



Infrastructure Financing

Central Bank of Samoa Mandates

- ▶ Formulate and Monitor the Implementation of the Monetary Policy;
 - ▶ Sustainable economic growth through prices stability;
- ▶ Supervise and regulate financial institutions
 - ▶ Sound and Stable Financial System;

Presentation Objectives

▶ Current Monetary Environment

- ▶ *Interest rate levels;*

- ▶ CBS securities;

- ▶ Bank Deposits and Lending;

- ▶ *Levels and Types of Lending;*

- ▶ Banks;

- ▶ Non-monetary Financial Institutions (NFIs)

- ▶ *Liquidity levels;*

- ▶ Domestic

- ▶ Foreign

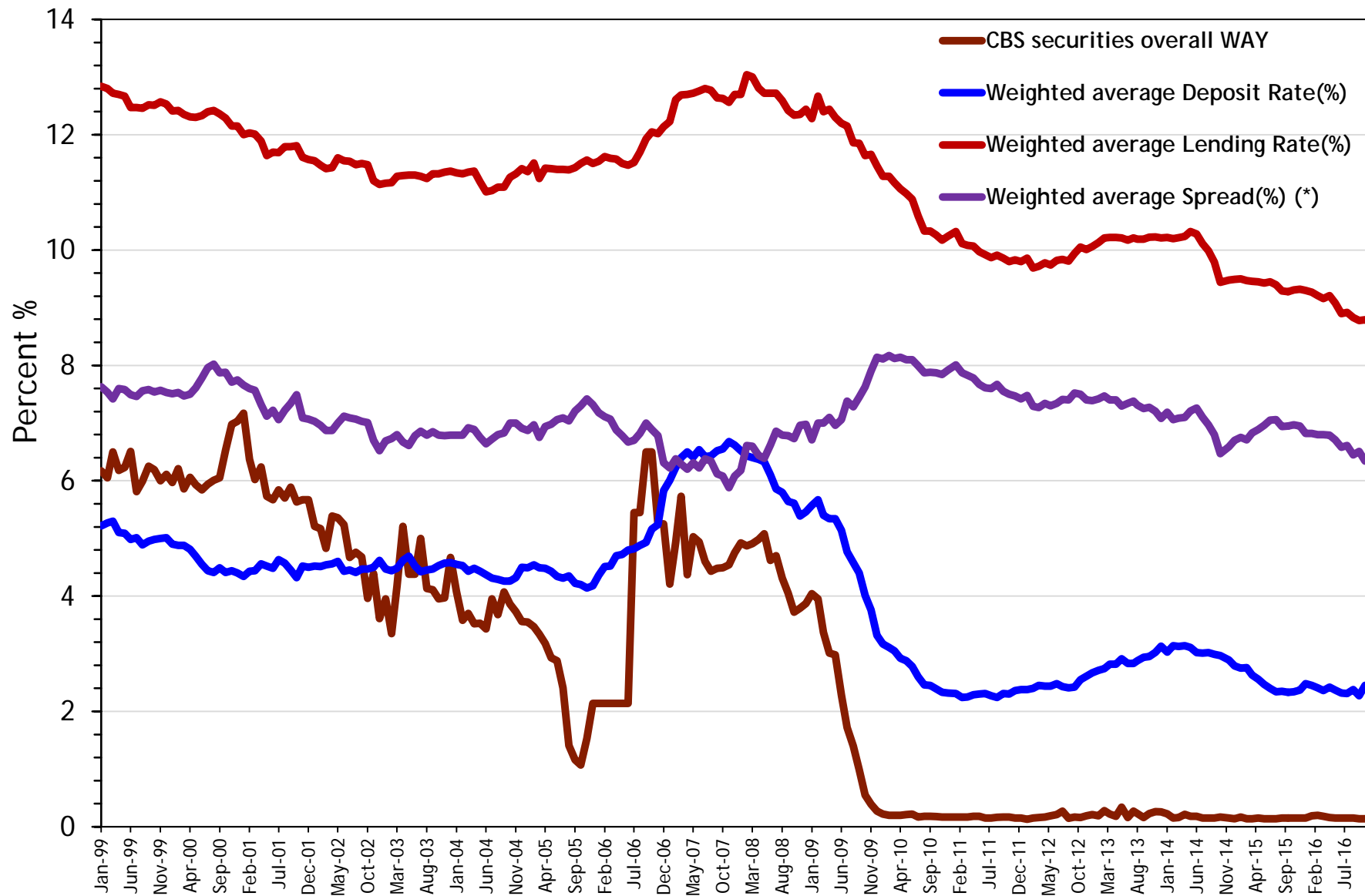
- ▶ *Exchange rate level;*



Presentation Objectives

- ▶ Financial Instruments Available
 - ▶ Domestic borrowing;
 - ▶ Commercial banks;
 - ▶ Convertible securities;
 - ▶ Government securities;
 - ▶ Foreign borrowing
 - ▶ Commercial banks
 - ▶ Government securities;
 - ▶ International Financial Institutions (IFIs);

