

Samoa Economic Infrastructure Program

Delivery Strategy

2013 – 2021

FINAL

October 2013

Approved 10 October 2013

Acronyms

AAS	Aid Advisory Services
ACG	Accountable Cash Grant
ADB	Asian Development Bank
ANS	Assessment of National Systems
AusAID	Australian Agency for International Development
DFA	Direct Funding Agreement
EPC	Electric Power Corporation
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoS	Government of Samoa
ICT	Information and communication technology
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
MOF	Ministry of Finance
NISP	National Infrastructure Strategic Plan
PIAC	Pacific Infrastructure Advisory Centre
PRIF	Pacific Region Infrastructure Facility
PAF	Performance Assessment Framework
PCO	PRIF Coordination Office
ROE	Return on Equity
SOE	State Owned Enterprises
SDS	Strategy for the Development of Samoa
TA	Technical Assistance

Table of Contents

Contents

Executive Summary	4
1.0 Context	6
1.1 What is the critical development issue?	6
1.2 Australian and Samoan policies and Partnership for Development commitments	8
1.3 Current Program and lessons learnt	8
2.0 What development outcomes will Australia contribute to?	9
2.1 Theory of change	9
2.2 End-of-strategy outcomes.....	10
2.3 Intermediate outcomes.....	12
2.4 Phase one's proposed investments	12
2.5 Summary of engagement principles.....	15
2.6 Supporting cross-cutting aid issues	15
3.0 How Australia will deliver its support.....	16
3.1 Economic Infrastructure Investments.....	16
3.2 Policy Reforms.....	16
3.3 Technical Assistance.....	17
3.4 Working in Partner Government Systems	17
3.5 Australia's value add	18
4.0 Strategy management	18
4.1 Program Governance Arrangements	18
4.2 Quality Assurance Process for Partner-Led Designs (Co-financed Activities)	19
4.3 Funding.....	19
4.4 Resource implications for AusAID.....	20
5.0 Performance management	20
5.1 Risk Management: Phase One.....	20
Annex 1 – Samoa Poverty Analysis	23
Annex 2 – Lessons Learned In Implementing Economic Infrastructure Projects.....	26
Annex 3: Samoa Performance Assessment Framework.....	29
1.1 Monitoring Phase one:.....	32
Annex 4: Detailed breakdown of Phase 1.....	36
Annex 3: Risk Management Matrix	41

Executive Summary

The objective of this Delivery Strategy is to provide a flexible, eight year framework that will guide AusAID's program in economic infrastructure to stimulate inclusive economic activity to reduce poverty in Samoa. This Delivery Strategy asserts that poverty in Samoa can be reduced by increasing inclusive economic activity and that Australian Aid can stimulate this activity through investments in economic infrastructure and associated structural and policy reforms.

The economic growth results of infrastructure investment are well evidenced by theory, academic literature and government policies globally. The capacity for economic growth to reduce poverty is also well documented. For this proposed program, a direct and substantial investment in infrastructure in Samoa will: (i) support the building of industry and stimulate economic activity; (ii) reduce transaction and trade costs thus improving competitiveness; (iii) generate employment, both in construction of infrastructure and ongoing operations and maintenance; (iv) lead to structural reforms in key utilities such as electricity and telecoms and productive assets such as ports and airports; (v) build resilient systems and infrastructure that reduces the impact and cost of national disasters on Samoa and its economy.

The program will comprise three components:

- Component One: Investment in priority economic infrastructure projects, namely in energy, roads and broadband, through development partners.
- Component Two: Broad structural and policy reforms related to the infrastructure sector.
- Component Three: Technical assistance fund for project preparation and scoping studies.

We will work through the multilateral development banks. The World Bank and ADB have been working in the infrastructure sector in Samoa for several years (notably WB in roads and ADB in energy) and have strong working relationships with the relevant government agencies. Due to this advantage and in the interest of efficiency and coordination, the bulk of the program will be delivered through other development partners. This will also enable the program to sit under the umbrella of the Pacific Region Infrastructure Facility (PRIF) and benefit from its established governance arrangements- thus reducing program management risk, improving coordination and facilitating assessment and reporting processes and financial arrangements.


To achieve necessary structural and policy reforms associated with the infrastructure investments; some funds will be allocated to an incentivised economic reform program. This component seeks to ensure that the appropriate regulatory, structural and financial reforms take place for the infrastructure works to be sustainable, in particular emphasising the importance of maintenance budgets. In addition, some funds will be set aside for technical assistance and research projects to undertake project preparation, research and analysis to ensure that potential projects are properly considered and the economic and poverty benefits are understood and taken into consideration.

An outline of the delivery strategies approach can be found on page 5.

SUMMARY OF OUR APPROACH


We will help reduce poverty in Samoa by stimulating inclusive economic growth and support the objectives of the Samoa Australia Partnership for Development through the provision of economic infrastructure and associated structural and policy reform.

To achieve this goal Australia will:




Fund selected infrastructure which is high need and will contribute to inclusive economic growth.

- We will leverage grant and loan funds as well as technical expertise available from the WB & ADB.
- We will support Samoan leadership & align programs to the National Infrastructure Strategic Plan.
- We will utilise the Pacific Regional Infrastructure Facility (PRIF) co-ordination and harmonisation mechanisms.



Incentivise the reform of infrastructure regulation and legislation to maximise the benefits of infrastructure investments.

- We will support Samoa to develop an effective reform agenda.
- We will focus on reforms which will sustain the benefits of infrastructure investments & support private sector led growth.



Ensure investments and reform decisions are based on sound analyses and consider cross cutting issues by providing technical assistance.

- We will prioritise investments and reforms which will have contribute to broad based economic growth.
- We will ensure that investments and reforms consider and address where appropriate, gender, disability, climate change, disaster risk reduction and other cross cutting issues.

Australia's work will be characterised by

Evidenced based selection of infrastructure investments undertaken jointly with Samoa.

Effective policy dialogue with Government of Samoa on reform priorities.

Infrastructure implementation through the World Bank and Asian Development Bank.

Effective consultation and communication with communities, civil society and the private sector.

1.0 Context

1.1 What is the critical development issue?

Economic growth underpinned by structural reforms in Samoa has supported a significant reduction in absolute poverty over the last fifteen years. Since the start of reforms in the mid-1990s, the economy has shown solid growth, underpinned by a stable macro-economic environment. From the early 1990s through to the late 2000s, growth averaged 3% per annum, well above both Pacific and Caribbean comparators. This growth was based on prudent fiscal policies. The proportion of Samoan's living in extreme poverty over this period more than halved to 4.9 per cent¹.

However, the benefits of growth have not been shared by all. A 2008 study² found the prevalence of basic need poverty increased from 22.9 to 26.9 per cent of the population and the wealth gap between the rich and poor is increasing. This indicates that the dividends of growth have not been well shared with the less well off in Samoa³. The study attributes the increase in basic needs poverty to several factors, both international and local. It has been suggested that more households are feeling pressure due to the increasing monetisation of Samoan society⁴. A World Bank review of lessons from 14 countries that experienced economic growth and a reduction of poverty in the 1990s found that economic growth has a positive influence on the speed at which poverty reduction occurs. Poverty reduction was also linked to macro-economic stability, market oriented reforms and increases in infrastructure.

