



CENTRAL BANK OF SAMOA

FINANCIAL SYSTEM DEVELOPMENT Annual Report

July 2019 / June 2020



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GOVERNOR'S FOREWORD

At the beginning of the period under review the Central Bank of Samoa joined the Sustainable Banking Network July 2019 joining the global action on combating climate change risks and other environmental dilemmas on economies and the implementation of monetary policy. Priority is towards establishing a sustainable finance framework for Samoa.

Other financial system development initiatives continued to be implemented during the period under review, albeit COVID-19 adapted. As such highlights of works and developments for the 2019-2020 period included:

- Substantial increases in mobile money usage following encouraged social distancing measures
- The closure of international travel pushed back the Automatic Transfer System (ATS) and Central Securities Depository (CSD) project implementation to 2021, but the hardware component was able to be delivered during this period
- Cancellation of the Global Money Week (GMW) celebration for 2020
- Virtual missions and meetings became the norm with development and donor partners to progress projects and works

Strong cooperation and collaboration with stakeholders was critical in all the initiatives and programs in the development of the financial system. This collective effort will be continuously harnessed as part of the Bank's mission of fostering a sound and vibrant financial system for Samoa's economic development.

Maiava Atalina Ainuu-Enari
GOVERNOR

Snapshot of Financial Access Points in Samoa



Commercial Bank Access Point¹

46

per 100,000 adults nationally²

56

per 100,000 adults in urban areas³

44

per 100,000 adults in rural areas

Mobile Money Access Point

93

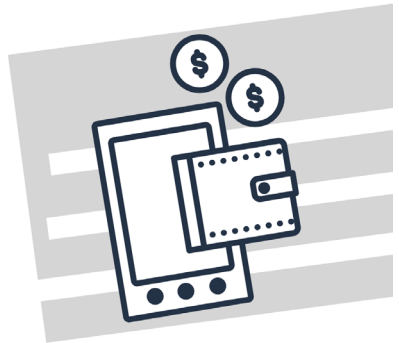
per 100,000 adults nationally

131

per 100,000 adults in urban areas

149

per 100,000 adults in rural areas



¹ An Access Point is defined as any physical entity in which an individual can perform BOTH cash-in (deposits) and cash-out (withdrawals) transactions. Thus, ATMs (with only cash-out function) and EFTPOS are excluded

² Source from Samoa Population and Housing Census 2016. Adults being people 15+ years and based on an annual growth rate of 0.85%

³ Urban areas and rural areas is based on regions as divided by Samoa Bureau of Statistics

INTRODUCTION

Financial System Development

The Central Bank's new mandated functions to promote financial inclusion and oversee the country's National Payment System led to the establishment of the Financial System Development Department. Their main objectives are to:

- achieve greater shared economic prosperity through financial inclusion,
- assist in developing deep and dynamic financial markets, and
- assist to safeguard the integrity, stability and soundness of the financial system

In the pursuit of these objectives, the work of the department is in the three areas of:

