

Infrastructure Financing Strategies for Sustainable Development in Samoa

National Study / Paper

By Ms. Nadia Meredith-Hunt

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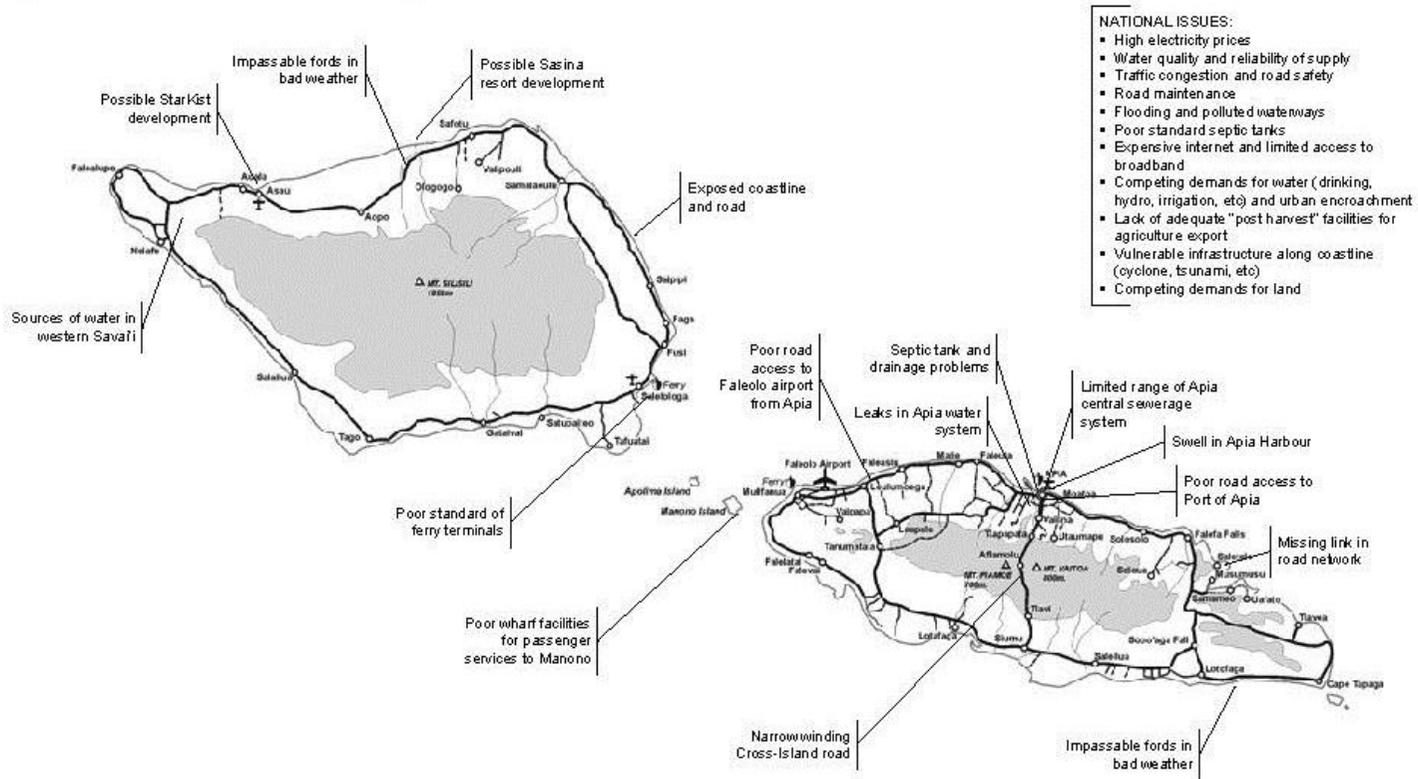
LIST OF ACRONYMS