In 2012 AusAID economists conducted a poverty and sectoral analysis of Samoa. The analysis found that isolation and a lack of connectedness are not associated with higher rates of poverty (see annex 1). Samoa is similar to a city-state, where all citizens can easily access the built urban area at low cost to access goods and services. The study found that exits from poverty reflect higher educational attainment in households, which is a result of greater levels of paid employment, especially for females, who have much lower rates of participation in the formal economy. To accelerate exits from poverty in Samoa, the analysis posits that there needs to be greater exposure to expanding paid employment opportunities for households in the bottom two or three income deciles. Therefore the development issue in Samoa does not require increase in access rather to achieve further development in Samoa necessitates the stimulation of inclusive economic growth.

Medium term economic growth forecasts for Samoa have been downgraded from 2.5% to 1.8%, making the economy increasingly vulnerable. Samoa's small size, limited natural resources, narrowly based economy, distance to major markets, and vulnerability to exogenous economic and environmental shocks, impose binding constraints for further development and has led to a high degree of volatility in recent economic performance. Due to the devastating 2009 tsunami, the impacts of the 2008-09 global financial crisis and recently Cyclone Evan, GDP has been weaker than expected and is likely to remain low for several years. There is consensus between Samoa and its development partners that future development and restoring strong growth requires continued structural reforms and a focus on boosting the productive sectors⁵ of the economy.⁶

¹ World Bank Report No. 77450-WS

² HEIS 2008

³ ibid

⁴ In the traditional village subsistence lifestyle little cash was required to meet needs. However, today, fees for education, health care, and other government services; the wider availability of power and communication facilities; and expanding retail businesses and preferences for imported foods and consumer goods have all led to greater demands for cash. For urban dwellers with little access to subsistence production, the need for an income is even greater though traditional social and community obligations in both urban and rural areas increasingly involve money.

⁵ Provide definition of productive sector

⁶ reference SDS 2012-16 and 2012 P4D outcomes document

Central to improving Samoa's economic position will be growing the productive sectors of the economy, in particular private enterprise. Some 60 per cent of those formally employed in Samoa now work in the private sector. Research into households that have escaped from poverty shows that, in more than 80 per cent of cases, the decisive factor was a household member finding a job⁷. Studies estimate that the private sector is responsible for creating around 90 per cent of all jobs in developing countries⁸. In Samoa the public sector still dominates economic activity however the private sector has been expanding since economic reforms were implemented in the 1990's and early 2000s. Private sector growth in Samoa, like other small Pacific Islands, face significant geographic and economic constraints. Samoa is ranked 207th out of the 219, least accessible economies in the world. However the GoS or donors should not ignore the private sector or its development, due to these issues. The Pacific Islands have unique agro-ecological features and climatic conditions that provide them with competitive advantages over other nations, for example eco-tourism. These competitive advantages have the potential to contribute to broad economic growth and poverty alleviation⁹. For the private sector and more broadly the productive sectors to flourish – and support sustained economic growth – the right conditions must be present. Fundamentally, businesses require economic infrastructure, to grow and operate effectively.

Boosting the productive sectors of the economy will require improvements to economic infrastructure¹⁰. The ADB has noted that “the poor quality of infrastructure raises the cost of doing business, and damages competitiveness”. For example, the provision and delivery of services to the growing population is becoming a growing problem, with a high cost for electricity services and a significant segment of the population without access to the network. Further, less than 10% of the population has access to efficient and cost effective information and communication technology (ICT) networks and services, and road transport networks and services require rehabilitation and upgrading to meet the increased demands of business and to boost exports.

The needs of the economic infrastructure sector in Samoa are urgent. The 2012 AusAID study conducted an economic analysis of the different sectors in Samoa based on the Comprehensive Aid Policy Framework criteria including needs and absorptive capacity, see text box. Indicators linked to basic needs, determined economic infrastructure as a high needs sector compared to the education, governance and health sectors. Capacity to make a difference in the sector was also rated high using indicators such as the level of donor involvement. Given the high rating of economic infrastructure in these two criteria and its linkages to economic growth and improved social welfare, an investment in economic infrastructure would achieve AusAID's development objectives more effectively than an investment in other sectors in Samoa at this time.

In order for the benefits of economic infrastructure to be maximised and contribute to lasting economic growth, investments must be accompanied by policy reform. For instance, preventative maintenance of infrastructure assets extends the life of assets and ensures regular access¹¹. Furthermore, appropriate decentralisation of infrastructure management provides strong incentives for efficiency, increases local control and allows private participation in infrastructure projects¹². The need for strong policy settings can be seen in Samoa where a series of reforms in the 1990's contributed to increased investment, improved productivity (especially of state owned enterprises) and economic gains. These included telecommunication reforms which allowed Digicel to enter the telecommunications market and deregulating aviation which saw the sale of a part share of the government-owned airline to Virgin Airlines. To ensure that the benefits brought on by improved economic infrastructure are sustained, investments should continue to be accompanied by policy reform.

7 Pfeffermann, Guy (2003), *Paths out of Poverty*.

8 World Bank (2005), *World Development Report 2005*. For more evidence see Pfeffermann, Guy (2003), *Paths out of Poverty*.

9 ADB (2004) 'Swimming against the tide'

10 Economic infrastructure is defined as infrastructure that promotes economic activity, such as roads, highways, railroads, airports, sea ports, energy and telecommunications. This is distinct from social infrastructure such as school buildings and hospitals.

11 PRIF (2013) *Infrastructure maintenance in the Pacific*

12 Ibid

1.2 Australian and Samoan policies and Partnership for Development commitments

Investing in infrastructure is consistent with the goal of the 2008-2015 Samoa-Australia Partnership for Development and AusAID strategic priorities. The Partnership has three objectives:

- Address vulnerability to economic shocks and climate change through economic growth and diversification.
- Support public investment in Samoa by using grant financing to leverage concessional borrowing.
- Assist Samoa achieve better quality and more equitable health and education services.

Investing in economic infrastructure directly supports the achievements of the first two goals and will indirectly assist the achievement of the third.

Investing in economic infrastructure also aligns with the GoS Strategy for the Development of Samoa (SDS) 2012-2016. The theme of the SDS is ‘boosting productivity for sustainable development’. To achieve this long term goal, the SDS is broken into four priority areas which include the infrastructure sector. Economic infrastructure investments link directly with five of the strategies key outcomes; Efficient, Safe Sustainable Transport System networks, Universal Access to Reliable and Affordable ICT Services, Sustainable Energy Supply, Environment Sustainability and Climate and Disaster Resilience.

The GoS has developed a National Infrastructure Plan (NISP) which identifies potential investments in economic infrastructure. The plan lays out T\$1 billion of priority infrastructure projects for the next ten years. However T\$590 million of the plan remains unfunded. A recent review of infrastructure plans in the Pacific found that the Samoan plan along with other similar plans in the Pacific were largely ambitious and loaded with new investments and neglected the need for maintaining current investments. Samoa’s National Infrastructure Plan demonstrates the GoS’ interest in developing its infrastructure. However Samoa should be encouraged to maintain its existing and new assets and to prioritise infrastructure investments which are high need and will contribute to the greatest economic benefits.

