



CENTRAL BANK OF SAMOA



# Financial System Development Annual Report 2020 - 2021



## Table of Contents

<b>GOVERNOR'S FOREWORD</b>	1
<b>SNAPSHOT OF FINANCIAL ACCESS IN SAMOA</b>	2
<b>INTRODUCTION</b>	3
<b>1. FINANCIAL INFRASTRUCTURE DEVELOPMENT</b>	4
1.1 DEVELOPMENTS IN FINANCIAL SERVICE ACCESS	4
1.2 NON BANK FINANCIAL SERVICE PROVIDERS	6
1.3 FINANCIAL INCLUSION DATA	6
1.4 NATIONAL PAYMENT SYSTEM	8
1.5 CREDIT DATA BUREAU	9
1.6 MICRO SMALL MEDIUM ENTERPRISES	9
<b>2. FINANCIAL CONSUMER AFFAIRS AND MARKET CONDUCT</b>	10
2.1 CBS FINANCIAL LITERACY CAMPAIGN 2021	10
2.2 CBS FINANCIAL LITERACY BROCHURES	<b>10</b>
2.3 FINANCIAL LITERACY ASSISTANCE	11
<b>3. STAKEHOLDER COORDINATION AND LIAISON WITH INTERNATIONAL PARTNERS</b>	12
3.1 NATIONAL FINANCIAL INCLUSION TASKFORCE (NFIT)	12
3.2 NATIONAL DIGITAL IDENTIFICATION STEERING COMMITTEE	12
3.3 ALLIANCE FOR FINANCIAL INCLUSION (AFI)	13
3.4 PACIFIC DIGITAL ECONOMY PROGRAMS (PDEP) AND PACIFIC INSURANE CLIMATE ADAPTATON PROGRAM	14
<b>4. SUSTAINABLE FINANCE</b>	14