ACC	Aid Coordinating Committee
ADB	Asian Development Bank
AG	Attorney General
AO	Audit Office
APRC	UNDP's Asia Pacific Regional Centre
CBA	Cost Benefit Analysis
CBS	Central Bank of Samoa
CC	Climate Change
CCA	Climate Change Adaptation
CCPP	Climate Change Programme and Plan
CCU	Climate Change Unit
CDC	Cabinet Development Committee
CPEIR	Climate Public Expenditure and Institutional Review
CRICU	Climate Resilience Investment Coordination Unit
CROP	Council of Regional Organisations in the Pacific
CSO	Civil Society Organization
CSSP	Civil Society Support Programme
DRM	Disaster Risk Management
DRR	Disaster Risk Reduction
EACC	Economics of Adaptation to Climate Change
EC	European Commission
EIA	Environmental Impact Assessment
EPC	Electric Power Corporation
EPPD	Economic Planning and Policy Division
EU	European Union
FD	Forestry Division
GEF	Global Environment Facility
GHG	Greenhouse Gas
GoS	Government of Samoa
IWSA	Independent Water Schemes Associations
JICA	Japan International Cooperation Agency
LDC	Least Developed Country
LTA	Land Transport Authority
MAF	Ministry of Agriculture and Fisheries
MCIL	Ministry of Commerce Industry and Labour
MCIT	Ministry of Communications and Information Technology
MDG	Millennium Development Goals
MESC	Ministry of Education, Sports and Culture
MFAT	Ministry of Foreign Affairs and Trade
MfR	Ministry for Revenue
MJCA	Ministry of Justice and Courts Administration
MNRE	Ministry of Natural Resources and Environment
MOF	Ministry of Finance
MoH	Ministry of Health
MoP	Ministry of Police

MPA Marine Protected Area
 MPMC Ministry of the Prime Minister and Cabinet
 MTEF Medium Term Expenditure Framework
 MTFF Medium Term Fiscal Framework
 MWCS D Ministry of Women, Community and Social Development
 MWTI Ministry of Works Transport and Infrastructure
 NGO Non-Governmental Organization
 NHS National Health Services
 NKF National Kidney Foundation
 NTCCASS Tourism Climate Change Adaptation Strategy for Samoa
 NUS National University of Samoa
 NZAP New Zealand Aid Program
 OOTR Office of the Regulator
 PFM Public Finance Management
 PFI Public Financial Institutions
 PIC Pacific Island Countries
 PIGGAREP Pacific Islands Greenhouse Gas Abatement through Renewable Energy Project
 PILF Pacific Island Leaders Forum
 PPCR Pilot Programme for Climate Resilience
 PRIF Pacific Region Infrastructure Facility
 PSC Public Service Commission
 PSIP Public Sector Investment Program
 PUMA Planning and Urban Management Agency
 SAME Samoa Association of Manufacturers and Exporters
 SAT Samoan Tala
 SBS Samoa Bureau of Statistics
 SDS Samoa Development Strategy
 SFESA Samoa Fire and Emergency Services Authority
 SGP Small Grants Program
 SHA Samoa Hotel Association
 SIDS Small Island Developing State
 SNEP Samoa National Energy Policy
 SQA Samoa Qualifications Authority
 SROS Scientific Research Organisation of Samoa
 STA Samoa Tourism Authority
 SUNGO Samoa Umbrella for Non-Governmental Organisations
 SWA Samoa Water Authority
 SWAp Sector Wide Approach
 UNEP United Nations Environment Programme
 UNFCCC United Nations Framework Convention on Climate Change
 UNDP United Nations Development Programme
 WB World Bank

Financial Year in Samoa = July to June
 Currency = Tala (WST)
 Exchange rate = US\$1 = WST 2.30;

SAMOA INFRASTRUCTURE PROFILE



Source: Samoa National Infrastructure Strategic Plan 2011

EXECUTIVE SUMMARY

The United Nations ESCAP Macroeconomic Policy and Financing for Development Division is implementing a United Nations Development Account project on "Financing strategies for inclusive, equitable and sustainable development in Asia and the Pacific". Samoa is one of the five selected countries for this project. The specific objective of this paper is to study infrastructure financing challenges in Samoa through a diagnostic and analytical work on the availability and sources of financing for infrastructure development.