AusAID Infrastructure Strategy – “Sustainable economic development – transport, water, urban, energy, and communications infrastructure” provides an overarching rationale for AusAID’s investment in infrastructure projects. The strategy outlines that investments in infrastructure contribute to sustainable development, which is one of the five strategic goals of the Australian aid program. It is AusAID policy that the infrastructure program will make use of delivery mechanisms and partnerships with multilateral organisations, other governments and the private sector which deliver sustainable services and real results for the poor.

1.3 Current Program and lessons learnt

AusAID has one current major on-going investment in economic infrastructure in Samoa. AusAID has invested \$15.8 million through the ADB led Power Sector Expansion project over the years 2007 to 2016. The program includes US\$42 million in loan and grant from the ADB and US\$38 million in loan from JICA. AusAID’s contribution comprises \$11 million for equity funding and technical assistance to the Samoan Electrical Power Cooperation and \$4 million of loan buy-back through an incentivised reform scheme.

As well as delivering a new generation of power infrastructure in Samoa, the Power Sector Expansion project has led to a number of key sector policy and regulatory reforms. This provides important lessons for the delivery strategy. Firstly, the project has successfully implemented a national energy policy and effective prepaid metering system. These achievements demonstrate an institutional readiness and ability to reform. Additionally, the loan buy down incentivised reform scheme demonstrates a modality through which AusAID can effectively work to leverage good policy reform. While the project has overall produced encouraging

results, a review conducted by the ADB identified areas for improvement. The review exposed issues with procurement processes and internal controls over project management. These findings stress the importance of assisting project managers in design review and project management, to ensure accountable and transparent procurement. The review also noted that there has been a lack of attention given to cross-cutting issues by the ADB. This provides a telling lesson for future work with development bank's and stresses the importance of AusAID to influence designs to further address cross-cutting issues.

See annex 2 for further information on previous experiences in infrastructure in Samoa.

Regional studies also provide useful instruction for best-practice in economic infrastructure design. A recent Pacific Infrastructure Advisory Centre (PIAC) paper stresses the importance of asset management for infrastructure provision. The paper makes four recommendations.

1. Appropriate funding needs to be dedicated to asset management. This should be informed by good data on infrastructure assets and consultation between stakeholders.
2. Incentives should be used to deliver infrastructure services. While on-going evaluation of performance should be used to keep managers accountable and the design and planning for infrastructure should not be dependent from political imperatives.
3. Asset maintenance requirements should be planned for.
4. Development assistance plays an important role in the provision of infrastructure in the region. But development partners should consider sustainability and construction standards in their designs as well as focusing assistance towards rehabilitation and maintenance of existing assets.

2.0 What development outcomes will Australia contribute to?

2.1 Theory of change

This Delivery Strategy asserts that Australian Aid can be used to reduce poverty in Samoa through the provision of economic infrastructure and associated structural and policy reforms.

The Samoa Economic Infrastructure delivery strategy is premised on a theory of change model set out in Table 1.

Table 1: Samoa Improving Economic Infrastructure Program: Theory of Change model

Hypothesis	This is more likely to occur if...	This will require that we...	By...	With these assumptions
If we invest Australian aid in economic infrastructure and associated structural policy reforms we can reduce poverty in Samoa by stimulating inclusive economic growth.	Economic infrastructure leads to increased employment, access to markets and lowers the cost of basics services and business inputs such as electricity, And... A legal, regulatory and policy framework is in place which maximises and sustains the economic impact of economic infrastructure and helps to spread the benefits to vulnerable groups in Samoa.	Invest in economic infrastructure which is a priority and will deliver the inclusive economic benefits.	Delivering infrastructure through the World Bank & Asian development Bank to invest at scale, leverage technical expertise & improve coordination.	Natural disasters do not divert public expenditure away from planned investments. Public debt policy prevents Samoa from obtaining concessional finance from the development banks. Development partners design investments based on a cost-benefit analysis.
		Maximize the long term financial sustainability of infrastructure, its maintenance & support inclusive economic benefits and the through policy and structural reform.	Negotiating an effective reform agenda with GoS & supporting dialogue with civil society, the private sector & other development partners.	Achievement in this area will be largely dependent on the ongoing commitment of GoS to economic infrastructure reforms.
		Ensure that investment decisions and reforms are well informed and consider cross cutting issues including gender, climate change, disaster risk reduction and disability inclusiveness.	Conducting research and analysis of cross-cutting issues.	Research is high quality, timely and credible. Recommendations are implemented.

2.2 End-of-strategy outcomes

The objective of this Delivery Strategy is to provide a flexible, eight year framework that will guide AusAID's program in economic infrastructure that will reduce poverty by stimulating inclusive economic activity, in Samoa. To achieve this, and informed by the above theory of change, Australia's engagement will be organised under three key end-of-strategy outcomes set out below. An end of program outcome model for the Samoa Economic Infrastructure Delivery Strategy follows at Figure 1 and a Performance Assessment Framework is at Annex 3.

The eight year time frame, from financial year 2013-14 through to financial year 2020-21, is based on international evidence and AusAID's infrastructure investment experience that points to the reality of long timeframes for infrastructure development and delivery¹³. It will enable the program to align with the ten

¹³ PRIF principles

year timeframe of Samoa's 2011-2021 National Infrastructure Strategic Plan. It also provides Australia with the opportunity to engage and link the infrastructure delivery strategy with Samoa's national development planning process and measure the results of the program against Samoa's medium term national development objectives.

Investment Outcome: Improve high priority economic infrastructure.

The economic growth results of infrastructure investment are well evidenced by theory, academic literature and government policies globally¹⁴. The capacity for economic growth to reduce poverty is also well documented¹⁵. Inadequate infrastructure is a bottleneck for economic activity and reduces the day-to-day well-being of the community at large. These challenges apply in Samoa - the IMF identified costly infrastructure as a key reason for low rates of return on economic growth in a report on Samoa's binding constraints to development¹⁶.

The investment outcome seeks to – address the priority needs of Samoa's economic infrastructure by assisting in the rehabilitation of existing infrastructure assets and the provision of necessary new infrastructure assets. These investments will aim to: stimulate economic activity, provide the poor with improved access to services and markets, contribute to private sector growth and generate employment and support the building of industry.

Reform Outcome: Address structural and policy constraints to improve the sustainability of economic infrastructure investments.