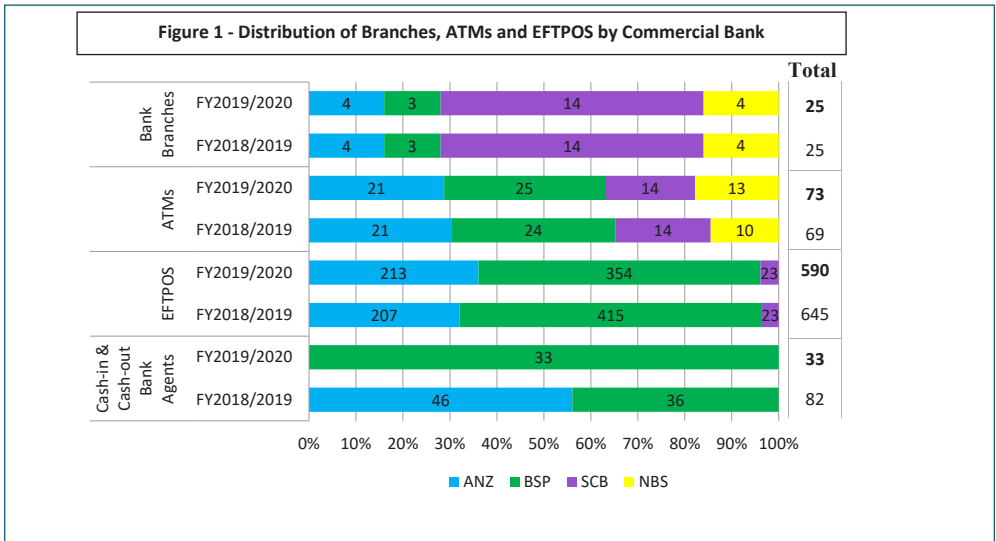
- Financial Infrastructure Development
- Financial Consumer Affairs and Market Conduct
- Stakeholder coordination and liaison with international partners
- Sustainable Finance

1. FINANCIAL INFRASTRUCTURE DEVELOPMENT



1.1. Developments in Financial Service Access

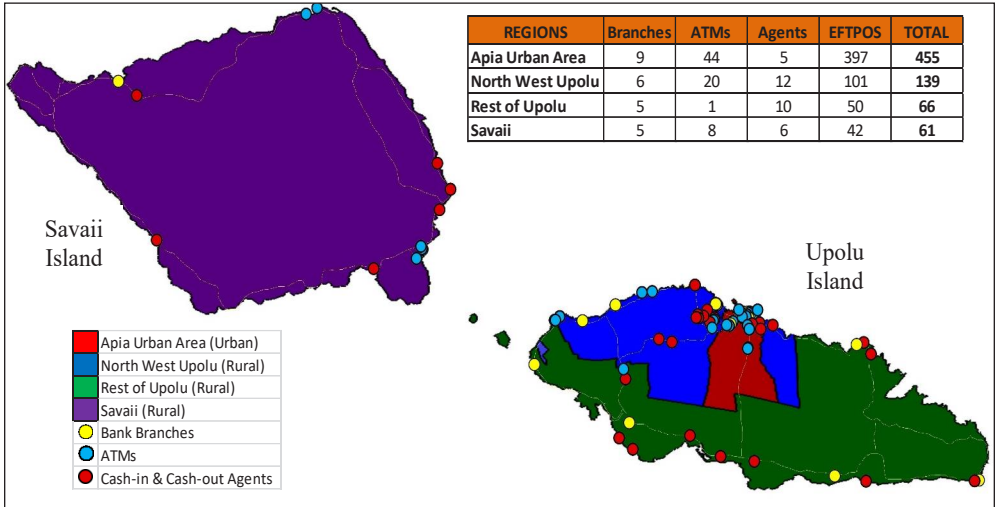
As of 30th June 2020, the number of commercial bank branches remained at 25, the number of Automatic Teller Machines (ATMs) have increased to 73 from 69, the number of Electronic Funds Transfer at Point of Sale (EFTPOS) outlets have decreased to 590 from 645 and the number of cash-in & cash-out bank agents (merchant stores) have also significantly decreased to 33 from 82 due to the removal of all agents by one commercial bank because of limited or no usage. (See figure 1 below)



When locating the physical financial access points of commercial banks by region, there were no significant changes when compared to previous financial year with Apia Urban Area (AUA)¹ holding more access points than the other regions with 455 financial access points; 139 financial access points are located in North West Upolu (NWU); Rest of Upolu (ROU) holds 66 financial access points; and Savaii (SAV) has the least number of access points at 61. (See figure 2)

¹ Region allocation as per Samoa Bureau of Statistics: Population and Housing Census Analytical Report, 2016; <http://www.sbs.gov.ws>

Figure 2: Map of Samoa: Commercial Banks' Financial Access Points per Region as of 30 June 2020