## GOVERNOR'S FOREWORD

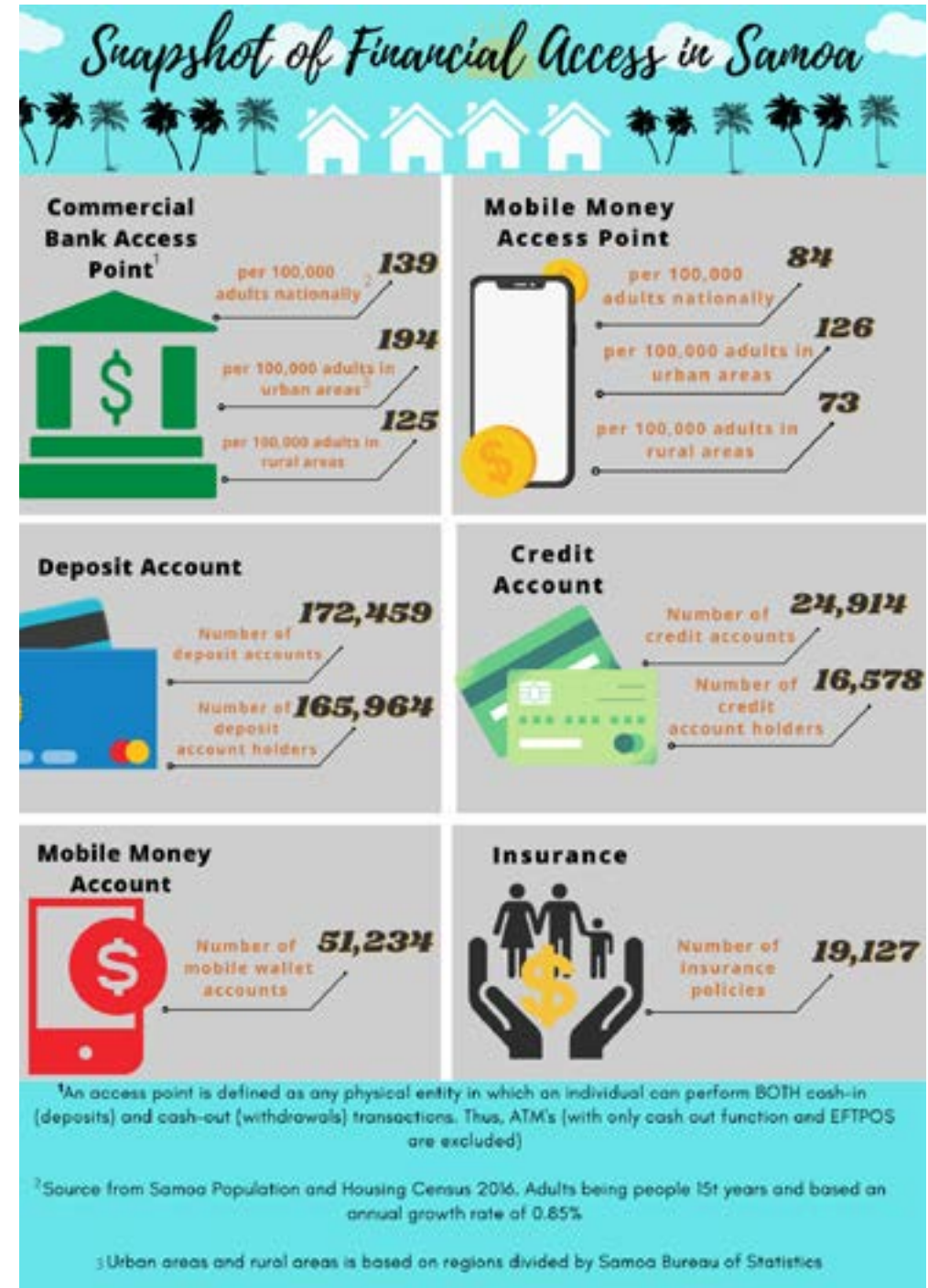
For the period under review,

- Overall financial access points still remained high and another year of strong mobile money usage was observed.
- ATS CSD implementation and credit bureau projects remained COVID-19 adapted with virtual support for these works continuing from the World Bank and Asian Development Bank.
- A new financial literacy awareness campaign on social media kickstarted in January 2021 and CBS continued to facilitate requests for financial literacy presentations.
- Since officially joining the Sustainable Banking Network in 2019, CBS continued to build concrete action in this area with data collection and initial works to draft Sustainable Lending guidelines and Principles.

It has been another difficult year with economic activity continuing to be suppressed by the COVID-19 pandemic and State of Emergency for Samoa. But continued stakeholder collaboration and cooperation was a key pillar in the roll out of the development initiatives. This remains crucial for the Bank to deliver on its mission of fostering a sound and vibrant financial system for Samoa's economic development.



Malava Aialina Aina'u-Enari  
GOVERNOR



## 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:

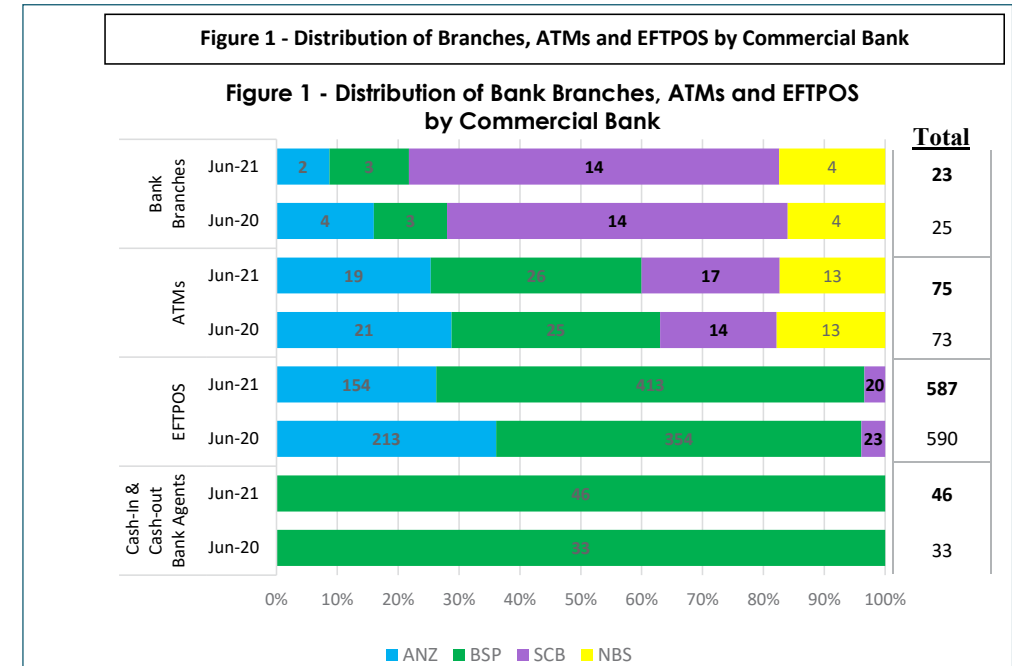
- Financial Infrastructure Development
- Financial Consumer Affairs and Market Conduct
- Stakeholder coordination and liaison with international partners
- Sustainable Finance