Policy reform is essential to ensure that benefits from investments in economic infrastructure will be sustained. Unless there is a clear reform agenda which accompanies investments and tackles key constraints, economic infrastructure investments may not deliver their desired results and the infrastructure may not be maintained. In the infrastructure sector, Samoa has been a reform leader in the Pacific for many years - notably in the areas of telecommunications (privatisation of Samoatel and deregulation leading to the introduction of Digicel) and transport (introduction of Polynesian Blue Airline). These reforms have been successful in drastically lowering the costs of these services. However, much remains to be done – the high costs and poor quality of infrastructure provided directly by the state or by State-Owned-Enterprises (SOEs) remain to be obstacles to growth and development in Samoa¹⁷. The right infrastructure investment, based on sound prioritization and cost benefit analysis, with necessary policy changes, is a way to encourage better economic performance. Samoa's commitment to its infrastructure plan with a complimentary reform agenda and a dedicated maintenance budget to ensure long-term sustainability of assets will help underpin growth. The Samoan Government has committed to complementing "hard" infrastructure with improved management and maintenance of existing and new economic infrastructure assets to the overall institutional and regulatory environment in Samoa¹⁸.

The reform outcome seeks to – complement economic infrastructure investments with structural and policy reforms to maximize the long term financial sustainability of infrastructure, support cost effective maintenance and help ensure that inclusive economic benefits from investments are maximised. AusAID will focus on reforms which support private sector growth, increase asset management and maintenance capacities and promote sustainable inclusive economic growth. The specific reform agenda and modality will be further detailed in a separate Investment Concept Note (ICN) following further design and consultation.

¹⁴ The Growth Report: Strategies for Sustained Growth and Inclusive Development, Commission on Growth and Development-World Bank, 2008 P.5-7.

¹⁵ *Ibid*, p.1

¹⁶ IMF Article IV 2007

¹⁷ Samoa: Consolidating reform for faster economic growth, ADB 2008.

¹⁸ Samoa National Infrastructure Strategic Plan, page 1.

Technical Assistance outcome: Ensure that investment decisions and reforms are well informed and consider cross cutting issues

Effective decision making requires evidence-based research both in relation to the prioritisation and delivery of infrastructure investments and in determining an effective reform agenda. Evidenced based research and consultation with key stakeholders is particularly important for designing an effective reform agenda. There are also important cross cutting issues which must be taken into account for any infrastructure investment to be successful. These issues include climate change and disaster impacts, gender issues, disability inclusiveness, land and resettlement issues and impacts on the environment.

The Technical Assistance outcome seeks to – inform investments and reform decisions and to ensure that cross-cutting issues are addressed in the program. This delivery strategy proposes that a portion of Australian aid be utilised for studies and analysis in the pre-investment and implementation phases to ensure that potential projects are properly considered and the economic and social benefits remain central.

An end of strategy outcome model which illustrates the linkages between the end of delivery strategy outcomes and the intermediate outcomes is described in 2.3 below and is set out in [Figure 1](#).

2.3 Intermediate outcomes

The strategy will be delivered in two discrete four year phases each with its own agreed set of intermediate outcomes and approved budget framework. Phase 1 will be implemented over financial years 2013-14 to 2016-17 and Phase 2 will be implemented over financial years 2017-18 to 2020-21. A review of Phase 1 and this Delivery Strategy in 2017 will provide lessons for the design of Phase 2.

2.4 Phase one's proposed investments: Priority roads, renewable energy and submarine cable.

The economic analysis which AusAID economist conducted in 2012 determined the highest priority infrastructure subsector priorities based on the Comprehensive Aid Policy Framework criteria including need and absorptive capacity. This analysis showed that roads, renewable energy and telecommunications (specifically internet) are high need and high return investments. Later in 2012, AusAID conducted a joint mission with the GoS, World Bank and Asian Development Bank. This mission confirmed the initial priorities and developed an appropriate initial funding envelope for Phase One of the delivery strategy including possible contributions from other development partners. This mission confirmed that Phase One should focus on three priority infrastructure sub-sectors outlined above. It noted that two other subsectors should be considered in Phase 1 subject to funding availability and further analysis, namely upgrades to the airport and ports. The development partners and the GoS agreed that these sectors would have the greatest opportunity for poverty reduction and stimulating economic development.

World Bank led road infrastructure investment – the investment in road infrastructure aims to improve the sustainability and functionality of identified priority roads and bridges in Samoa. AusAID will partner with the World Bank under the Enhanced Road Access Project (ERAP) which will be the first investment implemented under this delivery strategy. The program will enhance the functionality and accessibility of Samoan transport by resurfacing and rehabilitating key roads important to peri-urban and rural communities. The project seeks to improve road resilience to natural disasters and a changing climate for vulnerable roads by; increasing road elevation, improving drainage systems and installing all-weather pavements and shoulders. The design of rehabilitation of road assets will be guided by disability inclusive design and include essential safety design

such as the construction of speed bumps and traffic lights. The project will also be accompanied by GoS reforms in asset maintenance. AusAID has identified this project as having positive contributions to Samoa's inclusive economic growth.

ADB led renewable energy infrastructure investment – the investment in energy infrastructure aims to increase energy self-sufficiency, improve energy services and enhance energy efficiency in Samoa. The intermediate outcomes of the investment will reduce electricity prices, provide cleaner energy services, reduce reliance on imported fuels and diminish impacts from external markets. To achieve these outcomes AusAID will work in partnership with the ADB, which has identified a number of potential mini hydro-power and pump storage projects which will be community managed. The ADB has historically led on energy in Samoa, having been involved in the sector since 1972 when it funded the establishment of the EPC.

World Bank/ADB ICT infrastructure investment – the investment in ICT infrastructure aims to increase the economic opportunity for businesses and individuals through the provision of faster, cheaper and more reliable internet. AusAID will partner with both the ADB and the World Bank to install a new submarine fibre-optic cable system which will increase ICT connectivity in Samoa. An increase in connectivity will reduce transactional costs leading to cheaper internet and telecom services, improved delivery of public services such as health, education, disaster warning information, financial services and provide development opportunities in the private sector. Twinned with the provision of new ICT assets will be a focus on regulatory reforms that would increase competition amongst ICT providers and contribute to greater and sustained economic growth.

While initial priorities in renewable energy, ICT and roads have been identified, the program is intended to be able to adapt through high level dialogue engagement, with the GoS, development partners and over time the private sector, for specific projects where return of equity is sufficiently high. Additionally all proposed investments will be further developed through Investment Concept Notes and/or Partner Led Summary Design Documents in accordance with AusAID design guidance.

Further analysis of Phase One's investments can be found in Annex 4.

FIGURE 2

Development Goal
(by 2020-21)

Reduced poverty in Samoa by stimulating inclusive economic growth through the provision of economic infrastructure and associated structural and policy reform.

Figure 1: End of program outcome model for the Samoa Economic Infrastructure Delivery Strategy

Key Delivery Strategy Outcomes
(by 2020-21)

Improved and more sustainable high priority economic infrastructure.

Policy reforms implemented which address constraints and improve the sustainability of economic infrastructure.

Technical Assistance guide infrastructure investments, reform agendas and ensures that cross-cutting issues are considered

Intermediate Outcomes
Phase 1: 2013-14 to 2016-17
Phase 2: 2017-18 to 2020-21

Phase 1: Increased self-sufficiency & lower prices from better renewable energy infrastructure

Phase 1: Enhanced the functionality and accessibility for priority roads.

Phase 1: increased business, service delivery opportunities & lower internet costs

Other Phase 1 & Phase 2: investments to be determined

The performance of public enterprises is improved & the cost of services lowered.

