



# **GOVERNMENT OF SAMOA**

## **ON-LENDING POLICY**

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## ABBREVIATIONS

ACC	Aid Coordination Committee
ADB	Asian Development Bank
CBS	Central Bank of Samoa
CDC	Cabinet Development Committee
DBS	Development Bank of Samoa
EPC	Electric Power Corporation
MPE	Ministry of Public Enterprises
MTDS	Medium Term Debt Management Strategy
OAG	Office of the Attorney General
PPP	Public Private Partnership
PBA	Public Bodies (Performance & Accountability) Act 2001
PFMA	Public Finance Management Act 2001
PLA	Principal Loan Agreement
PRC	People's Republic of China
PSIP	Public Sector Investment Plan
SDR	Special Drawing Right
SDS	Strategy for Development of Samoa
SLA	Subsidiary Loan Agreement
SSCC	Samoa Submarine Cable Company
UTOS	Unit Trust of Samoa Management
WB	World Bank

## EXECUTIVE SUMMARY

This On-lending Policy seeks to enact on-lending administration and processes for the Government of Samoa. The policy provides guidance on all on-lending arrangements of Government and is consistent with the recommendations of the Medium Term Debt Management Strategy (MTDS) 2016-2020, reflecting on past lessons and adhering to best international practices.

*“On-lending”* is when Government acquires funds from foreign governments and international agencies or sources from within Samoa under a primary agreement and on-lends to a Public Body under a Subsidiary Loan Agreement.

On-lending enables Government to support the successful implementation of development projects by a beneficiary under the on-lending arrangement, and is a lending mechanism as per section 78A of the Public Finance Management Act 2001 (PFMA 2001).

The Policy targets on-lending transactions approved and entered into by the Government and Public Trading Bodies. It is guided by existing legislations and regulations that promotes prudent management and efficient implementation of Government on-lending arrangements to minimize costs and risks to Government. The policy outlines the procedures, processes and operations that uphold key principles of Government and Public Trading Bodies including transparency and accountability, and supports efficient management of resources as well as the empowerment of Public Private Partnerships (PPP) by enabling participation of Public Bodies through PPP arrangements that are cost effective and has comparative advantage to deliver funded projects.

Furthermore, the effective management of the on-lending portfolio through this Policy, is crucial in supporting Samoa's debt sustainability, fiscal resilience and economic growth.

The PFMA 2001 is the primary legislation that governs State borrowings, Government guarantees, and authorizes State on-lending. In addition, the Public Bodies (Performance & Accountability) Act 2001 (PBA 2001) refers to Public Bodies' governance, policies and financial management. The Ministry of Finance is responsible for the administration, review and update of the Policy.



## SECTION 1. INTRODUCTION

### 1.1 Definition of on-lending

“On-lending” is when the Government on-lends to another body under a Subsidiary Loan Agreement (SLA), for the purposes specified in the Principal Loan Agreement (PLA) from foreign governments and international agencies; or from sources within Samoa.

The PLA is signed on behalf of the Independent State of Samoa by the Minister of Finance or other person authorized in writing by the Minister.

Under the PLA, the Government is the borrower that receives funds from the primary lender, which it then passes on to the beneficiary, usually the Public body. The PLA sets out the rate of interest, the amounts and dates for principal repayments and payment of interest or fees, and other terms and conditions determined between the Government and the lender. The lender is usually an international agency, such as a multilateral bank e.g. Asian Development Bank (ADB) and World Bank (WB), or a foreign government, such as Japan and the People's Republic of China (PRC) that provides concessional financing intended for development projects, which are usually denominated in foreign currency.

The SLA is the agreement between the Government and a Public body, under which the Government makes available to that Public body as implementing agency on agreed terms as to borrowing, repayment and payment of interest, the proceeds of the Government's borrowing from a foreign government, international agency or domestic financial institution.

Under the SLA, the Government is the lender and the borrower is the beneficiary that receives the on-lent funds. The beneficiary is usually a Government Public Body that makes repayments of principal and payments of interest to the Government as stipulated in the SLA.