## 1. FINANCIAL INFRASTRUCTURE DEVELOPMENT

### 1.1. Developments in Financial Service Access

As at 30<sup>th</sup> June 2021, when compared to the previous period, commercial bank branches and the number of Electronic Funds Transfer at Point of Sale (EFTPOS) outlets decreased slightly to 23 from 25, and 590 to 587, respectively. On the other hand, increases were noted in the number of Automatic Teller Machines (ATMs) to 75 from 73, and the number of cash-in & cash-out bank agents (merchant stores) to 46 from 33 agents. (See figure 1 below)

figure 1 - Distribution of Branches

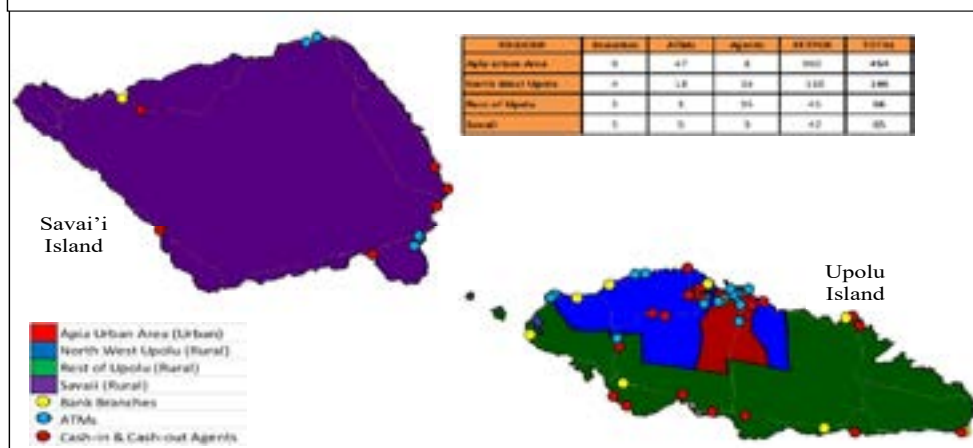


When locating the physical access points of commercial banks by region, there were no significant changes when compared to the previous financial year with Apia Urban Area (AUA) holding more access points than the other regions with 454 financial access points; 146 financial access points are located 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 65. (See figure 2)

<sup>1</sup> Cash-In and Cash-out Bank Agents – Cash In or Cash Deposit is the exchange of cash for electronic value and Cash-out or Cash Withdrawal is the exchange of electronic value for cash

<sup>2</sup> 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 at 30 June 2021



Note: ETPOS Access Points is unavailable

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)

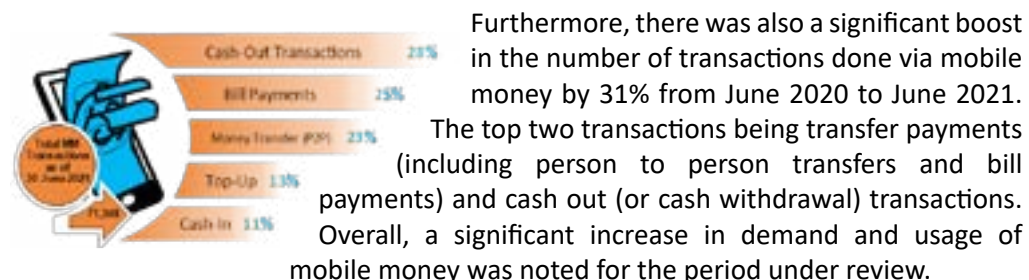
Figure 3 : Financial Services Landscape by Access Instrument at end June 2021



## 1.2 Non-Bank Financial Service Providers

The two mobile network operators in the country continued to offer their mobile financial services also known as mobile money. Digicel launched its My Cash App in December 2020 replacing its Digicel Mobile Money brand while Vodafone continue to offer their mobile money service known as M-Tala. For the financial year under review, there has been a decrease in the number of mobile money (MM) customers enrolled by 7.78% compared to the previous financial year. However, the number of active mobile money users have significantly increased by 13.44% (from 5,173 in June 2020 to 5,976 in June 2021) while the number of mobile money agents decreased from 116 in June 2020 to 106 in June 2021.