Commercial Banks Interest Rates (1999 to present)

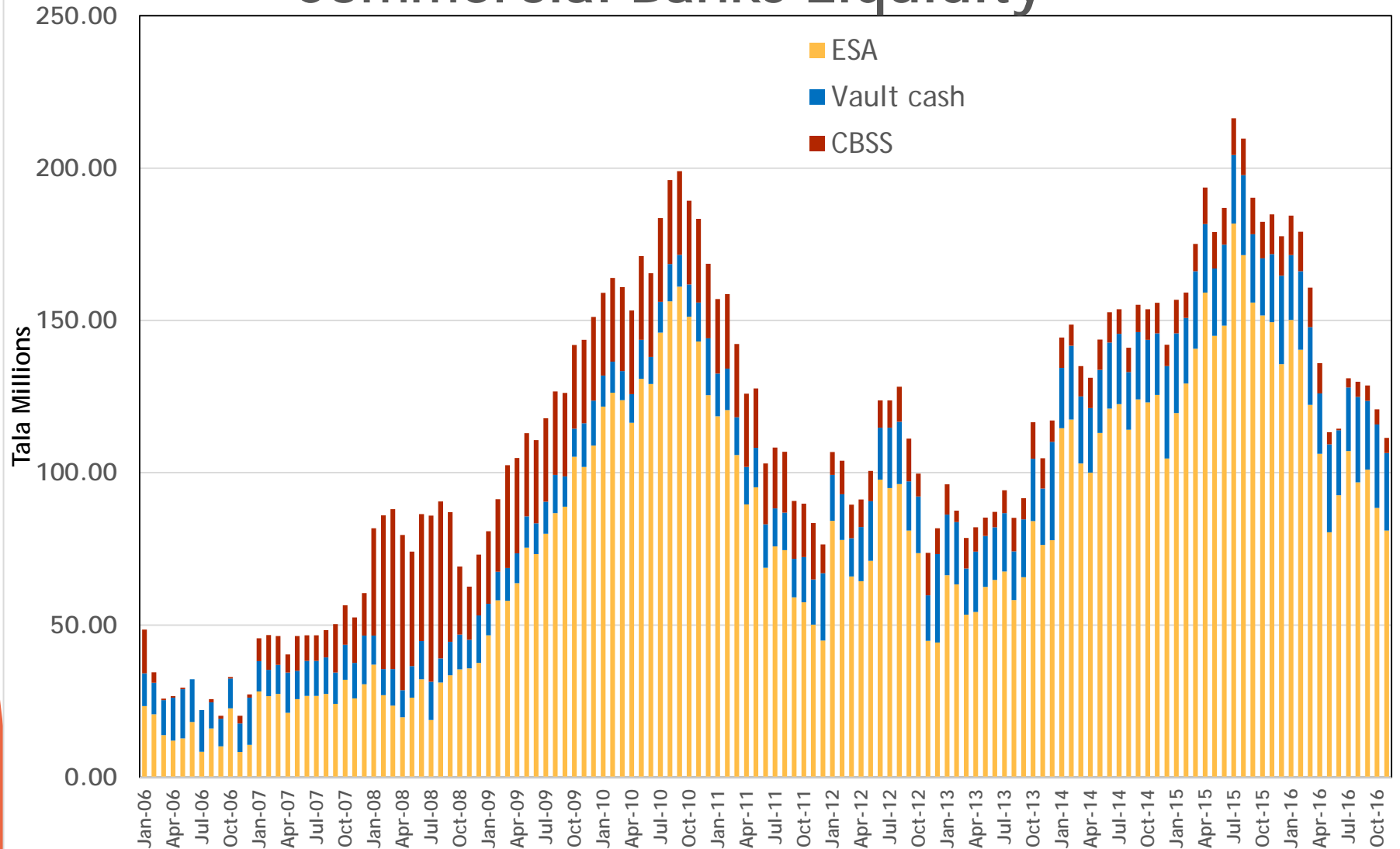


Bank Fees and Charges