Budget management of the GoS is improved

Asset management capabilities of the GoS are improved.

The private sector & civil society better able to influence investment and reform choices.

Infrastructure investment designs are improved by good analysis.

Infrastructure reforms are improved by research & analysis.

Engagement Principle

Deliver infrastructure through the World Bank & Asian development Bank to leverage technical expertise & improve coordination.

Leadership will be through the GoS & effective dialogue will take place with civil society, the private sector & development partners.

Inclusive and evidence based decision making will be informed by analysis of cross-cutting issues.

2.5 Summary of engagement principles

The planning and implementation of the program will be guided by the following engagement principles:

- **Private sector investment** – wherever appropriate, support should assist the government to extend partnering with the private sector as well as development partners, for the private sector to lead investment in viable service delivery infrastructure.
- **Donor coordination** - to leverage and complement donor assistance in line with the Paris Declaration and Cairns Compact and reduce the strain of multiple investments on Samoa.
- **Focus on inclusive economic development** – assistance should be able to demonstrate a clear link on improving incomes, employment and enterprise opportunities for the poor. A focus on ensuring that benefits from investments are accessed by marginalised people including women and the disabled. Assistance should also aim to reduce the negative impacts of climate on poor people.
- **Partner government leadership** – to enhance the impact of donor assistance in line with the Paris Declaration the program should align with the GoS national policy and plans.
- **PRIF partnership principles** – which, in part, call for more rational priority setting of infrastructure investments, better links to medium-term expenditure frameworks and an increased focus on funding for maintenance of existing assets.
- **Regulation** – improved infrastructure and services accompanied by better regulation which fosters private investment, appropriate asset management and improved consideration of cross-cutting issues.

2.6 Supporting cross-cutting aid issues

Gender - Improved economic infrastructure and related services have the potential to significantly benefit the livelihoods of women. In line with AusAID's gender policy, gender equality will be addressed in all aspects of program development and delivery. Design and implementation of economic infrastructure investments and reforms will be guided by AusAID's gender strategy: 'Promoting opportunities for all—Gender equality and women's empowerment'. AusAID will participate in development partner missions and contribute to key strategic documents and design processes to ensure that gender equality is a consideration of all investments.

Disability - Improved economic infrastructure with inclusive design has the capacity to greatly improve accessibility and economic opportunity for disabled persons. Access and participation by disabled persons will be considered in the design of infrastructure investments. AusAID will seek to influence investment and reform design based on its disability strategy: 'Development for All'. It will also encourage partners to utilise the 'Access for All' design guidelines.

Land and resettlement - Land and resettlement is a sensitive and complex issue in Samoa. Important cultural ties and wide-spread customary rights require that land issues are considered at all levels of investment design. AusAID will support its development partners to consult, analyse and resolve land issues as they arise. AusAID will also encourage the analysis of gender impacts in land issues to effectively assess risks to the status of women. Significant concerns over land and resettlement will be tracked throughout investment lifespans through risk assessment matrices.

The climate change, environment and disaster risk reduction - The importance of the environment, disaster risk reduction and climate change in regards to economic infrastructure was emphasised with the recent damage sustained by Cyclone Evan in December 2012. All economic infrastructure investments will consider the environment, climate change impacts and disaster risk reduction in their design and implementation. The economic infrastructure program will be guided by the principles of the Hyogo framework as well as the guidelines of the World Bank and ADB and AusAID's strategies; 'Investing in a Safer Future' and 'Environment Management Guide'. Under the Environment Protection and Biodiversity Conservation ACT 1999 it is AusAID's legal responsibility that development partners consider environmental aspects and impacts. The World Bank and ADB and their GoS partners will be encouraged to follow the 'build back better' approach and ensure the infrastructure is resilient to future natural disasters. Climate predictions and risk modelling will also be included into AusAID's risk management approach, where appropriate.

3.0 How Australia will deliver its support

The program will focus on three key mutually reinforcing strategy outcomes as noted in section two. Each of these three outcomes will require different delivery mechanisms.

3.1 Economic Infrastructure Investments

Investments will be delivered through the World Bank and Asian Development Bank. Both the World Bank and Asian Development Bank have a long and strong track record in delivering quality infrastructure sector investments in Samoa¹⁹. Both agencies have strong working relationships with the relevant government agencies and the Ministry of Finance as well as technical expertise. Due to this advantage and in the interest of efficiency and coordination, infrastructure investments will be delivered through these development partners only. This partnering approach will enable AusAID to benefit from:

- **Leveraging additional funding for infrastructure investments.** The total capital needs of the sector far exceed available funds from AusAID, even after prioritisation²⁰. However, by working through the Banks the total capital should enable a range priority projects to proceed.
- **ADB and WB's extensive experience,** technical expertise, relationships with Samoa's infrastructure sector and stakeholders and track record of capacity building and reform.
- **Improved risk management.** Investments will be subject to both Bank's risk management and AusAID's risk management.
- **Enhanced quality and improved coordination** of activities through the established coordination mechanisms under the Pacific Regional Infrastructure Facility's (PRIF).
- **Reduced administrative burden** upon AusAID Apia Post for activity oversight and management.

3.2 Policy Reforms

The policy reform component of the delivery strategy will be implemented through a performance linked aid approach, to be further developed through a separate design process. Incentivised reforms were recommended by AusAID's 2012 economic analysis discussion note and supported by the GoS in a 2012 joint infrastructure mission. The reform scheme program established by the current Energy Expansion program

¹⁹ ADB in Samoa <http://www.adb.org/countries/samoa/results>; World Bank Samoa country partnership strategy 2012-2016

²⁰ The total required new investment in economic infrastructure over the period 2011-2021 is approximately \$300 million according to the Samoa's 2011 National Infrastructure Strategic Plan.

demonstrates AusAID previous successful experience in stimulating beneficial reforms through an incentivised approach in Samoa.

AusAID will link aid to specific measurable reform triggers and will be paid out once triggers have been met and verified. The sorts of policy reforms which may be considered range from asset maintenance and infrastructure standards (including Access for All design guidelines) through to regulatory reform for public bodies and the provision of services such as improved internet connectivity. The modality of the reform process will be further detailed through further research and analysis and outlined in a separate investment concept note. As the reform program will be delivered using partner government systems, AusAID's Assessment of National Systems is discussed further below.

3.3 Technical Assistance

To ensure that both investments and reforms consider cross-cutting issues and align with AusAID's policy direction, a technical assistance fund will be available to the GoS, co-financing partners and AusAID's program managers. The delivery mechanism for technical assistance would vary depending on the partner. Technical assistance funding for the World Bank would be directed through contributions to the Pacific Region Infrastructure Facility (PRIF) Multi-Donor Trust Fund. The ADB will apply for funds through the PRIF Coordination Office (PCO), while the GoS would have access to accountable cash grants or Direct Funding Arrangements depending on the size and duration of the grant. Funds would be held in trust with conditions for drawdown and audited by the Samoa National Audit Office (see 3.4 Working in Partner Systems below).