Infrastructure is one of the three broad sectors that drive the development of various investments as outlined in the Strategy for Development of Samoa (SDS) and other national planning documents such as the Public Sector Investment Plan (PSIP). The recently launched SDS 2017-2020 articulates the following priority outcomes for the Infrastructure related sectors:

- Key Outcome 9: Access to Clean Water and Sanitation Sustained
- Key Outcome 10: Transport Systems and Networks Improved
- Key Outcome 11: Improved and Affordable Country Wide ICT Connectivity
- Key Outcome 12: Quality Energy Supply

In order to achieve these outcomes, there is a need to address the emerging challenges that are likely to influence the development priorities and performance of these sectors during the next 3-5 years. These are summarised below:

- Samoa's small size, with a land area of 2,820 square kilometres and a population close to 200,000 this imposes diseconomies of scale and other constraints to its development efforts.
- High vulnerability to natural disasters. Approximately 70% of the country's population and infrastructure, including the main international airport, are located in low lying coastal areas.
- Adequate and sustainable funding for investments and maintenance for public sector funded investments given budget constraints and competing demands from other sectors.
- Limited technical and institutional capacity to ensure the successful implementation.
- The multi-faceted nature of agencies involved means that cooperation and exchange of information among sector agencies and with private sector service providers are often challenging. Limited absorptive capacities within all implementing agencies.
- Limited blending of existing modalities to leverage additional financing from private sources.

To adequately address these concerns Samoa will also need to ensure environmental sustainability, climate change adaptation and disaster risk mitigation are integrated into all infrastructure planning, design and construction investments. This entails a high cost and it is increasingly clear that the finance required for a successful, orderly transformation to a low-carbon and resilient Samoan economy runs into the millions.

Samoa's revenue base is relatively small compared to the growing demands for more climate resilient infrastructure. The total level of resources available to the Government has increased from USD 195.84 million in 2011/12 to USD\$232.33 million in 2014/15. The grant component of total

revenue has averaged around 10% and this is expected to grow as Samoa seeks to secure more grant based funding for infrastructure related investments. Overall, development partners via grant and loan mechanisms fund approximately 85% of total ongoing infrastructure related investments. Against this background, there is a clear need for more innovative instruments to incentivise private investments in infrastructure and increase Government tax base as well as revenue generation capabilities.

In addition, public expenditure efficiency has to continue improving to ensure that limited resources are effectively invested into projects aligned with national priorities. In this respect, the identification of financing gaps within the four infrastructure sectors is ongoing with the development of Medium Term Expenditure Frameworks (MTEF). To date, only the Transport and Water & Sanitation sectors have completed their MTEF's. However, a snapshot of pipeline infrastructure related capital investment based on the PSIP 2015/16-2017/18 indicates additional financing amounting to USD\$8.2 million is yet to be secured. These costs are expected to grow as other infrastructure priorities are designed and costs incorporated into the relevant sector plans and master-plans. Regarding public expenditure management and systems, significant enhancements have led to increased ownership and use of country systems by development partners. This has also contributed to Samoa's success in accessing budget support assistance.

The Government is also pushing ahead with further State Owned Enterprise (SOE) reform in light of their potential impact on fiscal sustainability. The role played by Ministry of Public Enterprise (MPE) is expected to improve SOE performance and accountability and there is a clear need for more active promotion of PPPs similar to the ones adopted for the aviation, communication and energy sectors.

Further support is needed to mobilise additional resources from financial markets given budgetary constraints from public funds. This will minimise the risk of increasing Samoa's external debt portfolio as the country continues to evolve into a low middle income country with restricted access to highly concessional financing facilities. Local commercial bank lending for infrastructure related activities has not seen much growth given the high risk nature associated with these projects. As such, the Multilateral Development Banks (MDBs) together with other public development finance institutions, play a key role in facilitating the use of scarce government resources and leveraging much larger, and longer-term, private investments.

Samoa has also been relatively successful in seizing opportunities emerging from climate related instruments to mobilise approximately USD\$109 million from global facilities including the Global Environment Fund (GEF) and Green Climate Fund (GCF). The implementation modalities on the other hand have not progressed as fast as envisaged during the design of these projects. This has been compounded by the limited baseline information available, development partner reporting and

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