However, the value of mobile money in circulation increased by 26% (from \$530,249.76 in June 2020 to \$712,338.85 in June 2021).



## 1.3 Financial Inclusion Data

### Financial Inclusion Data Framework

At end June 2021 the overall number of cash-in and cash-out access points per 10,000 adults in the country decreased by 29% compared to the previous financial year. This is due to a decrease in the number of Mobile Money Agents from 116 in June 2020 to 106 in June 2020. However, most indicators suggests that the financial access points are still clustered in the Apia Urban Area. (Refer to Table 1.)

### Data Collection for National Financial Inclusion Taskforce related work

CBS continues to gather, analyse and compile Quarterly National Financial Inclusion Data Reports from Commercial Banks, Mobile Money Providers, Micro Finance Institutions and Insurance Companies. These are presented in the National Financial Inclusion Taskforce at its quarterly meetings.

Table 1: Financial Inclusion Data Framework as of 30<sup>th</sup> June 2021

Indicator	June 2020					June 2021					Measurement Framework
	Total	AUA	NWU	ROU	SAV	Total	AUA	NWU	ROU	SAV	
Adult population <sup>1</sup>	125,282	25,099	44,564	28,537	27,082	126,317	25,306	44,932	28,773	27,306	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	73	44	20	1	8	75	47	18	1	9	General
Number of EFTPOS outlets	590	397	101	50	42	587	390	110	45	42	General
Number of Cash-in and Cash-Out Bank Agents	33	5	12	10	6	46	8	14	15	9	General
Number of Mobile Money Agents	116	33	31	27	25	106	32	37	12	25	General
1. Number of cash-in and cash-out access points per 10,000 adults at the national level.	13.89	18.73	11.00	14.72	13.30	13.84	19.36	12.24	11.12	14.28	AFI <sup>2</sup>
2. Number of branches per 10,000 adults nationally	2.00	3.59	1.35	1.75	1.85	1.82	3.56	0.89	1.74	1.83	AFI
3. Number of ATMs per 10,000 adults nationally	5.83	17.53	4.49	0.35	2.95	5.94	18.57	4.01	0.35	3.30	AFI
4. Number of EFTPOS per 10,000 adults nationally	47.09	158.17	22.66	17.52	15.51	46.47	154.11	24.48	15.64	15.38	AFI
5. Number of Agents per 10,000 adults nationally	11.89	15.14	9.65	12.97	11.45	12.03	15.81	11.35	9.38	12.45	AFI

Other Indicators	June 2020		June 2021		Measurement Framework
	June 2020	June 2021	June 2020	June 2021	
Coverage of cash in and cash out access points per 1,000 km <sup>2</sup>			61.48	61.84	AFI
- Number of Branches per 1,000 km <sup>2</sup>			8.83	8.13	AFI
- Number of ATMs per 1,000 km <sup>2</sup>			25.80	26.50	AFI
- Number of EFTPOS per 1,000 km <sup>2</sup>			208.48	207.42	AFI
- Number of Agents per 1,000 km <sup>2</sup>			52.65	53.71	AFI
Number of mobile financial services access points per 10,000 adults			9.26	8.39	PIRI <sup>3</sup>
Number of mobile financial services accounts/mobile wallet accounts per 10,000 adults			4407.58	4055.99	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			0.75	0.75	PIRI

<sup>1</sup> Source: Population and Housing Census Analytical Report, 2016: <http://www.sbs.gov.ws> (adult population is based on annual growth rate of 0.85 percent)

<sup>2</sup> 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.

<sup>3</sup> 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.

To gather information and data from the demand side surveys, the CBS is currently liaising with the Samoa Bureau of Statistics on including financial inclusion questions into the Population Housing Census in November 2021.

### Data Collection for Micro, Small and Medium Enterprises (MSME)

CBS is currently putting together an MSME data template that is in line with the MSME national definition<sup>6</sup> as referenced in the MSME Development Policy and Strategy 2020. The MSME data template is planned to be completed in the second half of 2021.

### 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 provided 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).



The system hardware and software installation at the CBS main office was completed in August-October 2020. Furthermore, system documentation for the participation of the Ministry of Finance and Ministry of Customs and Revenue was finalised in December 2020.

