

**Government of Samoa, and  
United Nations Economic and Social Commission for Asia and the Pacific (ESCAP)**

**National Workshop on Infrastructure Financing Strategies  
for Sustainable Development in Samoa**

Chair's summary

The workshop on Infrastructure Financing Strategies for Sustainable Development in Samoa, organized jointly by ESCAP and the Government of Samoa, was held on 1-2 February 2017 in Apia. The workshop was attended by high-level officials from different ministries and state-owned enterprises as well as financial experts from the central bank, the Unit Trust of Samoa and multilateral organizations. The workshop was opened by the honourable Minister of Finance among other dignitaries from Samoa.

Key issues needing attention highlighted by the Minister and others during the opening include: learning from the past while innovating; land acquisition for public use; enhancing communities' responsibilities and ownership including through the translation of plans and strategies into Samoan; use of development assistance to support Public Private Partnerships; less reliance on overseas consultants and greater focus on upskilling private sector and public servants; importance of SDGs as the development context of infrastructure financing and the need to ensure that relevant SDGs indicators for infrastructure and financing are included in Samoa's and the Pacific's monitoring and reporting frameworks.

To enlighten the discussions, the participants had received prior to the meeting a study that provides a comprehensive picture of the required investments in Samoa across the various infrastructure sectors. The study also presents in details different financing strategies for infrastructure development in the country.

To facilitate the discussions, the workshop was structured around the following themes:

**Infrastructure Needs in Samoa**

The participants recognized that Samoa is ahead of other Pacific countries in terms of infrastructure planning, with the following guiding documents developed over the years:

- Strategy for Development of Samoa where infrastructure includes: energy, communications & IT, water & sanitation and transport sectors.
- National Infrastructure Strategic Plan 2011 (reviewed in 2014)
- Sector Plans and Medium Term Expenditure Frameworks (MTEF)
- Public Sector Investment Plan (PISP)

The strong planning process has been used to identify resource gaps, prioritize projects and engage possible development partners. In this process, two institutions play a key role: the Cabinet Development Committee (CDC), which supervises sector planning, endorses projects and recommends financing, and the Aid Coordination Committee (ACC), which identifies development partner assistance. It was still noted that not all infrastructure projects have been vetted through this process.<sup>1</sup>

The representative from the Pacific Region Infrastructure Facility (PRIF) also highlighted the importance of planning in infrastructure development and the support they can provide in this field. For example, he presented the ongoing work of PRIF to support the development a MTEF for the ministry of transport when requested.

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<sup>1</sup> A 2014 review commissioned by the Pacific Regional Infrastructure Facility (PRIF) highlighted that only 11 of the 46 priority investment projects had gone through the Cabinet Development Committee (CDC) process.

The challenge is nonetheless to ensure the full implementation of these plans and coordinate the different ministries and agencies involved in infrastructure projects. For instance, a road project could involve the Ministry of Public Work and Infrastructure (MPWI), Land Transport Authority (LTA), Ministry of Natural Resources and Environment (MNRE) as well as Ministry of Finance (MoF) and the Ministry of Women Community and Social Development.

The participants also discussed the source of infrastructure finance in Samoa. Logically the Government preference is to utilize grants first and foremost and only consider loans if grants are not available. A large part of external assistance is allocated to infrastructure in Samoa (70% of grants and 87% of loans). The participants realized though that concessional lending is likely to decrease with Samoa evolving towards a low middle income country and therefore alternative sources have to be identified.

### **Mobilizing Domestic Resources and Improving Public Expenditures Management (including gender consideration)**

The participants noted that a large part of public expenditure is devoted to infrastructure and that significant efforts have been made to improve Public Finance Management (PFM) following the 2013 PEFA assessment. PFM reforms are now in their third phase with the objective of consolidating and sustaining system improvements as well as a roll out to line ministries.

To mobilize more resources, the Government has also reviewed revenue sources (tax and non-tax) under the theme “Strengthening Foundations, Building for Tomorrow”. Looking at regional experiences, the participants debated about tax policies that could be considered for mobilizing more resources such as VAT, personal and corporate income tax and property tax. The importance of tax enforcement and compliance was also stressed as well as effective and efficient revenue collection.

Regarding gender, the participants recognized that infrastructure projects cannot be assumed to deliver benefits to men and women equally. Gender consideration needs to be incorporated in infrastructure development process. In this respect, it was mentioned that CDC covers gender impact in its vetting process and examples of projects with gender components were mentioned. In addition, all donors require that the government considers gender implications and engagement from inception phase through to implementation

### **Public-Private Partnership**

The Ministry of Public Enterprises (MPE) explained its role in managing the different SOEs active in the field of infrastructure. They also presented the PPP framework endorsed by Cabinet in 2014, which has yet to be tested. In this regard, a PPP Unit was established within the Ministry early last year to implement the framework and identify potential PPPs.

To share the lessons learnt from other countries, ESCAP provided an overview of the region’s experience with PPP projects, including the different benefits and limitations that can be expected as well as the key success factors for PPP programme. ESCAP also presented different tools that have been developed to support countries with their PPP project screening, legal and regulatory framework assessment and capacity building programme. These tools generated great interest from the participants.