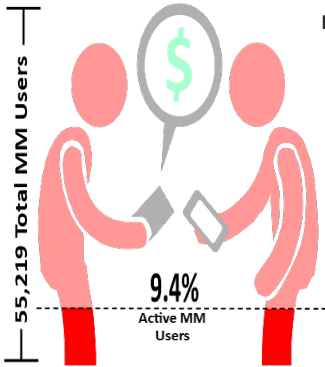
For the period under review the four commercial banks continued to offer financial services through various instruments such as mobile phones, card supported instruments and internet platforms. (Refer Figure 3 below)

Figure 3 : Financial Services Landscape by Access Instrument at end June 2020



1.2 Non-Bank Financial Service Providers

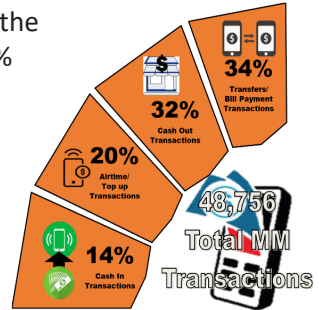
The two mobile network operators in the country continue to offer their mobile financial services also known as mobile money. For the financial year under review, there has been an increase in the number of MM customers enrolled by 7.9% compared to the previous financial year. However, only 9.4% of these customers were active mobile money users² in June 2020. When compared to the previous financial year, this number of active mobile money users have significantly increased by 88% (from 2,745 in June 2019 to 5,173 in June 2020) while the number of mobile money agents have also increased from 37 in June 2019 to 116 in June 2020.



The value of mobile money in circulation have also increased by 80% (from \$298,815.45 in June 2019 to

\$530,249.76 in June 2020).

Furthermore, there was also a significant boost in the number of transaction done via mobile money by 223% from June 2019 to June 2020. The top two transactions being transfer payments (including person to person transfers and bill payments) and cash out (or cash withdrawal) transactions. Overall, a significant increase in demand and usage of mobile money was noted for the period under review.



1.3 Financial Inclusion Data

At end June 2020, despite the removal of more than 59% of ‘cash in and cash out bank agents’ due to inactive usage, the overall number of cash-in and cash-out access points per 10,000 adults in the country have increased favourably compared to the previous financial year. This is due to the significant increase in the number of Mobile Money Agents from 37 in June 2019 to 116 in June 2020. However, most indicators suggests that the financial access points are still clustered in the Apia Ur-

² Defined as a customer/user that performed at least one transaction in the past 90 days

Table 1: Financial Inclusion Data Framework as of 30th June 2020

Indicator	June 2019					June 2020					Measurement Framework
	Total	AUA	NWU	ROU	SAV	Total	AUA	NWU	ROU	SAV	
Adult population ³	124,247	24,892	44,196	28,301	26,858	125,282	25,099	44,564	28,537	27,082	General
Land area in square kilometres	2,830	-	-	-	-	2,830	-	-	-	-	General
Number of bank branches	25	9	6	5	5	25	9	6	5	5	General
Number of ATMs	69	42	19	1	7	73	9	6	5	5	General
Number of EFTPOS outlets	645	419	113	69	46	590	397	101	50	42	General
Number of Cash-In and Cash-Out Bank Agents	82	27	17	17	21	33	5	12	10	6	General
Number of Mobile Money Agents	37	-	-	-	-	116	33	31	27	25	General
1. Number of cash-in and cash-out access points per 10,000 adults at the national level.	9.01	14.46	5.20	7.77	9.68	13.89	18.73	11.00	14.72	13.30	AFI ⁴
2. Number of branches per 10,000 adults nationally	2.01	3.62	1.36	1.77	1.86	2.00	3.59	1.35	1.75	1.85	AFI
3. Number of ATMs per 10,000 adults nationally	5.55	16.87	4.29	0.35	2.60	5.83	17.53	4.49	0.35	2.95	AFI
4. Number of EFTPOS per 10,000 adults nationally	51.91	168.32	25.57	24.38	17.13	47.09	158.17	22.66	17.52	15.51	AFI
5. Number of Agents per 10,000 adults nationally	9.58	10.85	3.85	6.00	7.82	11.89	15.14	9.65	12.97	11.45	AFI