However, the face to face system training by the system vendor (Montran) was substituted by virtual trainings because of travel restrictions due to COVID-19 pandemic. The virtual training for CBS on ATS was conducted in June 2021 while the trainings for Participants is scheduled for early 2022. The ATS/CSD launch and go live is earmarked for the first half 2022.

Business size classification	Micro	Small	Medium	Large
Number of Registered Employees	<5	5-9	10-25	>25

## National Payment System Subsidiary Legislations

On the regulatory side, work continues in finalising the subsidiary legislations of the NPS Act namely; 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 of PSDI/ADB, the feedback from relevant stakeholders on credit bureau discussion paper were incorporated in the development of the Policy Paper and Issues Paper on legal framework of the credit bureau. These documents supported the drafting of the credit bureau bill which is the priority activity for the credit bureau work. Completion and finalisation of the bill is earmarked for December 2021.

### 1.6. Micro Small Medium Enterprises

In August 2020, the CBS co-hosted with PFIP and UNESCAP a consultation workshop to launch the MSME Access to Finance Report, as well as the additional supplementary COVID-19 report which were completed in June 2020. The reports were prepared by the consultant, Mr John Hardin.

Following the recent MSME Development Policy and Strategy that was launched in April 2021, CBS is putting together a data template that aligns with the standardized MSME definition/policy for financial institutions' reporting

## 2. FINANCIAL CONSUMER AFFAIRS AND MARKET CONDUCT

### 2.1. CBS Financial Literacy Campaign 2021

In discharging its mandate to promote financial literacy for a well-informed Samoan citizenry towards money, the Central Bank of Samoa launched a campaign called Tala and Sene's Financial Adventures

in January 2021. The campaign aims to advocate on various financial topics for 12 months. The campaign social media based and is mainly focused on using the Facebook platform through the Financial Literacy by Central Bank of Samoa page while still using other platforms such as YouTube and local radio.



At end of June 2021 and having been only 6 months since launched the campaign has managed to increase the number of followers to the Facebook page by 501 likes which adds to a total of 983. The engagement from people are slowly increasing by commenting on various posts and sharing it to their personal Facebook page.

### 2.2. CBS Financial Literacy Brochures

The Central Bank of Samoa continues to advocate in empowering our people in terms of basic money skills by providing financial literacy brochures which are publicly available. These financial literacy brochures are available at the Central Bank of Samoa building floor 1 and website. The brochures are in a set of four which are: Managing Money, Spending Money, Saving Money and Borrowing Money.



Brochures are also provided based on requests from various organizations. In July 2020 Central Bank of Samoa provided 700 brochures to the Nofotane Project facilitated by the Samoa Victim Support Group in empowering women around the entrepreneurship space.

### 2.3. Financial Literacy Assistance

As mandated to promote financial literacy in the country, the Central Bank of Samoa has assisted in offering financial literacy awareness presentations when requested by various Government Ministries as part of their programs that they offer to selected participants. Such programs that the CBS have assisted during this financial year are as follows;

#### **DBS Agriculture Value Chain Finance Project**

Central Bank of Samoa continues to facilitate financial literacy trainings as per requests from the Development Bank of Samoa in managing basic income for farmers that are involved in the Agriculture Value Chain Finance Project. In September 2020 another training was provided for the latest intake of farmers.

#### **MWCSD Small Business Incubator for People with Disability**

In April 2021, the MWCSD conducted in Savaii its Samoa Disability Development Program (SDPP) which is part of their Small Business Incubator (SBI) without walls initiative and is funded by Australian AID. The program aims to provide people with disabilities and their carers/families with essential business and financial literacy training. The CBS assisted with the program in conducting its Financial Literacy presentation and how it relates to the overall goal of the initiative. The program was participated by 29 Caregivers and 27 people with disabilities.



***Representatives of CBS and MWCSD with participants of Small Business Incubator for People with Disability in Savaii***

## 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 meetings throughout the financial year sharing initiatives and progress in promoting financial inclusion and financial literacy in the country. As the current strategy was nearing the end of its term, the consultant, Ms Bhavana Srivastava, was contracted with the assistance of PFIP to review the NFIS 2017-2020 and also to conduct consultations for the new NFIS 2021/2022 – 2026/2027. The review of the NFIS 2017 – 2020 and consultation for NFIS 2021/2022 – 2026/2027 were conducted in August - September 2020. These consultations were done through bilateral meetings with financial inclusion stakeholders which includes financial services providers, government ministries and agencies, development partners and end-user focus groups.

