Asian Development Bank, Government of Samoa.