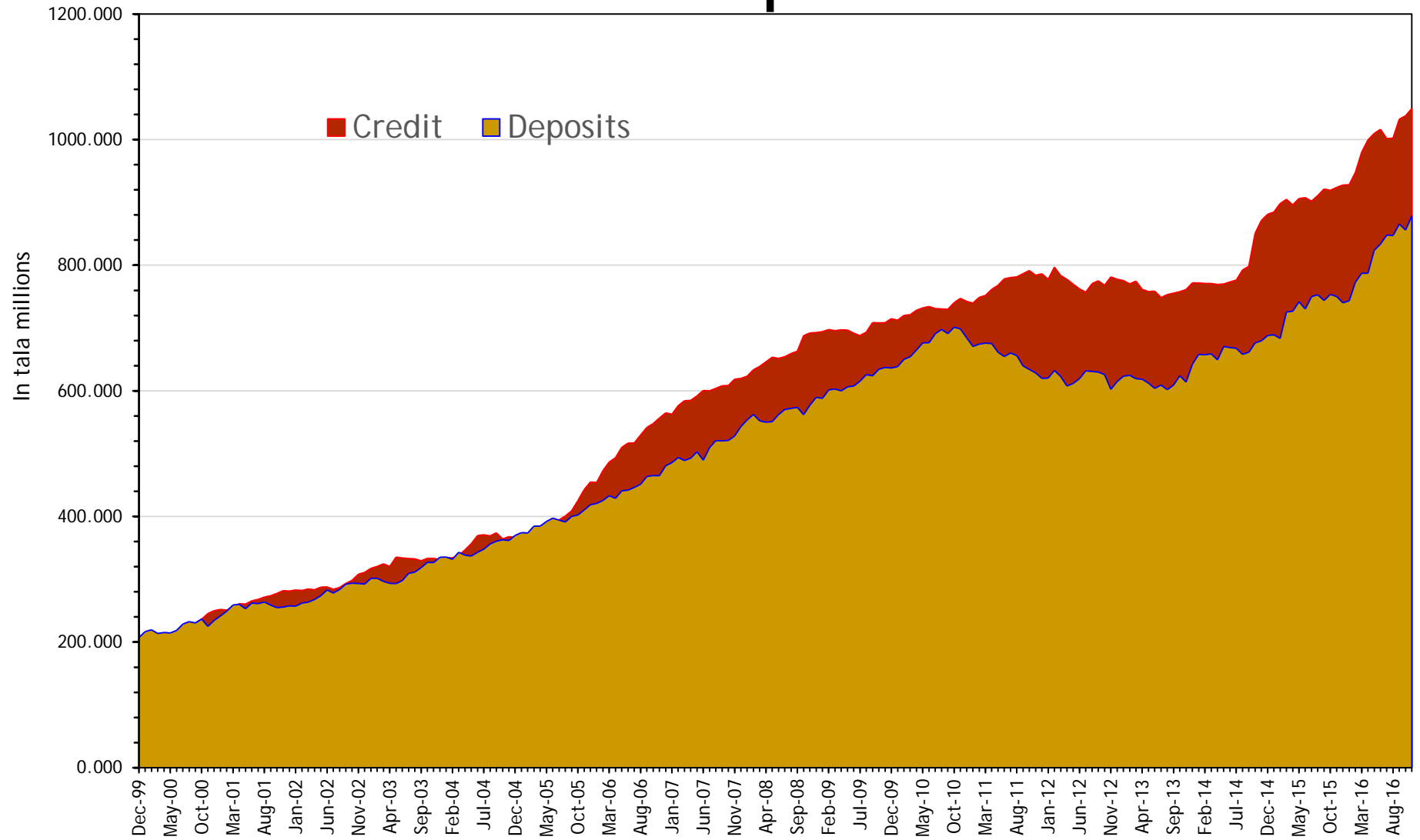
- ▶ Keeping interest rate margins low
- ▶ Maintaining low bank fees and charges (including banks' management fees)