### 1.2 Why should the Government on-lend?

On-lending is one of the financing mechanisms used by Government to support development projects that are implemented by Government Public Bodies.

Public Bodies are expected to align development projects to the National Priorities of Government and to ensure an economic return to Samoa. Concessional financing for such development projects is a scheme available to Government from International Agencies and foreign countries while Public Bodies do not have this direct benefit. Therefore, the on-lending arrangement enables Public Bodies to access lower cost financing alternatives to fund their developments projects that they could not finance directly from local or other sources.

Any borrowing must take into account considerations specified in section 78(2) of the PFMA 2001 as follows;

The Government through the Ministry of Finance (MOF) should ensure that:

- The on-lending is in the public interest
- The on-lending is fiscally responsible in accordance with principles of responsible fiscal management
- The on-lending is consistent with Government policy (as listed below)

- The Government and the Public body have the financial ability to meet all obligations under the on-lending Policy, including future loan payments
- The Ministry of Finance and the Public body consults with the Office of the Attorney General (OAG) and obtain in writing approval of the legal aspects of the SLA

### 1.3 Scope of the Policy

The scope of the Policy encompasses the on-lending arrangements approved and entered into by the Government and the Public Trading Bodies, and entities that Government has an interest in. The existing on-lending arrangements are to continue under the SLAs already signed, with improved management and monitoring processes to be guided by the Policy.

The Policy refers to and complies with the relevant Government legislations, policies, and strategies but not limited to the following;

- Public Finance Management Act 2001 (PFMA 2001) (with amendments)
- Treasury Instructions 2013 (with amendments)
- Public Bodies (Performance & Accountability) Act 2001 (PBA 2001)
- Strategy for the Development of Samoa (SDS)
- Public Sector Investment Plans (PSIP)
- Development Cooperation Policy
- Medium Term Debt Management Strategy (MTDS)
- Sector Plans

### 1.4 Objectives of the Policy

The main objective of the Policy is to ensure prudent management and efficient implementation of Government on-lending arrangements. The Policy aims to promote and uphold the following key principles;

- Transparency in Government decision making under an on-lending arrangement.
- Accountability of Government including the Public Trading Bodies by ensuring successful and efficient implementation of funded projects to achieve desired outcomes.
- Efficient management of resources of Government and its Public Trading Bodies. All projects funded through on-lending of Government financial resources are expected to have financial returns sufficient to ensure loan repayments, and economic and social benefits sufficient to justify access to an interest rate lower than the prevailing commercial rates.
- Enable participation of Government Public Trading Bodies in Public Private Partnerships (PPPs) that are determined to be a cost effective means of delivering the funded project.

### 1.5 Legal Framework and Governance Structure

The PFMA 2001 is the primary legislation that governs State borrowings, Government guarantees, and authorizes Government on-lending. In addition, the PBA 2001 relates to Public Bodies' governance, policies and financial management.



## 1.6 Administration and Review of the Policy

The MOF is responsible for the administration of the Policy. The Policy is to be reviewed and updated as required, or at least every five years.

The MOF will maintain a complete database to record, manage, monitor and report all Government on-lending. The MOF shall send billing statements to the Public Trading Body for repayments due under the SLA, record payments made under the SLA, and provide quarterly loan statements to the Public Trading Body for on-lending.

The MOF will report on the Government on-lending portfolio in the quarterly debt bulletin and annual public accounts, including on the stock of on-lending outstanding (by recipient Public body and primary lender), and any repayments made during the period.

## SECTION 2. ELIGIBILITY FOR ON-LENDING ARRANGEMENTS

The Policy is intended to support Public Trading Body implementation of Government priorities, which would have wider positive impacts on the country's development, and to ensure that the Public Trading Body's project objectives are met in a cost-efficient manner, with an acceptable level of risk to the government.

