



STRONG FINANCIAL SERVICES

SAMOA'S CAPITAL, APIA.

Samoa is one of the Pacific's leading centres for offshore finance, and has a solid financial services sector.

For a country of its size, Samoa is well-served with banking and finance infrastructure ably regulated by the Central Bank of Samoa. As well as the Samoa International Finance Centre, which offers competitive offshore financial services (see box opposite), Samoa has four commercial banks: the locally owned National Bank of Samoa and Samoa Commercial Bank, and two operations owned by major regional players in the banking sector, ANZ and Westpac.

Two additional domestic lenders are the Samoa National Provident Fund and the Development Bank of Samoa. Samoa also has a successful Grameen-style microfinance banking operation, which has lent US\$20.09 million in small loans to women since its inauguration in 2000. It is operated by South Pacific Business Development.

'Service levels in the banking sector are identical to Australia or New Zealand, although there is no private banking or managed fund proposition,' Peter Johnson, Managing Director of ANZ Bank Samoa (previously the Bank of Western Samoa), told *Business Advantage*.

LOCAL BANKS

Unusually, the National Bank of Samoa and the Samoan Commercial Bank are both privately owned and recent entrants into the market.

'The National Bank was started 12 years ago by the Meredith family,' explains its Chief Executive Officer Douglas Crombie. 'I think the National Bank can be very proud of what it has achieved. It now has a market share, as far as lending is concerned, of about 16%. It is an independent Samoan bank, so doesn't have associates in other countries. It limits some of its opportunities, but creates others.'

The Samoan Commercial Bank is a more recent entrant to the sector and has also built a solid market share—about 12%—in a relatively short time.

REGIONAL OPERATORS

By far the largest players are regional operators ANZ and Westpac. ANZ is Samoa's largest commercial bank, with five branches and close to 150 staff. Like ANZ, Westpac has a strong focus on the business and government sector.

Having been a minority owner, Westpac took over the Bank of Hawaii's Samoan operation in 2001. The bank, one of two in the Westpac group with local shareholders (the other is in Papua New Guinea), is well established, particularly in the business and government sector.

General Manager Jason Green told *Business Advantage* that the banking sector is well-managed:

'The Central Bank has full oversight of each commercial

REMITTANCES: A MAJOR CONTRIBUTOR TO THE SAMOAN ECONOMY

Worker remittances are a vital part of many Pacific economies, and this is particularly true of Samoa. According to IMF data cited in the *ANZ Pacific Quarterly* (April 2007), Samoa was the world's fourth-largest receiver of remittances, with remittances accounting for about a quarter of GDP. The Central Bank of Samoa's year-on-year figures for the 12 months ending July 2008 indicate a 2% increase in remittances over that period.

Many Samoans work in neighbouring Australia, New Zealand and in the United States' Pacific territories, locations that have experienced strong economic growth over the past decade relative to the Pacific islands. Samoan society's emphasis on the fa'alavelave system of reciprocity and social obligation places expectations on expat workers to send money to support kith and kin.

Aside from allowing residents to raise their standard of living (gaining greater access to consumer goods, health services and education), remittances increase the rate of capital accumulation in an economy and thereby boost its potential for growth. In Samoa, for example, a significant amount of capital is being invested into local real estate due to remittances. Remittances also provide an important cushion of foreign exchange. In Pacific economies,

imports are almost equivalent to consumption and without remittances, imports would have to diminish sharply in order to balance the trade account. Evidence also suggests that remittances have helped central banks in the Pacific maintain relatively strong exchange rates.

On the other hand, remittance-based currency inflows can distort an economy and its potential for growth. In 2006, when remittances rose above 25% of GDP, Samoa's Central Bank was forced to tighten monetary policy in the face of high domestic liquidity and increasing consumption and imports.

Remittances can also reduce the incentive to invest and raise employment levels in the home country, and can lead to a vicious cycle of dependency on overseas migrant workers. Furthermore, fewer remittances might encourage state authorities to enhance the competitiveness of their economies in order to support the balance of payments position.

While remittances may affect the competitiveness of Pacific economies, the strong economic outlook in Australia and New Zealand indicates that remittances shall remain a key source of income for Samoa for the foreseeable future.

SAMOA'S INTERNATIONAL FINANCE CENTRE

Like many island nations of a similar profile around the world, Samoa has sought to diversify its economy and attract much-needed foreign exchange by providing offshore financial services. These services are provided through the Samoa International Finance Authority (SIFA), a statutory corporation under which Samoa's offshore entities are registered, regulated and supervised.

Since its inception, the main strategy underpinning the operations of SIFA has been the development of a highly efficient and innovative centre which can be depended upon and trusted by the financial community. In this context, the key administrative features are the timely registration of companies with minimum red tape and the continued review and identification of changes by the Centre and its operators to strengthen its competitiveness in the international market.

SIFA offers the investor a diverse base of corporate vehicles, including international companies, segregated funds, banks, insurance, trusts and most recently the introduction of a new product in the form of international mutual funds which can be public, private or professional and closely follow similar legislation in the Caribbean.

To further improve its efficiency, SIFA recently introduced the first phase of an online registration system to facilitate direct online name checks by locally licensed trustee companies. The long term objective is to operate a paperless registry. To this end, the local authorities are committed to ensuring that the new computerised system to handle all documentation electronically will eventuate in the very near future.

Other competitive advantages offered by Samoa when it comes to the provision of offshore financial services, include political and economic stability, innovative user-friendly laws, strict confidentiality, foreign language registration, and Samoa's geographical location just east of the International Dateline. This last feature gives SIFA the ability to incorporate a company yesterday for the Asian client, and also gives Samoa the distinction of being the last International Finance Centre in the world to close business for the day.

When we consider the high level of patronage from the vibrant economies of the far East it would be fair to say that Samoa as an offshore jurisdiction is well perceived by the Asian market.

Further information

www.sifa.ws

bank's margin and liquidity positions. The sector enjoys a good relationship with the Central Bank: they manage the system well and their advice is respected.'

Green sees the Westpac's Samoan operation expanding in the future, with a focus on its points of representation. This means more ATMs, embracing new technologies that assist with the delivery of remote banking services, and helping the expansion of the tourism sector by enabling online booking and reservation services.


SUPPORTING LOCAL BUSINESSES

Both the Samoa National Provident Fund (the assets of which grew by a healthy 9% in 2006/7, to just under US\$350 million) and the Development Bank of Samoa have an important role to play in supporting growth in the local economy. The fund has equity in a number of local businesses, including Digicel Samoa and Aggie Grey's Lagoon and Spa Resort. The Development Bank, founded in 1974, is committed to private sector and community development, along lines set out by Government policy, and is a strong lender to the agricultural and industrial sectors.

LIQUIDITY AN ISSUE

While the range of services and the sector itself is solid, liquidity is an issue. In 2006, two major projects—the building work for the successful South Pacific Games and the launch of Polynesian Blue, effectively took US\$80 million out of the financial system—money that was then not available for other projects.

'There is the disadvantage of not having the access to a capital market,' observes Westpac's Jason Green. 'In late 2006/7, liquidity dropped below the US\$20 million mark. It has rebuilt and rebounded to US\$80 million, which isn't a significant amount compared to markets around the world. If we have investors we have to talk about the scale of their project and the liquidity situation. It is not a good start if companies rip all the liquidity out of the system.' ■



Westpac
Westpac Bank Samoa

celebrating 31 years of banking in Samoa in 2008

We provide a comprehensive range of financial services through our main branch located at Beach Road, Apia plus a network of service centres throughout the country, including a branch in Salelologa.

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