

Infrastructure Financing Strategies for Sustainable Development in Samoa

**National Workshop
1-2 February 2017
CBS Building**

Presentation Outline

- Introduction & Background
 - Methodology
 - Outline
 - 1. Infrastructure Needs in Samoa**
 - 2. Source of Funds and Infrastructure Financing Strategies**
- Session 1:** Mobilizing Domestic Resources and Improving Public Expenditures Management
- Session 2:** Public-Private Partnership

Presentation Outline

Session 3: Infrastructure Development and State-Owned Enterprises (SOEs)

Session 4: Capital Market and the Banking Sector

Session 5: Leveraging Climate Finance and ODA resources

- Conclusion & Way Forward

Introduction & Background

- The UNESCAP Project: *"Financing strategies for inclusive, equitable and sustainable development in Asia and the Pacific"*
- Overall Project Aim:
*increase **knowledge and capacities of policymakers** in Asia-Pacific developing countries for **mobilizing domestic and international resources**, any other mixes of financial sources as appropriate, **in support of financing infrastructure development** for sustainable development.*

Background

- Samoa one of 5 country case studies in Asia-Pacific region
- Assessment of financing challenges for infrastructure development through:
 - a. Domestic resources & public expenditure management
 - b. Public-Private Partnership
 - c. Infrastructure development and SOEs
 - d. Capital Market and Banking Sector
 - e. Leveraging of Climate Finance and ODA resources

Methodology & Timelines

- Contracted by UNESCAP on 1 Oct 2016
- Submitted report outline on 19 Oct 2016
- Undertook comprehensive desk research & targeted consultations from Oct-Nov 2016
- 1st Draft Report submitted on 21 Dec 2016
- 2nd Draft Report submitted on 21 Jan 2017
- National Workshop on 1-2 Feb 2017
- Final Report 10 Feb 2017