Proposed projects for on-lending arrangements must comply with the respective Government legislation, policies and strategies as mentioned above, and not limited to the following;

- contributes positively in achieving the development priorities of Government and the objectives of the Public Trading Body as elaborated in PBA 2001 and Public Trading Body corporate plan
- acceptable level of credit risk with a credit assessment undertaken in accordance with Section 4.1 below
- positive economic returns to ensure the Public Trading Body's repayment capacity to the Government and increase the financial resilience of the Public body as set out in Section 4 below
- has broader economic and social benefits, as elaborated in the Government manual on project planning and programming, that justify the provision of Government on-lending
- has been regularized and approved through the Government processes. i.e. Cabinet Development Committee (CDC), Aid Coordination Committee (ACC), and Cabinet

## SECTION 3. TERMS AND CONDITIONS FOR ON-LENDING

The terms and conditions for on-lending will be determined on the following basis, and with due consideration to the interest rates, commercial lending rates and the commercial deposit rates published by the Central Bank of Samoa (CBS) from time to time;

- Terms and conditions of the State borrowing in the PLA from the international agencies and foreign governments, or sources within Samoa

- Financial performance of the Public Trading Body in the last three years prior to the loan application
- Credit risks of the Public Trading Body as set out in Section 4 below

### 3.1 Currency of On-lending:

The currency of Government on-lending to the Public Trading Body will be the local currency (i.e. Samoan Tala). In special circumstances, the currency may be the same as that designated in the PLA.

The State borrowings from foreign governments and international agencies are mainly denominated in foreign currencies, whilst borrowing from sources within Samoa will be denominated in local currency. Any foreign currency risks will be covered by the Government but factored into the interest rate to be determined under the SLA.

The exchange rates used for translation of any foreign currency to local currency will be the official exchange rates from the CBS as set out on the website:

<https://www.cbs.gov.ws/index.php/statistics/exchange-rates/daily-exchange-rates/>

### 3.2 Term and Grace Period

The Government borrowings from the primary lender (foreign governments and international agencies) are expected to be on highly concessional terms i.e. an average loan maturity of 30 years and 10-year grace period.

Where possible, the term and grace period for the on-lending will be the same as under the PLA. In special situations with the approval of the Minister of Finance, the tenor for the on-lending arrangement will be 20 years, inclusive of a 6 years grace period. Only interest payments will be payable during the grace period. The payments after the grace period will include both principal repayment and interest payment.

### 3.3 Interest Rates

All Government on-lending will be on fixed interest rates, and will be determined based on the following;

- interest rate of the PLA
- sources of on-lending whether it be international or domestic sources
- financial position (historical and current) and capacity of the Public Trading Body to repay the loan
- cost implications and achievements of the objective of the funded project/program

SLA Interest Rate = PLA interest rate + administrative margin + FX margin + credit risk margin – interest rate subsidy



The interest rate will be calculated on an annual basis and will be paid semi-annually. The computation of interest will be on an actual/365-day basis as set out in the SLA.

The methodology for calculating each component of the interest rate calculation will be set out in an Annex to this Policy. The methodology will be reviewed annually by MOF. Any changes to the methodology or calculation bases will require the approval of the Minister of Finance.

Interest will accrue from the first date of disbursement of the on-lending proceeds to the Public Trading Body, and the payment dates will be specified in the SLA.

### 3.4 Principal Repayments

The principal amount will be repaid in equal installments on a semi-annual basis, on dates specified in Schedule of Payments in the SLA.

### 3.5 Penalty Fees

A penalty fee will be applied on any late payments after thirty (30) calendar days from the due date as specified in the SLA. The methodology for calculating the penalty fee will be set out in the Annex to this Policy.

## SECTION 4. MANAGEMENT OF RISKS ASSOCIATED WITH ON-LENDING

### 4.1 Credit Risk

The Policy will apply a credit scoring approach with simple rating factors and risk weightings that are appropriate to Samoa. In assessing each Public Trading Body, business risks and financial risks will be evaluated according to the categories set out in the following table, which also sets out the weights to be used for each category. These will be determined and assessed by the MOF with assistance from the Ministry of Public Enterprises (MPE) to agree on the categories and weights. The methodology for the calculations will be set out in an Annex to this Policy.