AusAID will engage a panel firm from the Aid Advisory Services (AAS) Panel for the duration of each Phase of delivery strategy. This long-term and flexible arrangement will be put in place so AusAID can access infrastructure and other supporting expertise can be obtained when required and at short notice. It is important that AusAID is able to provide expertise to attend the development bank missions and participate in quality assurance processes so that AusAID's policy interests are represented. Technical expertise from the panel will also assist to develop Investment Concept Notes, Partner Led Design Documents, lead reviews and assist other quality at entry and implementation processes.

3.4 Working in Partner Government Systems

The Policy Reform component and part of the technical assistance component will be delivered through partner government systems. This is consistent with AusAID's overall delivery approach in Samoa as set out in the partnership for Development 2008 to 2015. Funds will be channelled through the Ministry of Finance to other agencies where applicable. The funding will be provided as either an Accountable Cash Grant if the amount is small and duration less than a year, or a Direct Financing Agreement (DFA). Funds for technical assistance will be deposited into a Special Purpose Account established and operated by the MoF in accordance with the Samoan Public Financial Management Act (2001).

The Samoa Assessment of National Systems (ANS) was endorsed by the Director General in December 2011. The ANS concludes that overall there is a low to moderate level of fiduciary risk associated with using both upstream and downstream partner government systems in Samoa. The ANS concludes that, on balance, the use of partner government systems in Samoa should be considered further. It recommends that as well as using upstream components, the use of downstream components should be considered as the GoS has in place a credible program to address PFM weaknesses.

The Working in Partner Systems (WiPS) area of AusAID will be consulted in the development of a strategy to manage fiduciary, PFM and procurement risks of the program going forward. Following approval of this delivery strategy, the Samoa team will start planning for the identification and management of risks relating to the new program. Agreed actions will be implemented to reduce these risks, and may include sector assessments if necessary.

3.5 Australia's value add

Australia has a strong development partnership with Samoa; a good track record in working with the development banks to deliver quality infrastructure; experience in using performance linked aid to support reforms in Samoa; and strong social sector expertise. Australia is able to add value to infrastructure sector investments through these attributes and in particular focusing on cross cutting issues such as gender and disability inclusiveness. In addition, Australia has a good track record of supporting the Samoan Government to manage development partner coordination at both policy and program levels. This will reduce the chance of duplication, ease bureaucratic burdens on the partner government and increase the effectiveness of the projects. Finally, Australia, through its engagement with the development banks at a senior official level, can ensure that in-country issues are taken up and resolved promptly.

4.0 Strategy management

4.1 Program Governance Arrangements

To manage the program effectively, AusAID will need to carefully coordinate with the GoS, development partners, technical expertise, the private sector and civil society organisations. The program will be overseen by a high level multi-agency governance committee. The committee will meet on an annual basis in Apia. This committee will be chaired by the Prime Minister of Samoa or his delegate and will include AusAID, co-financing partners and other representatives from the GoS. Civil society and private sector will be given a voice through consultations on key issues to be considered by the committee. This committee will discuss the progress of investments, the technical assistance facility, policy reforms and any cross-cutting issues. The GoS will take a leadership role in determining what infrastructure investments will be co-financed. The committee will also agree on the priorities in the infrastructure sector in Samoa. The first meeting will set the principles for the selection of projects and the mechanism for the policy reform component to be implemented. A Terms of Reference for the committee and a secretariat will be developed jointly with the GoS with support from co-financing partners.

AusAID will use its membership of the Pacific Region Infrastructure Facility (PRIF) to enhance the quality of program investments. The PRIF is a multi-donor coordination mechanism aimed at improving delivery of development partner support to the infrastructure sector in the Pacific region. Improvement in the efficiency and effectiveness of infrastructure support will be achieved through enhanced coordination and collaboration between development partners active in the sector. AusAID, World Bank and ADB will report progress on program investments at the PRIF governance meetings – the Senior Management Team meetings and meetings of the Sector Working Group meetings. The PRIF governance meetings provide a second layer of support for the Samoa program with participation by senior development partner representation. PRIF

membership also enables access to the PCO (formerly PIAC), an ADB run office which is tasked with infrastructure TA by the PRIF partners. AusAID, World Bank and ADB have agreed to adhere to certain PRIF processes to improve program coordination and outcomes. For activities identified under the Program, the World Bank and ADB will:

- Provide the PRIF Coordination Office with infrastructure pipeline information in an agreed format and timely basis;
- Provide Activity Descriptions for new activities/phases of activities for circulation to all PRIF members;
- In the interest of information sharing, circulate relevant documents to PRIF partners (project concept notes, aide memoires);
- Allow participation in respective quality assurance processes for individual infrastructure activities;
- In the interest of reducing the burden on Pacific island countries of multiple development partners' missions, coordinate missions to countries wherever possible.

The delivery strategy will be reviewed independently every two years to ensure that it remains relevant to the economic and social circumstances in Samoa and takes on lessons which are learned during implementation.

4.2 Quality Assurance Process for Partner-Led Designs (Co-financed Activities)

In line with PRIF processes, where possible, AusAID will participate in the World Bank and ADB quality assurance processes rather than establish parallel processes. This reduces the risk of delays in project documentation being submitted to the respective Bank Boards for approval. For proposed co-financed projects under the Samoa Improving Economic Infrastructure Program, the program will use AusAID Guidelines for Investing in Partner Led Designs.

4.3 Funding

To deliver the investments required to achieve the desired results for this delivery strategy, a scale-up of Australia's current infrastructure portfolio²¹ from approximately A\$1.6 million a year to between \$3 and \$12 million a year over the duration of the delivery strategy will be required. This estimate is based on consideration of sector financing gaps in priority areas, financing available from the development banks and other development partners, the potential absorptive capacity of the GoS, the capacity of proposed mechanisms to disburse funds and the likely scale-up of the Australian Aid to Samoa over the life of the strategy²².

For Phase 1 of the delivery strategy, the Samoa program will seek approval for up to A\$34 million program over four years. Further detail of the breakdown of this proposed allocation is at Annex 4. AusAID's contribution to co-financed investments through the World Bank and ADB may be utilised by the GoS as additional financing. This will require careful negotiation with the GoS and development partners and a careful assessment of the benefits and risks.

²¹ The Power Sector Expansion Program led by the ADB

²² Internal Draft Pacific Division Budget Planning Scenarios 2013, and Australia's commitment to 0.5% GNI for ODA

4.4 Resource implications for AusAID

The program will be actively managed by Apia Post and supported by staff at Canberra. However the proposed delivery approach enables AusAID to strategically engage in the delivery of priority infrastructure programs, without the requirement for significant additional staffing resources for administrative work. A tentative resource strategy is outlined below:

- **Apia Post:** The program will be led by a team comprising approximately 30 per cent of a First Secretary's workload and 50 per cent of an O-Based Program Officer. These officers will be responsible for the infrastructure initiative and will have a day to day responsibility for the program. Head of Apia Post will lead policy dialogue engagement and represent AusAID at strategic governance meetings. This will be supplemented with expertise from Canberra such as the senior infrastructure adviser and the senior economist in Pacific Division.
- **AusAID Canberra:** The Pacific Division's Samoa desk officer in Canberra will provide support for quality assurances processes, support on policy issues and briefing. Pacific Division technical advisors, such as the senior infrastructure adviser and the senior economist in Pacific Division will provide support for policy dialogue engagement and for review of technical advice.