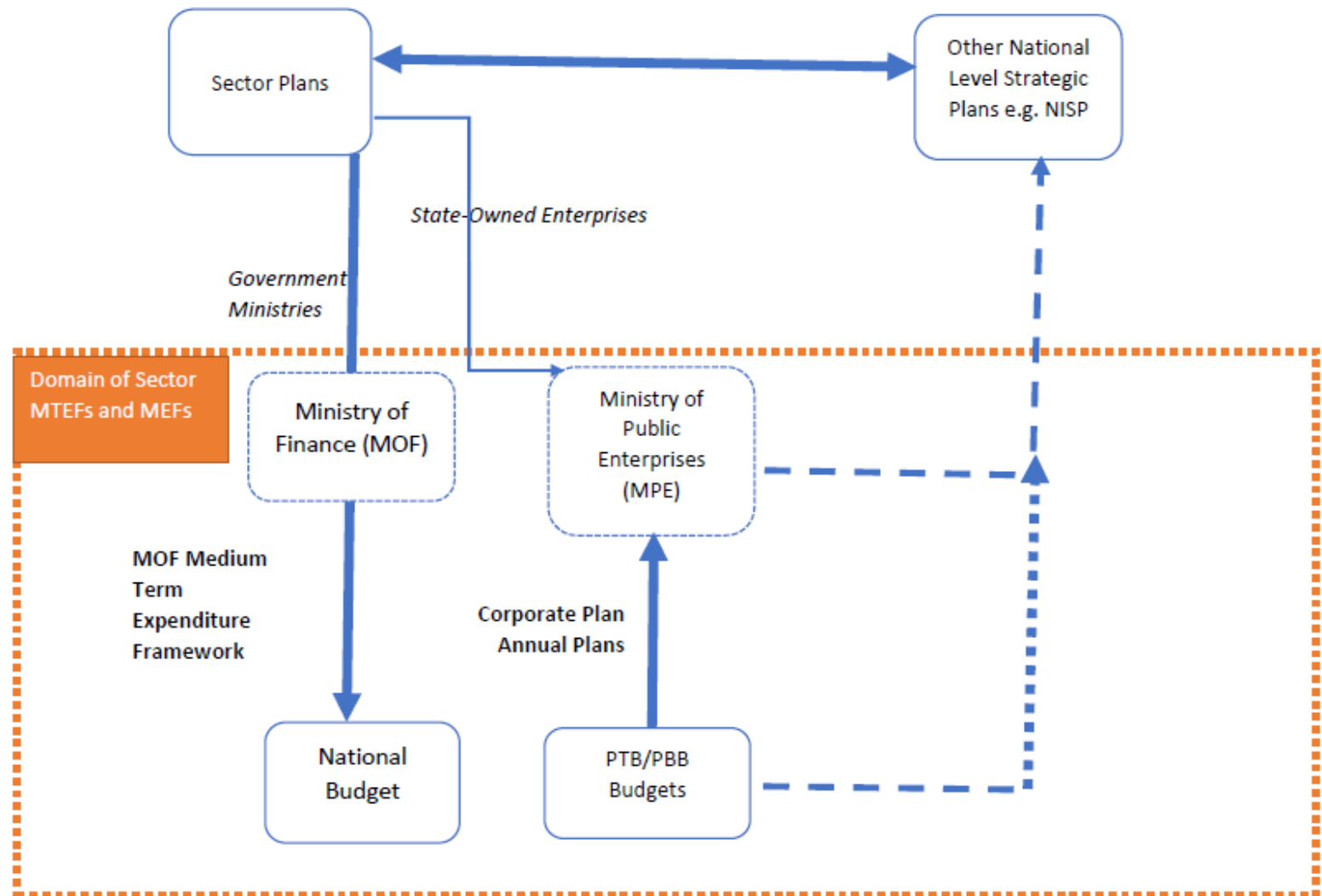
PART II

INFRASTRUCTURE NEEDS IN SAMOA

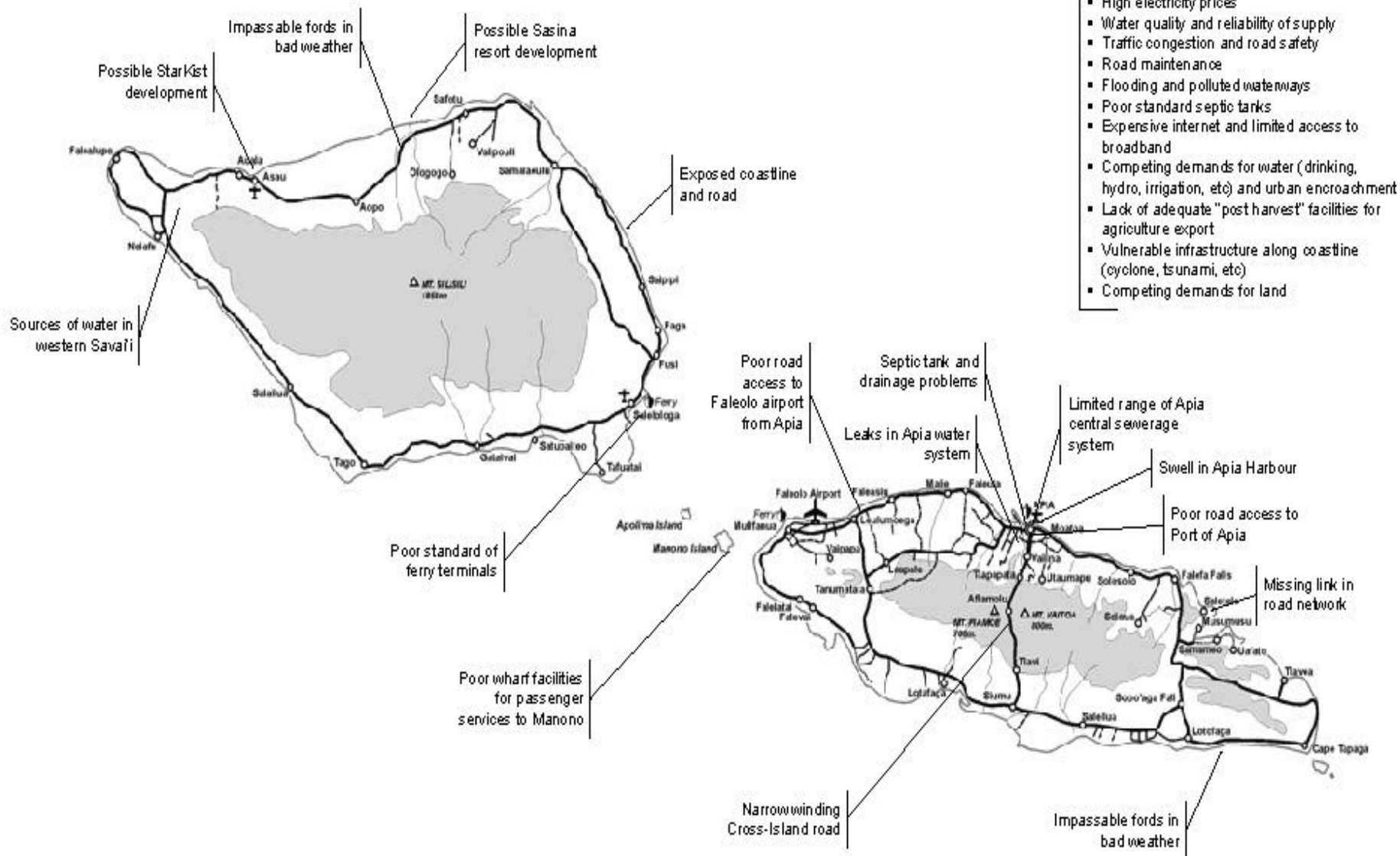
Infrastructure Planning Framework

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

Planning Framework Overview



Infrastructure Issues



Ongoing Capital Investment

Sector	2013/14-2015/16 USD millions			2015/16-2017/18 USD millions			Notes
	GoS	Grants	Loans	GoS	Grants	Loans	
Energy	12	27	76.6	12	27	76.6	No additional funding
Transport	0	24.7	16.9	0	40	30.3	Increase in funding
Communications & IT	0.44	0	20.5	0	16.5	0	Decrease in loan funding
Water & Sanitation	0	0	11.5	0	6.5	7.04	Increase in grant funding
Total for 4 sectors	12.44	51.7	125.5	12	90	113.94	
Total Infrastructure	USD\$215.7						
Total Capital	USD\$254						
% of Real GDP 2014/15	29%						

Main Findings

- Well structured national planning framework
- Diseconomies of scale due to small size and population
- High vulnerability to natural disasters.
- 85% of infrastructure capital investment is funded by development loans and grants.
- Energy and Transport sectors account for more than 80% of infrastructure investment to date.

Key Note Speakers

- Lavea Iulai Lavea, CEO – MOF
- Su'a Poumulinuku Onesemo, CEO – MWTI



PART III

SOURCE OF FUNDS AND INFRASTRUCTURE FINANCING STRATEGIES

Session 1: Mobilizing Domestic Resources and Improving Public Expenditures Management