Domestic Liquidity

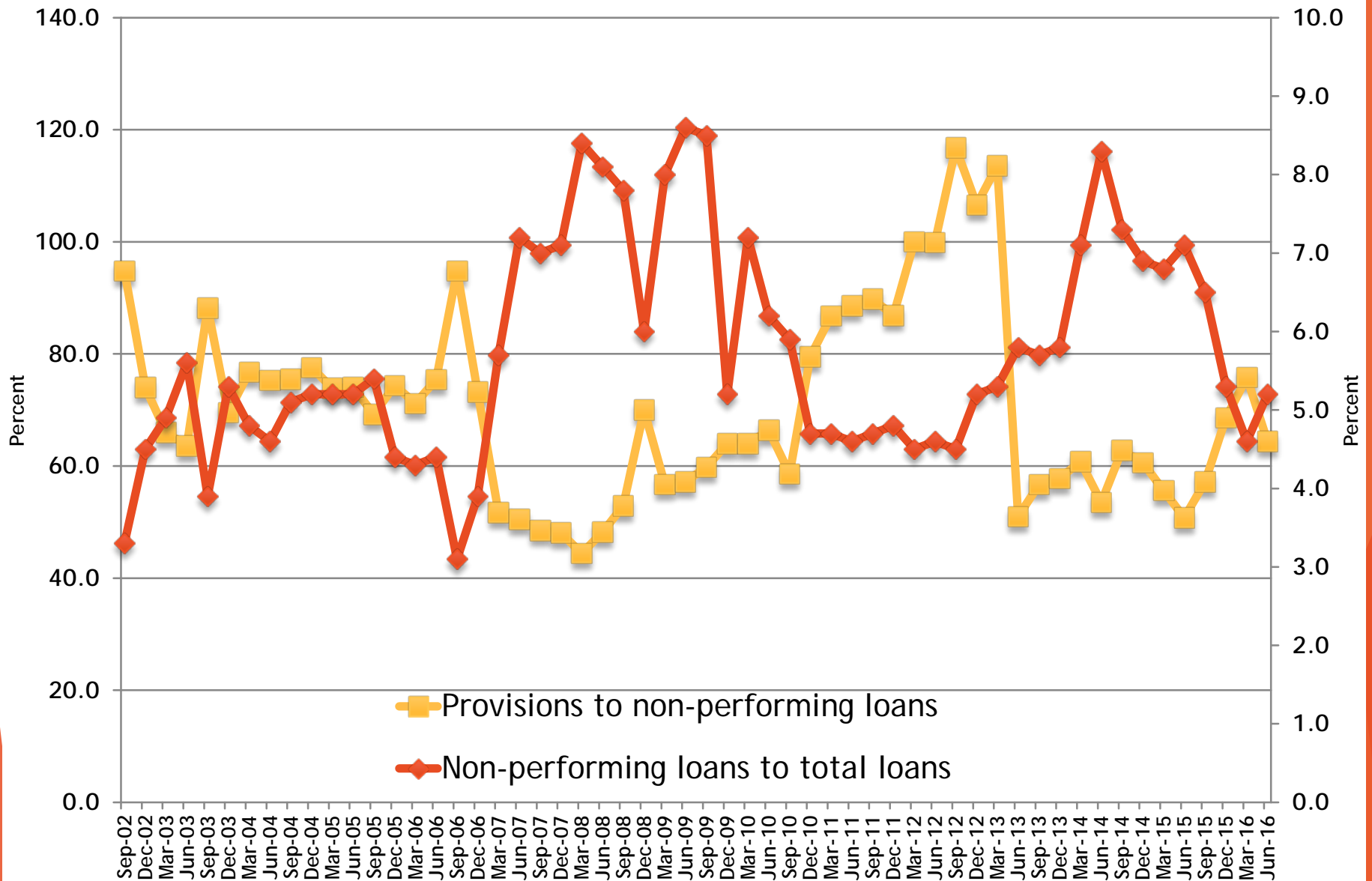
Commercial Banks Liquidity



Commercial Banks Loans versus Deposits