### **Infrastructure Development and State-Owned Enterprises (SOEs)**

SOEs are very active in different infrastructure sectors in Samoa. Their profitability is however minimal and the Government is pushing ahead with further reform given the impact of SOEs on fiscal sustainability. To learn from practical experience, three SOEs showcased recent projects.

First, Electric Power Corporation (EPC) presented its latest infrastructure development in power generation and transmission. A key lesson for them was that unsolicited proposals from the private sector should be avoided and proven technologies should be used. They recently cancelled three Power Purchase

Agreements (PPA) because the private sector was unable to deliver. EPC also advocated for PPP models where EPC is a shareholder in the project company as this would allow the project to benefit from better financing conditions and ensures that EPC can have a share in the profits generated.

Second, Samoa Water Authority (SWA) shared its experience with a 5-year Design-Build-Operate-Transfer contract they had with a private company for the construction and operation of the Sogi Water Treatment Plant. A challenge for them was the lack of clear demarcation of operation responsibilities between SWA and the private entity as well as the absence of penalty scheme should the private sector perform below targets.

Third, Land Transport Authority (LTA) highlighted two key issues they are facing. First, road development needs exceed the available budget, which forces them to consider alternatives (either reducing the scope of their projects or generating additional revenues through levies). In this instance, LTA have been successful in securing resources from climate finance facilities including Adaptation Fund and Pilot Program for Climate Resilience to climate proof their road network. Second, the difficulty in retaining highly qualified staff like engineers was highlighted. There is also a need to ensure that roads standards are adhered to.

### **Capital Market and the Banking Sector**

The participants discussed in this session the capacity of domestic banks to provide lending to infrastructure projects. While the financial sector in Samoa remains generally well-capitalized, profitable and liquid, it was found that banks have limited capacity to provide long-term loans to infrastructure projects due the large size of these projects and lack of acceptable collateral. Therefore public finance institutions and multilateral development banks are expected to continue to be critical for infrastructure financing in the country.

The bankability of PPP projects was also discussed and ESCAP presented the key risk that banks consider when deciding whether or not to lend to these projects. Beyond risk allocation, it was explained that other elements such as collateral regime, step-in rights and termination payments influence the chance of a project to secure financing.

Alternative sources of financing than banks were also examined. While challenges to develop an on-shore capital market were acknowledged, UTOS (Unit Trust of Samoa) was seen as an important building block to develop the domestic capital market. For example, UTOS has financed SOEs through Capital Notes (with Government Guarantees).

To facilitate access to international capital markets and foreign investors, the Central Bank of Samoa (CBS) has been considering the possibility of obtaining a rating for Samoa from a credible rating international institution. The cost of this country wide rating process is however a barrier and might be disproportionate compared to the size of the Samoan market.

### **Leveraging Climate Finance and ODA resources**

The participants recognized that the development finance landscape has changed in the last decade, which offer opportunities and challenges for countries like Samoa. Therefore it is important to assess such development and seek where Samoa could access funds and how the country could engage with less traditional donors. It was also noted that aid can be used to leverage private financing and other financing flows as well as to build capacity and know-how while also promoting sustainable policies.

With regard to climate instruments, the Government has managed to significantly increase its access with \$109 million in grant funding to date. For example, Samoa was granted \$8.7 million from the Adaptation Fund to enhance resilience of coastal communities and \$57.7 million from GCF for an integrated flood

management system and more than \$30 million from the Pilot Program for Climate Resilience (PPCR) initiative, which is a funding window of the Climate Investment Funds (CIF).<sup>2</sup>

The participants then examined possible regional approaches. In this respect, PRIF described how co-financing can be used in the Pacific context for projects having a regional impact or presenting scope for replicability. However it was acknowledged that co-financing is more complex to administer and takes more time to set-up. The Pacific Island Forum (PIF) secretariat presented the idea of a regional fund for climate finance, which could be a bridge for country systems that have not yet satisfied fiduciary requirements. Such a fund could pool financial resources and technical expertise to increase the scale, and promote smooth implementation of projects and capacity development. It could also be a platform for enhancing collaboration in order to maximize resources and leverage additional initiatives. Such a fund however requires an effective governance structure and significant donor engagement (to be tested) and consultation. PIF also emphasized the need to use agreed Pacific regional priorities to guide the design of regional projects by donors and development partners.

### **Conclusion & Way Forward**

As an overall conclusion, the participants emphasized that infrastructure is a key priority for Samoa's development and the workshop was therefore timely, productive and useful. While the need was clear for access to more infrastructure financing, it was also emphasized that the implementation (and maintenance) of existing projects (and infrastructure) should be improved together with coordination within government and with the private sector and communities. The ministry that plays a regulatory role in the infrastructure sector should look to the area of asset management and a further review of the policy framework of the sector. The participants also agreed that the study and discussions during the workshop will be used when drafting future infrastructure related policies, including future planning documents.

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