Financial Risk (50%)		Business Risk (50%)	
Indicator	Weighting	Indicator	Weighting
Financial Position/Solvency	40%	Government Policy	30%
Performance/Profitability	40%	Management	50%
Impact from the On-lending	20%	Industry	20%

Each indicator will be scored on a scale from A (low risk) to C (high risk). The methodology for the scoring of each indicator is set out in the Annex to this Policy.

The **overall rating** will then determine the credit risk rating as follows:

- A. High Credit Quality / Low Risk of Default: equivalent to what would be the effective local currency credit rating of A with a weighted score of >2.5
- B. Medium Credit Quality / Moderate Risk of Default: equivalent to what would be the effective local currency credit rating of B with weighted score of between 1.5 and 2.5
- C. Low Credit Quality /High Risk of Default: equivalent to what would be the effective local currency credit rating of C with weighted score of <1.5

## 4.2 Other Risks

The mitigation actions to manage the foreign currency, liquidity, interest rate and operational risks will include the following;

1. Foreign Exchange Risk: All foreign currency risks will be covered by the Government but factored into the interest rate to be determined under the SLA. The MOF will record the foreign currency equivalent of local currency payments under the SLA (i.e. Samoan Tala) to determine the foreign exchange gain or loss when compared to the payments under the PLA.
2. Liquidity Risk: To mitigate liquidity risk, repayment dates for on-lending arrangements to Public Trading Bodies must be payable before the repayment dates which are fixed for borrowings by the State. This creates a stable cash flow for Government and mitigates any issues on debt service capacity. To achieve this, advance-billing notices will be issued to Public Bodies, outlining the repayments due dates and amounts, in addition to constant follow up.
3. Interest Rate Risk: As interest rates for on-lending will be on a fixed interest rate basis, there will be no interest rate risk to the Public Trading Body. If the PLA is contracted on a floating rate basis, the MOF will be exposed to interest rate risk and will record the foreign currency equivalent of local currency interest rate payments under the SLA (i.e. Samoan Tala) to determine the gain or loss when compared to the payments under the PLA.
4. Operational Risk: Various operational risks including transaction errors in various stages of executing and recording transaction, inadequacies of internal control, reputational risks, legal risk, security risks will be managed through maintaining operational manuals, contingency plans, and ongoing capacity building for all staff.

## SECTION 5. PROCEDURES AND GUIDELINES FOR ON-LENDING

### 5.1 Formulation of On-lending Proposals

In considering the financing of an investment project or program for a Public Trading Body, the MOF will formulate an on-lending proposal in consultation with the MPE and the Public Trading Body. The proposal needs to include the following information:

- Details of the financing to be provided under the PLA.
- CDC or Cabinet approval together with the supporting project documents in accordance with Section 2 above.

- Financial plan proving capability to meet all financial obligations including repayments of the on-lending, which specifies:
  - investment capital source (both equity and loans);
  - feasibility of the on-lending in terms of the loan conditions;
  - capability of the project to repay the on-lending.
- Audited financial statements of the Public Trading Body for the last three years.

## 5.2 Assessment of On-lending Proposals

The MOF will, with the assistance from the MPE when requested, complete the following:

- Undertake an appraisal of the technical aspects of the investment project or program to ensure that all the necessary requirements are met, and the project or program complies with all the legal and regulatory requirements related to the technical aspects.
- Undertake an appraisal of the financial plan for the investment project or program to ensure that all the necessary requirements are met including:
  - analysis of cash inflows (net revenue) and outflows (operational expenses, depreciation, taxes, interest costs, and other payables);
  - analysis of capacity to service debt obligations (principal, interest and fees/ expenses);
  - analysis of economic internal rate of return against government criteria;
  - sensitivity analysis for fluctuations in (i) exchange and interest rates, (ii) revenue, and (iii) production/operational costs.
- Undertake an appraisal of the Public Trading Body covering:
  - appraisal of data in order to formulate a base scenario;
  - appraisal of investment capital which specifies (i) sources of investment capital (including owner capital, borrow capital); (ii) capacity to repay the obligations of the project;
  - appraisal of the audited financial reports for the last three years.
- Undertake a credit risk assessment including the terms and conditions for on-lending as set out in Section 4.1 above.
- Finalize the risk assessment, agree on the provision of the on-lending, and prepare the necessary documentation for consideration by all parties.



### 5.3 Approvals and Signing

Once all parties have agreed, the Public Trading Body will prepare all the necessary documentation including the negotiated terms and conditions of the on-lending and submit to the Cabinet for approval.

The MOF will prepare the Treasury report and risk assessment and submit to the Cabinet to support and advice on the request for on-lending by the Public Trading Body.

Once the Cabinet has provided approval, the MOF will prepare the SLA and submit to the OAG for clearance before signing.

The Minister of Finance or an alternate authorised by the MOF under a power of attorney will sign the SLA.

Upon signing the SLA, the OAG will issue a legal opinion on the signed SLA.

The MOF will be responsible for ensuring the effectiveness of the SLA and for the implementation of the agreements.

## SECTION 6. REPORTING

The SLA will stipulate the reporting requirements. This will assist the Government in management and monitoring of the financial capacity of the Public Trading Body, as well as to comply with the reporting requirement of Government to Parliament on its on-lending portfolio.

The Public Trading Body is required to provide the MOF and MPE with the following reports:

- Audited financial statements on an annual basis within six (6) months from the end of the financial year of the enterprise or institution. The financial statements should include:
  - Total Revenue
  - Total Expenditure
  - Net Profit after Tax
  - Net Profit % Revenue
  - Return on Equity (ROE)
  - Current Ratio
  - Cash Flow Ending Balance
- Project reports every quarter within thirty (30) calendar days from the end of quarter during the construction period for each project covering the status of project implementation including the date and value of each disbursement and loan payment, and the amount outstanding that is covered by the on-lending.



- A quarterly report within thirty (30) calendar days from the end of quarter on the financial status of the Public body and the ability to meet all its obligations together with an indication of the risk of the Public Trading Body failing to meet each of these obligations.
- Any other reports as required by the MOF.

The MOF will be responsible for the regular supervision and monitoring of each Public Trading Body and each project that has a PLA and SLA.

## SECTION 7. DEFAULT

If there are signs that the Public Trading Body may not be able to meet its financial obligations in respect of an on-lending, the MOF shall conduct an inspection of the financial status of the project and the Public Trading Body's financial position and submit a report including recommendations to the Minister of Finance for consideration.

Default provisions will be stated in the SLA. Any late payment will be subject to penalty fees in accordance with Section 3.5 above.

In the event of default, the following process will be followed;

- Settlement of arrears: MOF will write to the Public Trading Body demanding settlement of the arrears with interest. This process will also be guided by the arrears policy under the MOF.
- Restructuring option: If the Public Trading Body is not in a financial position to make an on-lending repayment due based on sufficient evidence, a loan restructuring option will be discussed. The results of any restructuring negotiated must be approved by Cabinet.
- Demand full settlement: If negotiation of restructuring option fails, then MOF will demand the full settlement of the loan outstanding with interest, within a specified time period. Interest will continue to accrue and penalty fees will apply.
- Default: The Public Trading Body must formally write to the MOF to default if it fails to make full settlement demanded within the specified time period. Subject to the review of the MOF, the Public Trading Body will seek Cabinet approval of the proposed default. Disciplinary measures will be considered for the defaulting Public Trading Body, for instance, the Public Trading Body may not be eligible for future on-lending arrangements. Other budgetary measures will be applied.