Other Indicators	June 2019		June 2020		Measurement Framework
	June 2019	June 2020	June 2019	June 2020	
Coverage of cash in and cash out access points per 1,000 km ²			50.88	61.48	AFI
• Number of Branches per 1,000 km ²			8.83	8.83	AFI
• Number of ATMs per 1,000 km ²			24.38	25.80	AFI
• Number of EFTPOS per 1,000 km ²			227.93	208.48	AFI
• Number of Agents per 1,000 km ²			42.01	52.65	AFI
Number of mobile financial services access points per 10,000 adults			2.98	9.26	PIRIP ⁵
Number of mobile financial services accounts/mobile wallet accounts per 10,000 adults			4117.85	4407.58	PIRI
Percentage of banks offering mobile banking, such as checking one's balance from a mobile phone			0.75	0.75	PIRI
Percentage of banks offering mobile financial services, including transfer of e-money			0.50	0.75	PIRI

³ Source: Population and Housing Census Analytical Report, 2016; <http://www.sbs.gov.au> / adult population is based on annual growth rate of 0.85 percent

⁴ Alliance for Financial Inclusion (AFI) Indicators: Core set of financial inclusion indicators developed as a measurement tool to provide a method for capturing the status of financial inclusion within countries. Also allows for AFI member countries to compare financial inclusion progress using these common set of indicators.

⁵ Pacific Islands Regional Initiative (PIRI) Indicators: In addition to the AFI core set of indicators, the PIRI developed additional indicators that were relevant to the Pacific Region, also called PIRI Core plus indicators.

ban Area.

1.4. National Payment System

Automated Transfer System (ATS) & Central Securities Depository (CSD) Implementation

Part of the responsibilities for the oversight of the country's National Payment System as enforced in the National Payment System (NPS) Act 2014 is the installation of a system that aligns all available payments system by various service providers. To this end, with the technical assistance of the World Bank/IFC, the successful vendor was secured (namely Montran) and the work continues for the installation of the Automated Transfer System/Central Securities Depository (ATS/CSD).

After the ATS/CSD project kick off on March 2019, the project timeline was set and planned for system go-live in the first half of 2020. The work continued throughout the second half of 2019 with finalising system documentation, conducting regular consultation with relevant stakeholders and sourcing network requirements for the system. By November 2019, the Ministry of Finance (MOF) and Ministry of Customs and Revenue (MCR) both agreed to join the project.



However, due to COVID-19 pandemic the major project milestones such as system training, user acceptance testing, system pilot and go live date were pushed back and are tentatively scheduled for first half of 2021. Part of the system hardware was received within the period under review and installation is earmarked to be completed before the end of 2020.

Enhancing the Safety and Efficiency of the NPS Oversight Training

In efforts to boost capacity building in the payments area, the Central Bank of Samoa in collaboration with the World Bank Group and the Toronto Centre in Canada, co-hosted in September 2019 a regional workshop for central bankers on “Enhancing the Safety and Efficiency of the National Payments System: The Role of the Overseer”. The training aimed to expose participants to a holistic approach covering all the main areas of the payment, clearing and settlement ecosystem; as well as providing tools to effectively carry out the NPS oversight function; while also explor-

ing the recent developments in payment and settlement space. The participants of the training were the members of the Pacific Payments Remittances and Security Settlement Initiative (PAPRI) which consist of the Central Banks in the Pacific Region including Reserve Bank of New Zealand and the Reserve Bank of Australia.

National Payment System Subsidiary Legislations

On the regulatory side, work continues in finalising the NPS Oversight Regulations, NPS Guidelines for Agents, NPS Guidelines for Retail Payment instruments, and Directives for Electronic Funds Transfer.