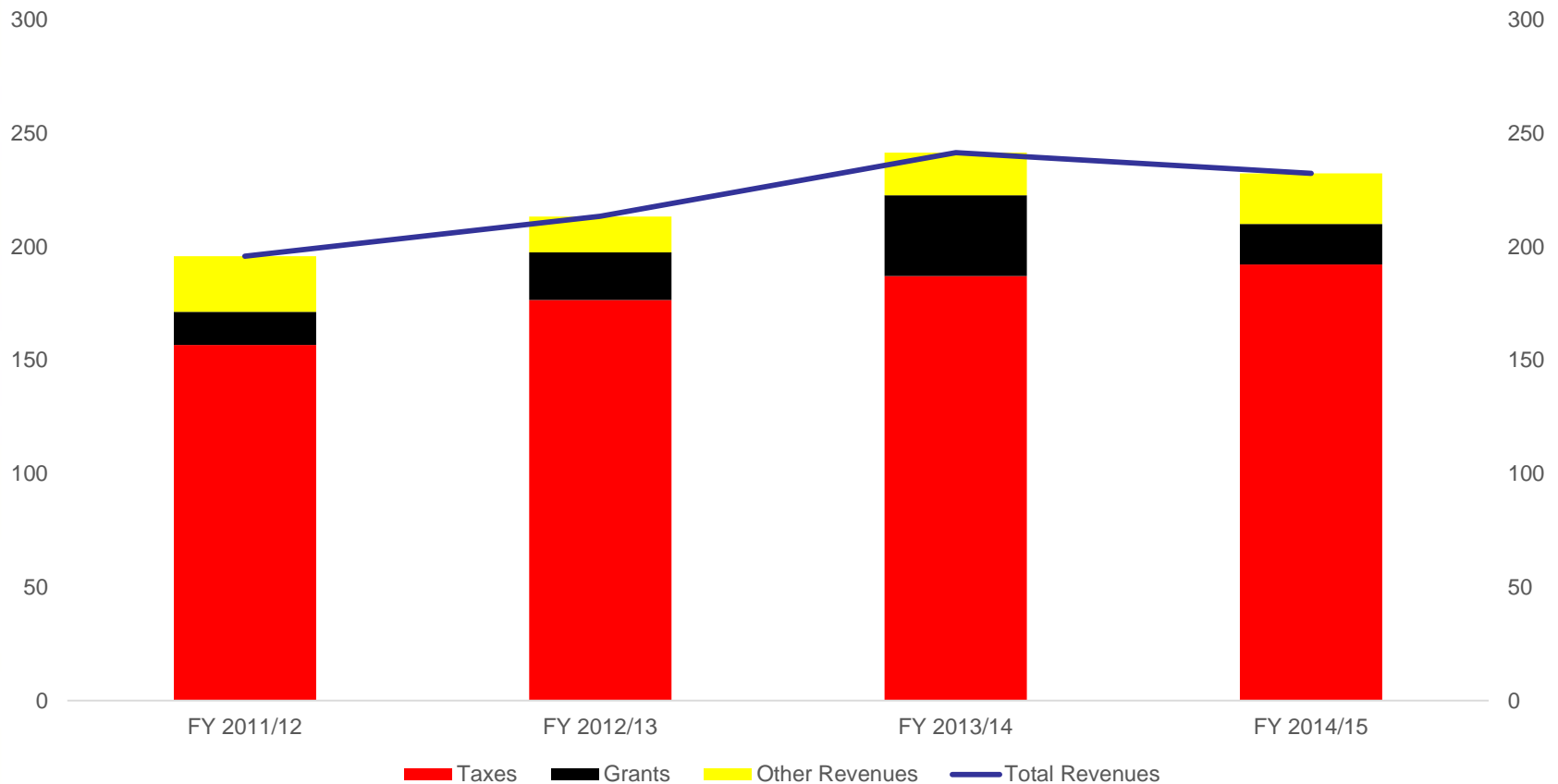
- significant **improvements in public expenditure management and systems.**
- **Small domestic revenue base** compared to the growing demands for more climate resilient infrastructure.
- **Financing gaps identification is ongoing** with the development of MTEFs and Masterplans.

Session 1: Mobilizing Domestic Resources and Improving Public Expenditures Management

- **Financing gap expected to grow** as other infrastructure priorities are designed and costed.
- Ongoing need to ensure **adequate and sustainable funding for** investments and maintenance of assets.

Government Revenue Composition

The fiscal policy continues to focus on reducing reliance on international trade based taxes with the **bulk of taxed revenue generated through VAGST and other taxes**. Based on trends since 2011/12 approximately **80% of total revenue is generated through local taxes** and in **2014/15 it accounted for 83% of total revenue**.



Key Note Speakers

- Abigail Lee-Hang – ACEO Finance, MOF
- Lita Lui – ACEO – Aid & Debt Management, MOF
- Michel Dorval, Senior Technical Manager, Pacific Region Infrastructure Facility
- Mathieu Verougstraete, Economic Affairs Officer, UNESCAP

Session 2: Public-Private Partnership

- Sound **existing regulatory environment for financing of PPP's**
 - a. Public Finance Management Amendment Act 2015
 - b. Public Bodies (Performance and Accountability) Amendment Act 2015
 - c. International Companies Amendment Act 2014
 - d. Foreign Investment Act 2011

Session 2: Public-Private Partnership

- Weak pipeline of **bankable PPP projects**
- Lack of market-oriented legal, administrative and institutional systems to:
 - (a) promote **private investment** in infrastructure PPPs;
 - (b) clearly **define the roles and responsibilities for the public** and private sectors throughout the project cycle;
 - (c) mitigate risks associated with integrating projects into broader systems, line agencies delays on project site, pricing risk, regulatory approvals;
 - (d) address **key sector policy issues** (e.g., **tariff regimes, land acquisition**) which can undermine the viability of PPPs.

Session 2: Public-Private Partnership

- Improvements to **methodology** for **determining which projects should be procured publicly and which should be PPPs.**
- Reassessing **the role of SOEs in the PPP market**, to minimise crowding out private sector investment/expertise.
- Inability of local financial markets to provide **adequate levels of long-term financing** for infrastructure PPPs.