## ANNEX: CREDIT RISK ASSESSMENT AND ON-LENDING INTEREST RATE

### A. Credit Risk Assessment

The credit scoring approach will apply simple rating factors and risk weightings that are appropriate to Samoa. In assessing each Public Trading Body, business risks and financial risks will be evaluated according to the categories set out in the following table along with the weights to be set for each category. These have been determined and agreed by the Ministry of Finance (MOF) with assistance from the Ministry of Public Enterprises (MPE). The indicators and criteria will be reviewed annually by MOF and MPE. The indicators, sub-components, and weighting are listed in the following Table A1.

**Table A1: Indicators and Weighting**

Financial Risk (50%)		Business Risk (50%)	
Indicator	Weighting	Indicator	Weighting
Financial Position/Solvency <ul style="list-style-type: none"> <li>Debt/Equity (10%)</li> <li>Debt Service Cover Ratio (10%)</li> <li>Cash Balance (10%)</li> <li>Current Ratio (10%)</li> </ul>	40%	Government Policy <ul style="list-style-type: none"> <li>Legal Framework (10%)</li> <li>Government Support (10%)</li> <li>Independence (5%)</li> <li>Rate Setting (5%)</li> </ul>	30%
Performance/Profitability <ul style="list-style-type: none"> <li>Profit/EBITDA Margin (20%)</li> <li>Return on Equity (20%)</li> </ul>	40%	Management <ul style="list-style-type: none"> <li>Governance (15%)</li> <li>Compliance (with all statutory and regulatory obligations) (20%)</li> <li>Reporting (15%)</li> </ul>	50%
Impact from the On-lending <ul style="list-style-type: none"> <li>Impact on Debt/Equity (10%)</li> <li>Impact on Profit (10%)</li> </ul>	20%	Industry <ul style="list-style-type: none"> <li>Market Share (10%)</li> <li>Sources of Income (10%)</li> </ul>	20%

Each indicator will be scored on a scale from A (low risk) to C (high risk), noting that each sub-component will be assessed with an equal weighting to generate the overall rating for each indicator. The credit rating and assessment scores assigned for indicators and sub-component are listed in Table A2.

**Table A2: Credit Rating and Assessment**

Rating	Assessment Score
A rating (low risk)	3
B rating (moderate risk)	2
C rating (high risk)	1

Table A3 below sets out the criteria to be used in rating each indicator.

**Table A3: Financial Risk Indicators and Target**

Indicator	A (low risk)	B (moderate risk)	C (high risk)
<b>Financial Risk</b>			
<b>Financial Position/Solvency</b> (as at end of last financial year) <ul style="list-style-type: none"> <li>Debt/Equity</li> <li>Debt Service Cover Ratio (operating income to annual debt service)</li> <li>Cash Balances</li> <li>Current Ratio</li> </ul>	$<40/60$ $>2$ $>6$ months debt service payments $>2$	40/60 to 60/40 1 to 2 $>3-6$ months debt service payments 1 to 2	$>60/40$ $<1$ $<3$ months debt service payments $<1$
<b>Performance/Profitability</b> (as at end of last financial year) <ul style="list-style-type: none"> <li>Net Profit After Tax Ratio (% of Revenue)</li> <li>Return on Equity</li> </ul>	$>10\%$ $>10\%$	0% to 10% 0% to 10%	$<0\%$ $<0\%$
<b>Impact from the On-lending</b> (on the ratio and profit above) <ul style="list-style-type: none"> <li>Impact on Debt/Equity</li> <li>Impact on Profit</li> </ul>	Ratio increases by less than 5% Profit decreases by less than 5%	Ratio increases by 5% to 10% Profit decreases by 5% to 10%	Ratio increases by more than 10% Profit decreases by more than 10%