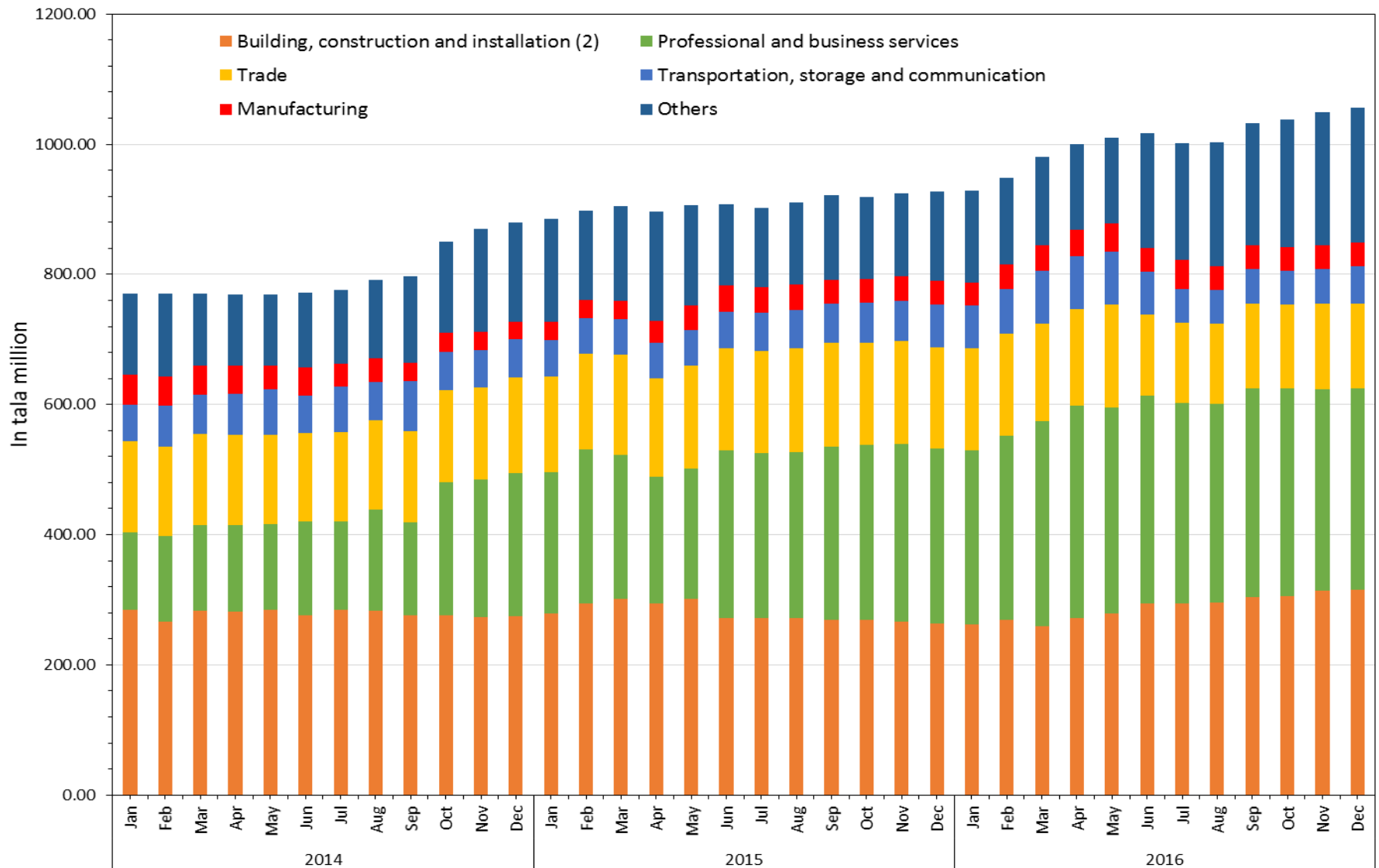


Non Performing Loans



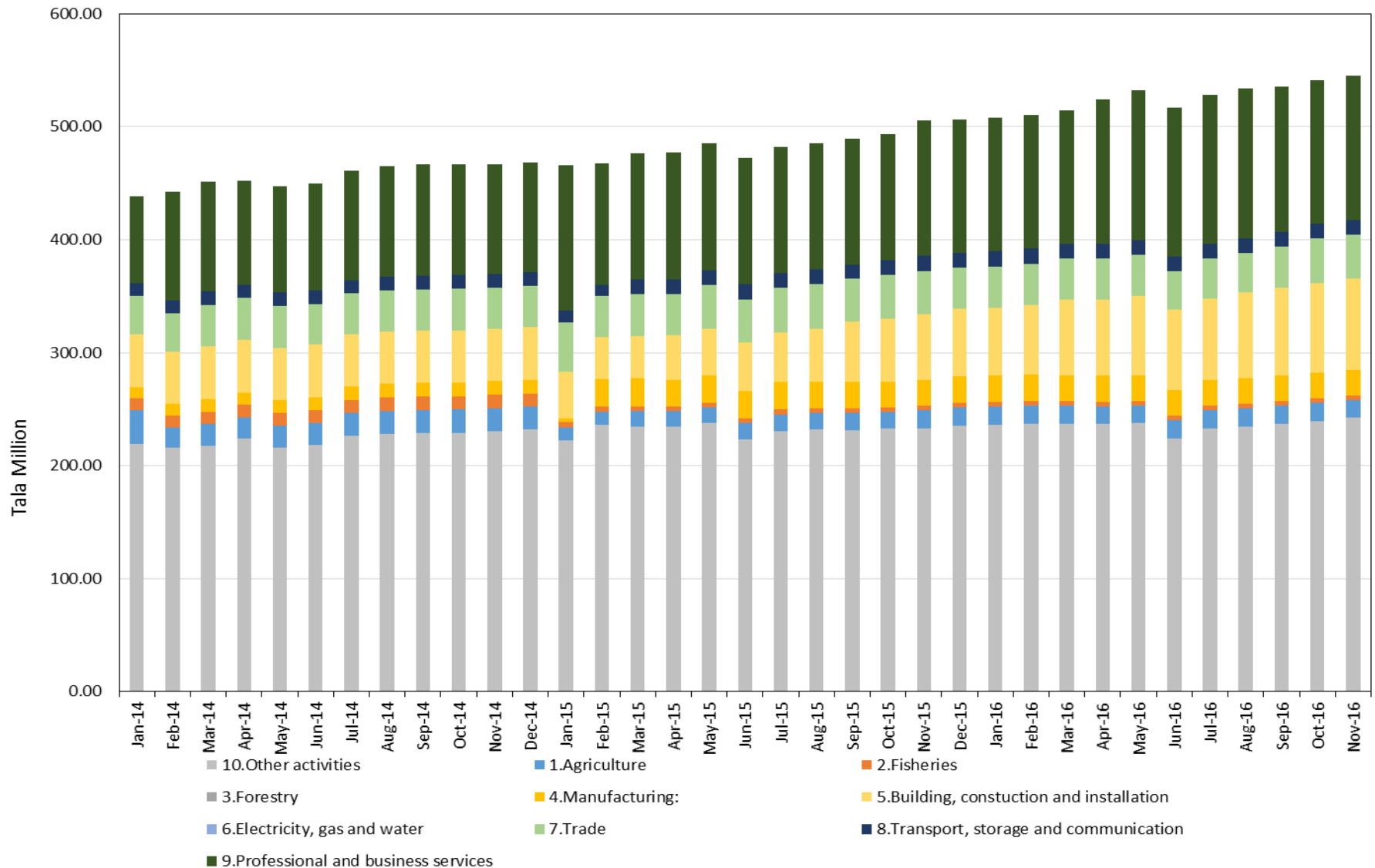