Session 2: Public-Private Partnership

- Growing need for **more innovative instruments** e.g. non-tax measures & blending grant and loans to increase private investment
- Limited **absorptive capacities within agencies** to ensure timely implementation of investments.
- **Cooperation and exchange of information** among sector agencies and with private sector service providers are often challenging.

Key Note Speakers

- Elita Tooala, CEO - MPE
- Sau Justina Sau, CEO – UTOS
- Tua'imáló Asamu Ah Sam – MCIT
- Mathieu Verougstraete, Economic Affairs Officer, UNESCAP;
- Alfred Schuster, Development Cooperation Adviser at Pacific Islands Forum Secretariat

RECAP OF DAY 1 DISCUSSIONS

- **Substantial investment** has been channelled to the infrastructure related sectors and this is expected to grow as Samoa continues to adapt to climate change impacts.
- These investments have been **underpinned by a robust national planning and policy framework** as well as **growing technical capacity within the key implementing agencies**.

RECAP OF DAY 1 DISCUSSIONS

- Significant **improvements to public expenditure management systems** have facilitated the **flow of development funds towards infrastructure investments**.
- However, there are **clear constraints** that need to be addressed in order for Samoa to continue to evolve as a low middle income country with **limited access to highly concessional development financing**.

RECAP OF DAY 1 DISCUSSIONS

- The **absorptive capacities** within key agencies namely SOEs need to be addressed a matter of priority to ensure the **timely implementation of investments**.
- **Alternative financing mechanisms** offered through **PPP framework** developed by MPE and **UTOS** concessionary financing facilities.
- **TA support and online toolkits** are available through **PRIF** and **ESCAP** for implementing agencies to access.

Session 3: Infrastructure Development and State-Owned Enterprises (SOEs)

- The Government is pushing ahead with further **SOE reform** given impact on fiscal sustainability.
- The **role played by MPE** is expected to improve SOE performance and accountability.
- **Performance evaluations** of boards of directors of SOEs is ongoing
- Further support is needed to ensure **privatisation of SOEs** already approved by Cabinet proceed in a timely manner.

Session 3: Infrastructure Development and State-Owned Enterprises (SOEs)

Agency	Roles & Responsibilities
1.Samoa Ports Authority	1. Focal point for ports related activities and infrastructure
2.Samoa Airport Authority	2. Focal point for airport related activities and infrastructure
3. Land Transport Authority	3. Focal point for land transport related activities and infrastructure
4. Samoa Shipping Services	4. Provide shipping services for seafarers in Samoa
5.Samoa Shipping Corporation	5. Provides passenger and vehicular ferry services (domestic and to/from American Samoa)
6. Samoa Water Authority	6. Supplies water and wastewater services
7. Electric Power Corporation	7. Supplies electricity services
8. Office of the Regulator	8. Regulates the tariff and competition within energy and telecommunication sectors.

Session 3: Infrastructure Development and State-Owned Enterprises (SOEs)

Case for Promoting Partnerships in the Transport Aviation Sub-Sector

- Impact of PPP (2009 IFC Mid Term Review):
 - a. Direct private sector investment mobilised **USD\$ 14.2 million**
 - b. Increased consumer choices and air transport **seat capacity by 130 percent**
 - c. **Reduction in the cost of airfares between 31 percent and 45 percent** for the Australia and New Zealand sectors with consumer savings estimated at USD\$ 57.7 million.
 - d. The **total foreign exchange earnings for the period 2006 to 2009 was USD\$ 435.0 million**. The estimated foreign exchange earnings for the same period from the additional tourists is USD\$ 8.5 million which represents approximately 2 percent of the total foreign exchange earnings over the 2005-2009 period.
 - e. An increase in **national salaries and wages of USD\$ 1.4 million**.
 - f. The **impact on the fiscal position of Government was estimated at USD\$ 10.0 million**

Key Note Speakers

- Tologata Galumalemana Tile Leia – CEO, EPC
- Seugamaalii Jammie Saena – CEO, SWA
- Leasi Galuvao – CEO, LTA

Session 4: Capital Market and the Banking Sector

Capital Markets

- Successful track record with off-shore capital market e.g. SIFA
- Challenge to develop an on shore capital market.
- UTOS is a key building block for development of local capital market.