1.5. Credit Data Bureau



The credit information bureau remains a priority for the CBS with its objectives of reducing lender risk and improving access to finance by allowing lenders to access more reliable information about all current and potential borrowers and their credit obligations; while at the same time making available more choices and better borrowing terms for consumers. With the assistance confirmed from PSDI/ADB on Technical Assistance and Policy work, the Credit Bureau Policy/Discussion Paper was completed in June 2020 to outline the vision and framework of the proposed Credit Bureau. The next step is to issue the Discussion Paper to relevant stakeholders for comments and feedback.

1.6. Micro Small Medium Enterprises

With the assistance from PFIP and UNESCAP, the consultant, Mr John Hardin, was secured to undertake a study on the MSME Access to Finance in Samoa. The MSME mission and consultation with stakeholders began in the second half of 2019, and the MSME Access to Finance Report was completed in June 2020. An opportunity also presented itself whilst finalising the MSME Access to Finance Report to prepare an additional supplementary report to provide guidance and support for MSMEs affected by COVID-19 pandemic lockdowns. The two reports are earmarked to be launched in a workshop consultation in August 2020.

2. FINANCIAL CONSUMER AFFAIRS AND MARKET CONDUCT



2.1. Global Money Week Events

Global Money Week is an annual financial awareness built to inspire children and youth to learn about Money Management in its simplest form. Global Money Week previously organised by Child & Youth Finance International (CYFI) has been handed over to the Organisation for Economic Cooperation and Development (OECD) International Network on Financial Education. Therefore, the 9th edition is now under the flagship of OECD.

Unfortunately due to the dramatic worsening of the COVID-19 pandemic, with numbers of countries affected worldwide, the usual global celebration in March was postponed until further notice and the CBS Financial Literacy Awareness was cancelled.

2.2. Financial Literacy Assistance for the DBS Agriculture Value Chain Finance Project

In July 2019, the CBS facilitated a request from the Development Bank of Samoa to provide financial literacy awareness training on basic money management skills for the selected farmers of the piloted Agriculture Value Chain Finance Project. This was the only financial literacy assistance during this financial year and CBS awaits future requests for assistance from DBS with regards to this project.

3. STAKEHOLDER COORDINATION AND LIAISON WITH INTERNATIONAL PARTNERS



3.1. National Financial Inclusion Taskforce (NFIT)

The National Financial Inclusion Taskforce (NFIT), the driver of the National Financial Inclusion Strategy (NFIS) 2017-2020 continued its quarterly meeting throughout the year sharing initiatives and progress in promoting financial inclusion and financial literacy in the country. A key activity conducted in the period under review was the midterm review of the NFIS. The report was finalised and submitted for Cabinet's information by end of 2019. As the current strategy is nearing its end of term, the

consultant, Ms Bhavana, was secured with the assistance of PFIP on June 2020 to review the NFIS 2017-2020 and also to conduct consultations for new NFIS II by December 2020.

3.2. Community Economic Empowerment Development Sub-Sector Committee

The CBS is also a member of the Community Economic Development Sub-Sector Committee which was established to pursue the Outcome 3 of the Community Sector Plan 2016 – 2021, targeting the economic empowerment of vulnerable individuals, families and villages. The committee meets quarterly and also provides a platform for CBS to update the committee on financial inclusion and financial literacy initiatives.

3.3. National Digital Identification Steering Committee

The CBS is a member of the Steering Committee for the National Digital ID that provides strategic direction and oversight in implementing the National ID project. The National ID project is led by the Samoa Bureau of Statistics.

3.4. Alliance for Financial Inclusion (AFI)

The CBS continued to be an active primary member of the AFI network, which is the world's leading organisation on financial inclusion policy and regulation. The CBS Governor, Maiava Atalina Ainuu-Enari, is a Board member of AFI since 2017. The AFI Board is the governing body of AFI.