#### **NFIS 2017-2020 Review**

After consultations with stakeholders, the review of the NFIS 2017-2020 was prepared and finalised by NFIT and it is planned to be tabled for approval in the first meeting of National Financial Inclusion Council and later for cabinet endorsement.

#### **NFIS 2021/2022 – 2026/2027 Consultations**

The new NFIS 2021/2022 – 2026/2027 was prepared after consultations with stakeholders and has been tabled for review by the NFIT through a special meeting held in March 2021 and 2nd special meeting to be held in July 2021. One of the main features to be introduced in the new strategy is the governing structure which includes an additional high-level council known as the National Financial Inclusion Council (NFIC). The NFIC will be responsible for approving the new strategy as well as providing policy and strategic direction for NFIT and NFIS. The NFIS 2021/2022 – 2026/2027 is planned to be tabled for approval in the first meeting of National Financial Inclusion Council and later for cabinet endorsement.

### 3.2. 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.



### 3.3. 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 the Alliance 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. Furthermore, CBS has also participated in virtual member trainings on inclusive green finance, financial inclusion data, agent networks, MSME Access to Finance and NFIS implementation and monitoring.

Through AFI's in-country implementation support to its members, CBS has applied for assistance on developing its inclusive green finance and digital financial services agenda. These initiatives are earmarked for the second half of 2021.

#### **Pacific Islands Regional Initiative**

At the regional level it continued to work closely with other central banks in the Pacific in the Pacific Island Regional Initiative (PIRI). CBS participated in PIRI leader's roundtable and EGFIP virtual meetings on May 2021.



Under this initiative, the CBS continues to work with AFI and PIRI members to implement the Regional Regulatory Sandbox in the Pacific. To date, the online portal for the regional sandbox is soon to be implemented while each member country works on their respective national sandboxes to complement the regional regulatory sandbox<sup>7</sup>.

<sup>7</sup> A term given to a test and learn approach, whereby a new innovation is given admission by the Regulator to pilot in a controlled environment to test commercial viability under regulatory compliance. It is also an opportunity for the Regulator to review its regulatory space for any gaps and improvements.

### 3.4. Pacific Digital Economy Program (PDEP) and Pacific Insurance Climate Adaptation Program

The Pacific Financial Inclusion Programme (PFIP) joint program of the United Nations Capital Development Fund (UNCDF) and United Nations Development Programme (UNDP) has reached the end of its term in end of 2021. The CBS had a strong working relationship with PFIP through its Financial Inclusion Coordinator in Samoa.

The CBS will continue its strong collaboration with UNCDF and UNDP through its new programs replacing PFIP. These are the Pacific Digital Economy Program (PDEP) and Pacific Insurance Climate Adaptation Program (PICAP). PDEP aims to work with private and public sector partners to build inclusive digital economies targeting low-income households with cross-cutting focus on women, youth, migrant and MSME segments. The objective of PICAP is to improve the financial preparedness of Pacific households, communities, small businesses, organisations and governments towards climate change and natural hazards through a combination of stakeholder engagement, co-creation of solutions, awareness and capacity building, innovative financing options and digital linkages – with a robust interface to the 2030 Sustainable Development Goals.

## 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.

During the year, the initial drafting of a Sustainable lending Guidelines and Principles document for the financial institutions began. This will contribute to the policy framework to assist with the promotion of sustainable and green finance in Samoa in the near future. Further, current lending in this area has been gradually collected since April 2020 to form the baseline data for future measurement of the progress in this initiative.

### **Improving the Performance and Reliability of Renewable Energy Power Systems in Samoa (IMPRESS) Project**

The IMPRESS project is coordinated by the Ministry of Natural Resources and Environment and aims to improve sustainable and cost-effective utilization of indigenous Renewable Energy resources for energy production in Samoa. The CBS was invited to be part of this project on a Technical Working Group meeting in September 2020 in relation to Components 3 and 4 which focuses on access to financing and business models for electricity saving, productive and social uses of renewable energy.

The CBS continues to contribute to the project by providing responses to questionnaires and encouraging commercial banks in providing necessary information to the project coordinator in developing business model and financing scheme for renewable energy.