**Table A3: Business Risk Indicators and Assessment Criteria**

Indicator	A (low risk)	B (moderate risk)	C (high risk)
<b>Business Risk</b>			
<b>Government Policy</b> <ul style="list-style-type: none"> <li>• Legal Framework</li> <li>• Government Support</li> <li>• Independence</li> <li>• Rate Setting</li> </ul>	Own Public body law  No support in past 5 years  Board operates independently  Fees and tariffs are freely set by the board	Falls under PBA  Support provided in past 5 years  Board operates under instructions from the Minister(s)  Fees and tariffs are set with approval by the Minister(s)	Does not come under PBA  Support is being provided currently  Board is fully controlled by Ministers  Fees and tariffs are set infrequently by Minister(s)
<b>Management</b> <ul style="list-style-type: none"> <li>• Governance</li> <li>• Compliance (with all statutory and regulatory obligations)</li> <li>• Reporting</li> </ul>	Board meets at least quarterly  Full compliance  Complete reporting	Board meets at least annually  Partial or delayed compliance  Partial or delayed reporting	No board in place  Little or no compliance  Little or no reporting
<b>Industry</b> <ul style="list-style-type: none"> <li>• Market Share</li> <li>• Sources of Income</li> </ul>	<50%  >5 sources	50% to 100%  1 to 5 sources	100%  Single source



## B. Interest Rate Calculation

The interest rate payable on each on-lent loan shall be the underlying interest rate of the loan contracted by the Government under the PLA plus a premium for the credit risk, currency risk, term of the loan, and administration fee less an interest rate subsidy as follows:

**Table B1: Interest Rate Calculation Criteria**

Components	Criteria	Rate
Credit Risk	<ul style="list-style-type: none"> <li>Low risk (A rating)</li> <li>Medium risk (B rating)</li> <li>High risk (C rating)</li> </ul>	<ul style="list-style-type: none"> <li>1.00% per annum</li> <li>1.50% per annum</li> <li>2.50% per annum</li> </ul>
Currency risk	<ul style="list-style-type: none"> <li>On-lent in PLA Currency</li> <li>On lent in WST/PLA in Foreign Currency</li> </ul>	<ul style="list-style-type: none"> <li>0.00% per annum</li> <li>1.00% per annum</li> </ul>
Term of the Loan	<ul style="list-style-type: none"> <li>&lt;10 years</li> <li>10 – 20 years</li> <li>&gt;20 years</li> </ul>	<ul style="list-style-type: none"> <li>0.25% per annum</li> <li>0.50% per annum</li> <li>0.75% per annum</li> </ul>
Administration Fee		0.10% per annum
Interest Subsidy		Set by Cabinet

Notes:

1. Credit risk calculations are a simplified assessment of default rates to reflect the context of Samoa. They have been set with regard to simplicity and to ensure that they can be easily understood by the MOF and the Public Trading Bodies.
2. The foreign currency risk calculation is based on the correlation of the Samoan Tala and the foreign currencies of the PLAs (currently Japanese yen and SDRs), as determined by two standard deviations of end-of-month exchange rates over the preceding 5 years.
3. The interest adjustment calculation for the term of the on-lent loan is a simplified estimate of the term structure of interest rates in Samoa. They have been set with regard to simplicity and to ensure that they can be easily understood by the MOF and the Public Trading Bodies.
4. The administration fee is an estimate of the cost of preparing and processing on-lending proposals, collection of the on-lent interest and principal payments, monitoring the risks of the on-lending, and reporting on-lending.
5. When the Cabinet agrees that a Public Trading Body should receive a subsidy under the SLA, a reduction in the interest rate payable will be applied.

### C. Penalty Fees

A penalty fee will be applied on any late payments after thirty (30) calendar days from the due date that will be calculated as follows:

Penalty Fee = Late Payment Amount x Commercial Bank Lending Rate x 30/365

which will continue to accrue on a daily basis until the amount is paid in full

The Commercial Bank Lending Rate is published by CBS (<https://www.cbs.gov.ws/>)

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Contact details:

Aid Coordination and Debt Management Division  
Ministry of Finance  
Private Mail Bag  
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SAMOA  
Tel: 685-34333      Fax: 685-21312  
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