The resource allocation will be reviewed periodically to ensure that it remains optimal for program delivery.

5.0 Performance management

In line with AusAID's commitment made in *Effective Aid*, the Samoan Economic Infrastructure Program will focus on implementing a results approach which will monitor the effectiveness of Australian assistance and the contribution it makes to the development results in Samoa. Successful monitoring and evaluation requires processes and templates that provide enough information to ensure that AusAID is able to effectively track progress and evaluate effectiveness at the individual, activity and program level. As part of this Delivery Strategy, AusAID has developed a Performance Assessment Framework (PAF) which will enable AusAID to measure the collective impact of the program on Samoa's economic infrastructure and GoS' reforms against the delivery strategy's development goal. The PAF is presented at Annex 3 along with high-level monitoring and evaluation questions to guide assessments in the sector. The PAF links directly with the delivery strategies program logic with outcomes and indicators linked.

More performance measures, including a monitoring and evaluation framework, will be set out in initiative design and implementation arrangements. Investment implementation schedules describing the aim, implementation plans, resources and management arrangements will be prepared in collaboration with the GoS and development partners.

5.1 Risk Management: Phase One

The risk that the delivery strategy will fail to achieve the intended results is considered low. From a policy and strategic governance perspective, it aligns with the Government's Samoa Development Strategy objectives and Samoa's National Infrastructure Strategic Plan which forms the basis of its medium-term economic

infrastructure development. Samoa has very stable political environment with no security issues. A long established system of good governance with strong administrative processes and a focused reform agenda underpin the operational environment existing within Samoa. While project formulation delays and approval of co-financing partner projects could negatively impact on budget allocation/disbursement as well as delaying the intended benefits to the project beneficiaries, the risk of this occurring is considered minor.

A strategy level risk matrix is at Annex 5. The matrix will be updated annually in advance on the strategic governance committee meeting. Key risks identified are:

- **External shocks including natural disasters, a deterioration of global economic conditions, or a reduction in external assistance could jeopardize macroeconomic stability and divert public and Australian aid expenditure away from planned investments or reduce Samoa's ability to take on more concessional finance for investment.** For example, following Cyclone Evan, Samoa is experiencing a high risk of debt distress²³. The GoS is committed to reducing the fiscal deficit, by reprioritizing expenditures to give priority to infrastructure and resuscitate growth and eliminate non-essential spending. Careful monitoring of this risk will be required.
- **Resettlement and land issues may delay or disrupt planned investments.** For example in Phase 1, both the proposed roads program and the renewable energy program may result in minor resettlement involving compensation for crops and plantations or for plants/trees and fences and buildings due to widening of road right-of-ways. While resettlement/relocation of house structures and households may be required it is likely to be minor. Land acquisition for road widening and drainage easements will be required. Where there is any likelihood of any displacement and resettlement, adequate compensation will be paid to affected persons such that they are not worse off as a result of the project.
- **Negative environmental impacts may delay or disrupt planned investments.** For example, the proposed renewable energy projects under Phase 1 may have some negative impacts on river ecological systems with possible river sedimentation occurring and possible impacts on village livelihood activities. Where this occurs, remedial actions will be implemented to minimize impacts on the local ecosystems and in assisting affected villagers through alternative livelihood opportunities such that they are not worse off due to the implementation of the project. Impacts during construction could involve noise and dust pollution and these will need to be strictly controlled and monitored during implementation. Following AusAID's legal obligations under the EPBC 1999, all activities likely to have environmental impacts will be properly assessed. The program will endeavour to identify opportunities to build resilience in people's livelihoods and promote good environmental governance. For example, it is highly likely in renewable energy projects through joint business models between government and villagers and land owners in the management and ownership of the respective mini hydro power projects

23 Samoa request for disbursement under the rapid credit facility – Debt Sustainability Analysis, IMF, May 2013

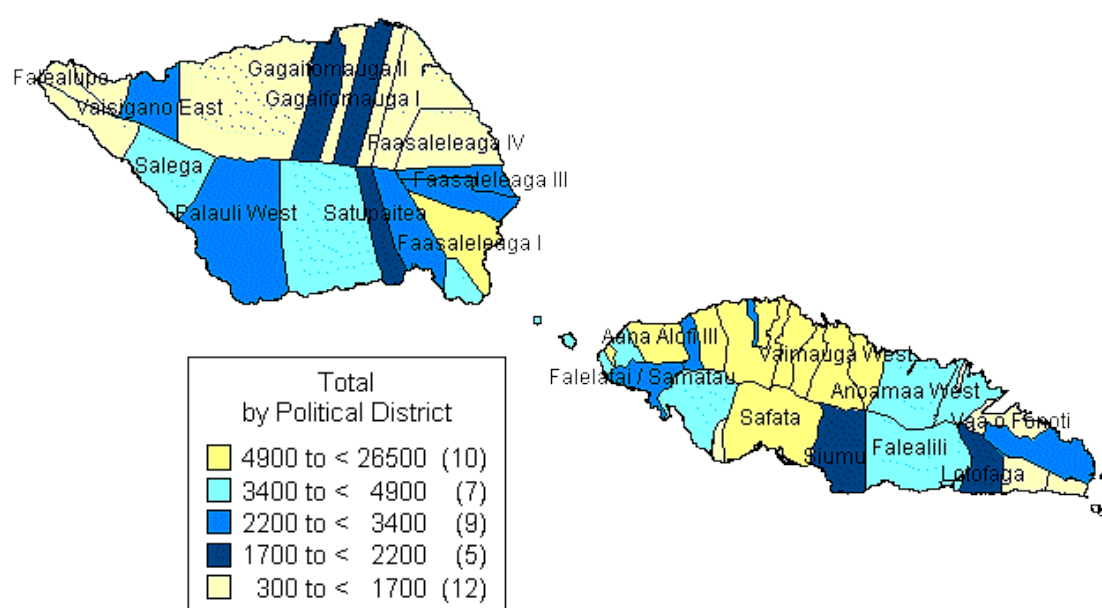
- **Fraud or corruption may divert Australian aid from its intended purpose.** We assess that the likelihood of fraudulent activities occurring during the implementation of the delivery strategy to be low the majority of the funds will be disbursed through multi-lateral partner institutions with the utilization and application of their respective monitoring and fiduciary control mechanism being applied. As previously noted, AusAID's 2011 Assessment of National Systems found that the risk of corruption in Samoa is low. Improvements with Samoan government procurement systems have been identified and are currently being harmonized with the ADB and World Bank processes internal audit processes and financial management systems within government.
- **Samoa's lack of commitment to policy reforms weakens the impact and sustainability of investment in economic infrastructure.** If the necessary reforms relating to infrastructure investment are not undertaken or are weakened, the investment may not deliver maximum impact on the economy and on poverty. For example, the large drain of SOE's on the economy needs to be addressed as well as maintenance budgets for road projects. If the GoS lacks commitment to these reforms, it has the risk of negatively impacting the new program.
- **The development Banks' do not consider cross cutting issues in implementation.** If the Development Bank's do not adequately consider cross-cutting issues where appropriate at implementation, the inclusive economic benefits of the program may be muted. Past experience has shown mixed success in influencing the WB and ADB on cross-cutting issues. As such, AusAID's participation in partner led design reviews will be an essential first step in ensuring cross cutting issues are addressed.