Lending by Industry

Commercial Bank Credit by Industry

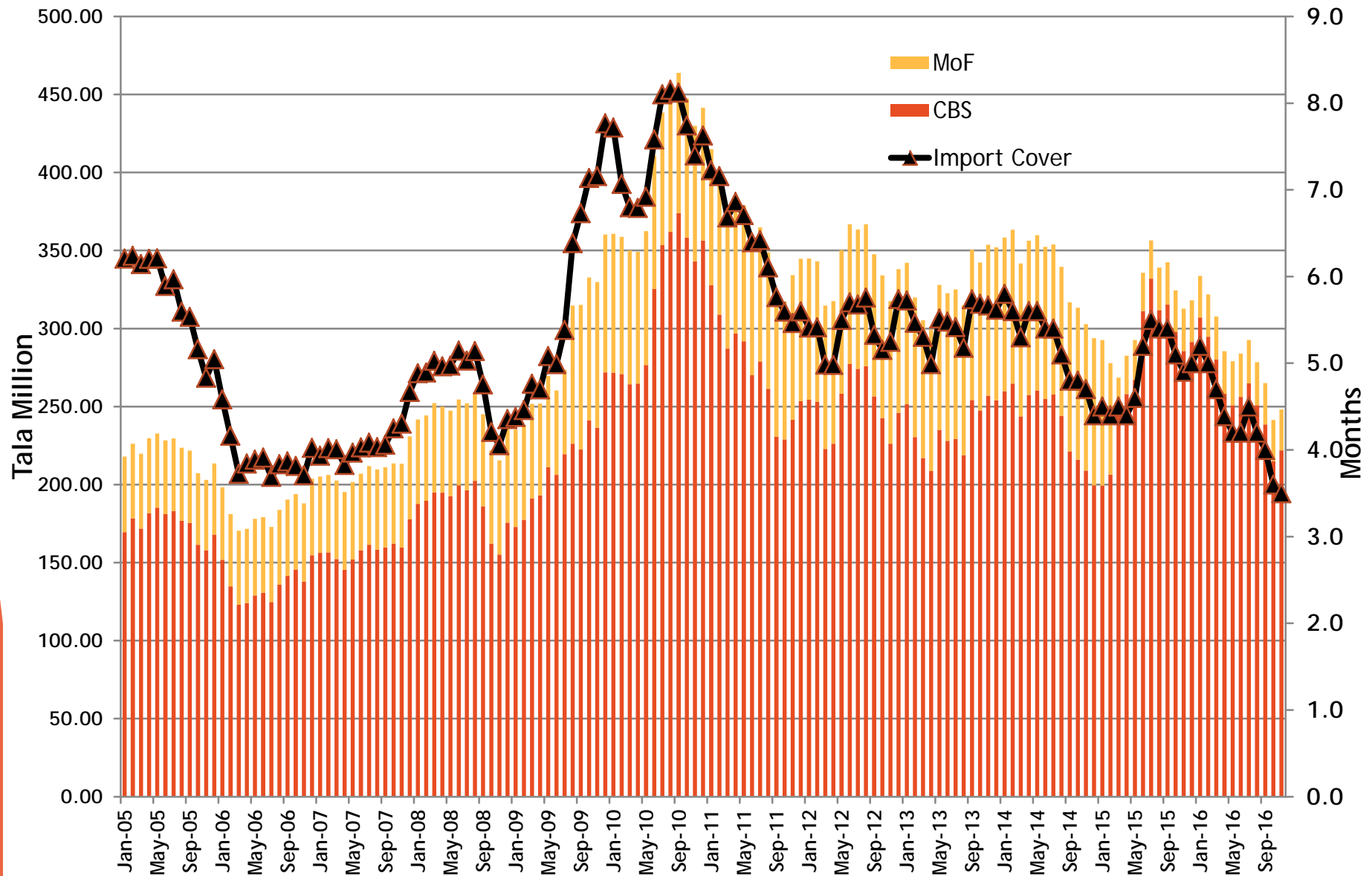