The CBS actively contributes to AFI with its participation in the thematic working groups on financial inclusion data, small medium enterprises finance, consumer empowerment and market conduct, inclusive green finance, digital financial services and on financial inclusion strategies.

At the regional level it continued to work closely with other central banks in the Pacific in the Pacific Island Regional Initiative (PIRI). Under this initiative, the CBS in November 2019 facilitated the Regional Sandbox roadshow by AFI to gather views from the stakeholders in Samoa on challenges



and opportunities of having a national sandbox in Samoa and potentially being part of a regional sandbox in the Pacific.

Due to COVID-19 pandemic, the usual working group and regional initiative face-to-face meetings were cancelled and replaced with virtual/online meetings.

3.5. Pacific Financial Inclusion Program (PFIP)

The Pacific Financial Inclusion Programme (PFIP) is a joint program of the United Nations Capital Development Fund (UNCDF) and United Nations Development Programme (UNDP). Its aim is to increase access to sustainable, appropriate and affordable financial services by low-income and rural people in the Pacific Island Countries.



With the assistance of PFIP’s Financial Inclusion Coordinator in Samoa, the CBS continued its strong collaboration with PFIP to progress financial inclusion and financial literacy in Samoa.

4. SUSTAINABLE FINANCE



In recent years, central banks and regulatory authorities worldwide have increasingly recognized the need for global action from financial practitioners to address the challenges presented by climate change risks and other environmental dilemmas on the economies. In particular, the focus has been to drive the availability of sustainable finance, or ‘green finance’, to facilitate the development of business activities that supports environmental sustainability.

Sustainable finance generally refers to “any form of financial service integrating environmental, social and governance (ESG) criteria into the business or investment decisions for the lasting benefit of both clients and society at large” (Swiss Sustainable Finance). The integration of these sustainability considerations is consistent and would contribute towards achieving the United Nation’s Sustainable Development Goals (SDGs) and the Paris Climate agreement in relation to the environmental challenges.

In line with the Government’s priorities to address climate change matters, the Central Bank is also committed to assist with national efforts, through its Sustainable

Finance Initiative. With this in the mind, the Central Bank, on 3rd July 2019, joined the Sustainable Banking Network (SBN)⁶. To ensure beneficial financial practices and operations for the economic sustainability and prosperity of Sāmoa, CBS intends to undertake the following initiatives from 1st July 2019 to 31st June 2021:

1. to promote and raise market awareness about sustainable and green financial products and services in Sāmoa's financial system, with a focus to extending green growth lending by our licensed financial institutions to the wider general public and business community;
2. to work collaboratively with the financial institutions in the country to prepare and design appropriate policies and guidelines to boost the provision of finance for green-growth economic activities. This will also include coordination with the relevant Government ministries to ensure the potential supply of sustainable finance in the country is consistent with national priorities in addressing the issues of climate change and other environmental concerns.

As part of this initiative, the Central Bank will also conduct consultations with relevant stakeholders through surveys and other avenues as appropriate. This will enable the Central Bank to determine where we are at present and how Sāmoa's financial system can contribute efficiently and effectively to sustainable finance and economic development in the years ahead.

In the first half of FY2019/2020, initial consultations were undertaken with the commercial banks, insurance companies and two of our main non-bank financial institutions as well as relevant Government Ministries. An online survey was later made available through the Bank's website for nearly two months from the 21st February 2020. With the Central Bank's focus to ensuring a sound financial system at the outbreak of the Covid-19 and the implementation of Government's SOE restrictions since March 2020, priority was directed at ensuring the soundness of the banking system. Accordingly, some of the work relating to this Sustainable Finance Initiative have been slightly pushed back, although internal preparations are ongoing and noting as well as the related financing exposure and prevailing risks on the economy from Covid-19.

⁶ This is a group of emerging markets' financial regulators and banking associations established in 2012 and committed to advancing the sustainable finance agenda under the umbrella of the World Bank Group's International Finance Corporation (IFC).