Session 4: Capital Market and the Banking Sector

Local Securities and Bond Market

- Open market operations via **Central Bank Securities** which are aimed at developing the financial market in Samoa.
- use of the **national development bonds** have not been utilized recently given the ease of access to the public financial institutions like the SNPF and UTOS.
- CBS assessing how to secure a **credible credit rating international institution** to rate Samoa as part of a programme to **facilitate access** to the international capital markets and attract foreign investors.

Session 4: Capital Market and the Banking Sector

Banking Sector

- financial sector remains generally **well capitalized, profitable and liquid.**
- **High risk nature** of infrastructure projects and **lack of acceptable collateral**
- **Declining commercial lending** from domestic banks for infrastructure projects.
- **Increased role of PFIs and MDBs** to support infrastructure investment

Commercial Bank Lending to Infrastructure Related Activities

	2013/14	2014/15	2015/16
Investment	USD millions		
Building, construction and installation	120	118	113
Electricity, gas and water	4	4	5
Transportation, storage and communication	25	24	35
Sub-Total for Infrastructure related lending	125	122	117
Total Lending Portfolio	336	395	426
% Share of Total Lending	37%	31%	28%

MDB Existing Portfolios in Samoa

Institution	Existing Portfolios
ADB – as end FY 2014	35 loans (\$186.19 million), 14 ADF grants (\$90.42 million), and 93 TA projects for \$30.43 million have been provided to Samoa. Two loans (\$75.15 million), 6 ADF grants (\$58.50 million), and 1 TA project (\$0.40 million) are active
WB	10 projects with a total commitment of US\$125.9 million. Samoa has an IDA-17 (FY15–FY17) allocation of \$24.5 million.

Key Note Speakers

- Mathieu Verougstraete, Economic Affairs Officer, UNESCAP
- Maiava Atalina Enari, Governor – CBS

Session 5: Leveraging Climate Finance and ODA resources

- **Increase in access to climate financing** facilities - USD 109 million in grant funding to date.
- The **climate proofing national infrastructure** including roads and airport ongoing
- implementation modalities challenging: **limited baseline information & technical capacity**
- **Increase use of climate financing tools e.g. CPEIR.**

Session 5: Climate Finance Facilities

- **Global Environment Fund (GEF)** has funded several projects in Samoa, including two NAPA priority projects and recently approved Economy-Wide Adaptation to Climate Change Project **USD 12.3 million** which runs from 2014-2019 through the **LDCF** and the **GEF Small Grants Programme and Pacific Adaptation to Climate Change (PACC)** project in 14 countries, including Samoa.
- **Pilot Program for Climate Resilience** Samoa is one of the first pilot countries and has accessed grant funds for investment projects including (i) *Enhancing the climate resilience of the West Coast Road (Apia to Airport)* **USD\$15 million** and (ii) *Enhancing the climate resilience of coastal resources and communities* **USD\$14.6 million** and (iii) *Technical Assistance: Trust Fund* **USD\$0.3 million**.
- The UNFCCC has had the **Adaptation Fund** operating since 2007, with Samoa accessing **USD\$8.7 million** for Enhancing Resilience of Samoa's Coastal Communities to Climate Change Project due to end in November 2017.
- The bilateral/quasi global finding mechanism, the **Fast Start Funds** as well as the **Green Climate Fund**, which has approved **USD\$57.7 million** for Samoa's Integrated Flood Management to Enhance Climate Resilience of the Vaisigano River Catchment in Samoa from 2017-2023.

Key Note Speakers

- Peseta Noumea Simi, CEO - MFAT
- Litara Taulealo, ACEO – CRICU, MOF
- Michel Dorval, Senior Technical Manager, Pacific Region Infrastructure Facility



PART IV

CONCLUSION

Conclusions

- Infrastructure Needs
- Domestic resources & public expenditure management
- Public-Private Partnership
- Infrastructure development and SOEs
- Capital Market and Banking Sector
- Leveraging of Climate Finance and ODA resources

Conclusions

How can the study add value to Government?

- Showcase and highlight the financing challenges and strategies being developed to combat these issues within infrastructure related sectors.
- Build on the exchanges from workshop to continue the dialogue with key implementing agencies and development partners.
- Utilise technical support available through PRIF and UNESCAP to assist implementing agencies.

Way Forward

- Submission of final written comments on draft report by 6 Feb 2017
- Finalisation of report and submission to GoS and UNESCAP by 10 Feb 2017
- Use a case study for UNDP Development Financing Study in the Pacific



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