Lending by Industry

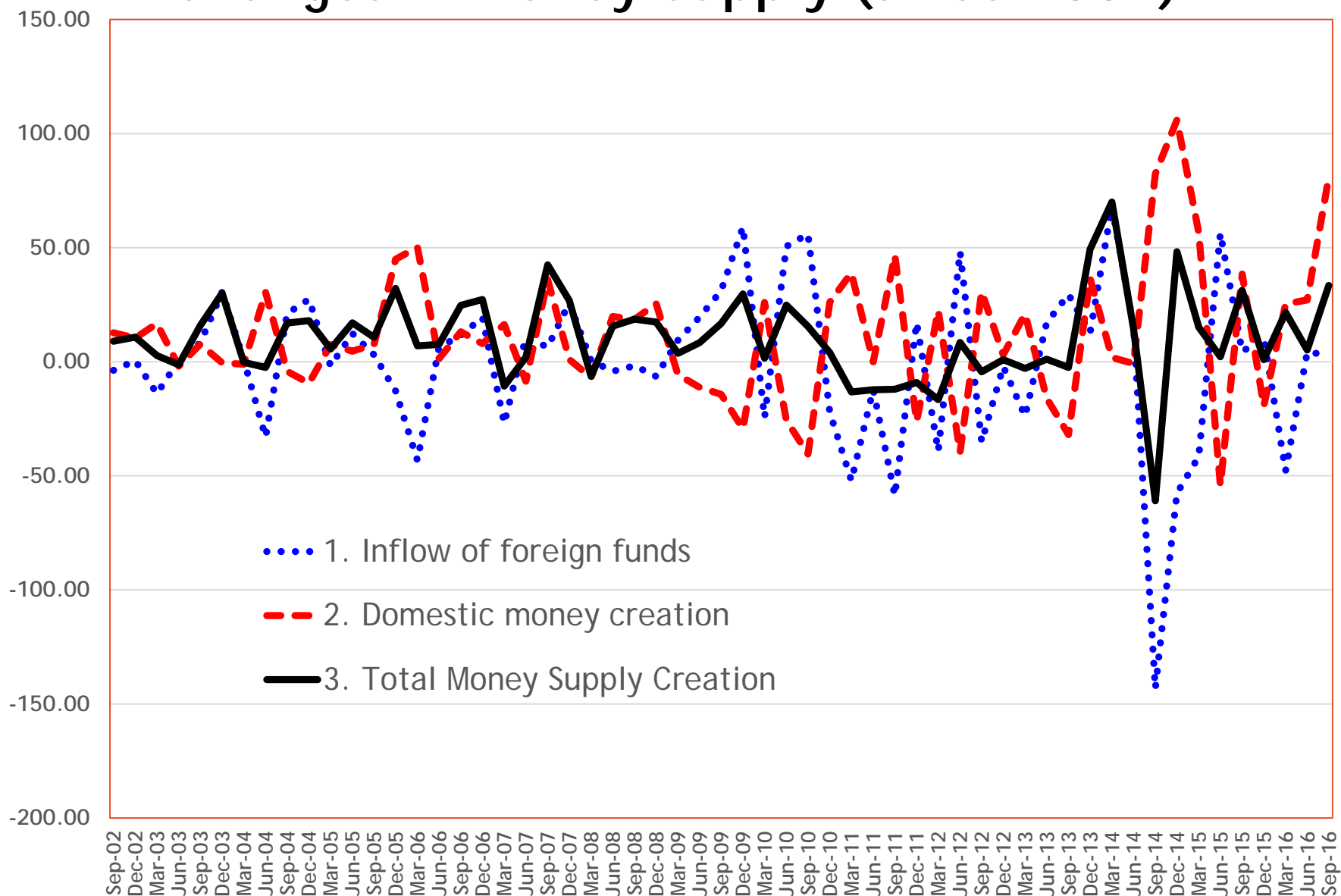
Non-monetary Financial Institutions (NFIs) Claims by Industry



Foreign Liquidity



Changes in Money Supply (since 2001)



Tala Exchange Rate

- ▶ No evidence of significant misalignment of the Tala (*Staff Visit - June 2016*)
- ▶ Slight overvaluation in Tala (3-4 percent) – September 2016 figures (self correcting)

Financial Instruments Available

- ▶ Domestic Banks;
 - ▶ Domestic borrowing - all commercial banks and PFI
 - ▶ Foreign borrowing - mainly subsidiary banks
 - ▶ Issue (limited access amounts)
 - ▶ Adequate Collaterals/Guarantees
 - ▶ Sound Serviceability
 - ▶ High cost of borrowing
 - ▶ Financing Limitations
 - ▶ 25.0 Percent Single Borrowing Limit (\$6.0m - \$23.0m)
 - ▶ approx \$200m Total Capital (December 2016)
 - ▶ Current total bank lending in excess of its deposits
 - ▶ Exchange Control (AML-CTF requirements)

Financial Instruments Available

- ▶ International Financial Institutions (IFIs);
Government Grants (Borrowings)
 - ▶ World Bank (WB) - IDA
 - ▶ Asian Development Bank (ADB) - ADF
 - ▶ International Monetary Fund (IMF) - PRGT
 - ▶ Japanese International Cooperation Agency - (JICA)
 - ▶ Export-Import Bank (EXIM)
 - ▶ Organisation for Petroleum Exporting Countries (OPEC)
 - ▶ Green Climate Fund (GCF)
 - ▶ Asian Infrastructure Investment Bank, etc.

- ▶ Highly Concessional Terms
 - ▶ low interest rates
 - ▶ longer duration
 - ▶ favourable grace periods

Financial Instruments Available

- ▶ *Private Sector Borrowings*
 - ▶ World Bank - International Finance Corporation (IFC) & ADB
 - ▶ Submarine cable
 - ▶ Asian Development Bank - Private Sector Initiative;
 - ▶ Guarantee of Credit line for exports (trade)
 - ▶ SCB and NBS

Financial Instruments Available

- ▶ Government Securities
 - ▶ CBS bills;
 - ▶ T-bills;
 - ▶ Government bonds (Domestic);
- ▶ Government bonds (International);
 - ▶ Country risk assessment;
 - ▶ Road show;

Financing Consideration

- ▶ **Types of Infrastructure** - Roads, Bridges, Seaports, Airports, Sanitation and Sewage, Sea-walls, Tank Farm, etc.
- ▶ **Population Target Group**
- ▶ **Scale**
 - ▶ *Overseas borrowing* (when cheaper) > USD\$5.0 million
 - ▶ *exchange rate hedged*;
 - ▶ opening a foreign USD account with a commercial bank (CBS approval);
- ▶ **Cost of Borrowing**
 - ▶ Grants
 - ▶ Concessional borrowing
 - ▶ Capital Markets
 - ▶ (Due Diligence)
- ▶ **Return on investment > Cost of Borrowing for Infrastructure;**

Faafetai



Headline Inflation vs. Weighted Average Deposit Rates (1999 to Present)