Annex 1 – Samoa Poverty Analysis

Who are the Poor?

Internationally comparable poverty data have not been estimated for Samoa, because the purchasing parity power benchmarks have not been calculated – PNG and Fiji are the only countries in the region with US\$1.25 poverty rates. There is however a reasonable amount of information about demographics, poverty and livelihoods in Samoa²⁴. It can be seen in Figure 1 that although people live in all parts of Upolu and Savai'i, the highest densities are on Upolu, where about 70 per cent of the population lives.

Figure 1 – Samoa Population Density Map



Source: Samoa Bureau of Statistics

(<http://www.sbs.gov.ws/Products/PopGIS/SamoaPopulationDensity/tabid/3678/language/en-US/Default.aspx>)

Poverty can be looked at in several ways – income (monetary and non-monetary), expenditure and consumption and the more subjective opportunity (access to economic and social goods that provide pathways out of hardship and poverty). Opportunity is somewhat subjective so is hard to capture in data and measure in a comparable manner. Estimates of income and expenditure for households were undertaken in 2008 and can be found in the Household Income and Expenditure Survey (GoS & UNDP: 2010)²⁵.

The key results and conclusions found in the survey regarding overall poverty are (see table A.2 in Appendix):

- Food poverty, measured as the proportion of those by access to at least 2100 calories per day, is very low at about 5 per cent. Samoan poverty is less about food and calorie deficits and more about hardship, in terms of access to a range of food and non-food goods and services;

²⁴ Samoa HIES, HDI report, MDG progress report,

²⁵ The survey gathered information on expenditure and income, and then compared this to a food and non-food poverty line to estimate the percentage of poor.

- The poverty incidence rates for food and non-food needs (the 'basic needs poverty line') range from 17 to 22 per cent of households in the four regions for which data is available;
- About four per cent of households are near poor – that is, their household expenditures are less than 10 per cent above the basic needs poverty line. The average poor household would need to raise expenditure by about nine percentage points to exit poverty;
- Geography is a poor predictor of poverty. The variation in poverty incidence rates between the four regions is small. Rural areas do have higher poverty rates, but the difference with urban areas is not substantial;
- Poorer households have more occupants – the poorest 20 per cent have an average of 10 occupants, compared with about 4 ½ in the richest 20 per cent of households; and
- Inequality in Samoa is high by world standards, with a gini coefficient approaching 0.50.

The survey also sheds some light on the income earning activities of households, and returns to education investments:

- In both urban and rural areas, greater educational attainment is associated with higher incomes. For females, higher income earners are much more likely to have tertiary training, especially urban females. The picture is identical for males.
- In terms of rural females' economic activities, two-thirds report their primary activity as 'home duties'. The proportion of females engaged in home duties is similar in both urban and rural areas²⁶. Employment rates for females are higher in higher income households. Rural females in the lowest quintile had employment rates of 20 per cent, compared to 46 per cent in the top quintile. Rural males are twice as likely as rural females to be in paid employment.
- For male economic activities, 54 per cent of rural males are occupied in farming and fishing for own consumption or sale and 21 per cent of urban males. Employment rates average 26 per cent in rural areas and 47 per cent in urban areas. Employment rates are higher in wealthier households.
- Overall, paid employment seems to be the result of higher educational attainment. However, the causality is bi-directional. Higher educational attainment appears to be the main thing separating lower income households from paid employment, which itself is generally associated with lower poverty rates.
- For females, a higher level of educational attainment is associated with lower rates of domestic duties and lower prevalence of subsistence agriculture.

The survey also provides reported electricity access for households in all income deciles at over 90 per cent. This compares with the 1999 estimate provided in Pacific Infrastructure Challenge at 60 per cent, so there are some questions about the difference in these measures. Lastly, the survey does not go into enough detail to offer much insight into the willingness to pay by consumers for infrastructure and services. The most relevant

²⁶ The survey did not ask about unemployment or underemployment, but presumes that the supply of labour would respond to offers of employment. Given the high reserve price of labour in Samoa, this presumption is questionable.

category of expenditure to infrastructure that was recorded is 'transportation', which represents about 8 per cent of household spending.

b. Dynamics and Pathways out of Poverty

Overall, the poverty data suggests that poverty incidence is low and concentrated in the poorest 30 per cent of households. The data suggests that educational attainment of household occupants is a strong predictor of poverty. Rural areas are generally poorer and cash incomes lower (the evidence is own production), though not much poorer once the impact of lower educational attainment is taken into account. The fact that rural dwellers have similar outcomes to Apia dwellers is a function of their opportunity set:

- Samoa is almost like a city-state, where all citizens can easily access the built urban area at low cost to access goods and services, even from Savai'i.
- Rural dwellers can always produce their own foodstuffs, since they have access to land (and Samoa generally has high nutrient volcanic soil) and inshore fisheries.
- Remittances provide cash incomes that permeate through much of the economy, though the data suggests that perhaps the bottom two or three income deciles are not great direct beneficiaries of remittance flows.

The data also points to the impact of remittances on the reserve price of labour. Although lower income deciles are more dependent on subsistence, higher income earners also seemingly rely heavily on agriculture for their livelihoods, but clearly the statistics mask the extent of that dependency for lower deciles. Our supposition is that even in higher income deciles, remittances and the low marginal costs of own food production allow households to substitute towards leisure activities. This is also what holds agriculture back, an essentially high price local workforce. Lower income deciles are experiencing hardship if they are not connected to the remittance and cash economies.

To conclude, exits from poverty will reflect higher educational attainment in households, which tends to result in greater levels of paid employment, especially for females, who have much lower rates of participation in the formal sector economy. Households with more paid employment tend to be richer. To accelerate exits from poverty, greater exposure to expanding paid employment opportunities for households in the bottom two or three income deciles. There is no evidence that isolation and a lack of connectedness are associated with higher poverty rates.

Annex 2 – Lessons Learned In Implementing Economic Infrastructure Projects

In order to achieve a better appreciation of government's capacity in implementing donor-funded infrastructure projects, a review of selected ADB and World Bank-funded projects was undertaken through review of Project Completion Reports (PCRs), Implementation Status Reports, and Procurement-Related Reports, and discussions with concerned staff where possible.

For the \$100 million Project Sector Expansion Project (PSEP) and co-financed by ADB through Loan 2368(SF) (\$26.61 million) and Grant 0087 (\$15.38 million), the Government of Australia (AusAID) through ADB-administered Grant 0101 (\$8 million), and the Japan International Cooperation Agency (JICA) through Loan 8232 (\$38 million); while the remaining \$12 million is financed by Samoa's Electric Power Corporation (EPC), the loan became effective on 19 June 2008 and is scheduled to close on 31 December 2016. The Ministry of Finance is the executing agency while EPC is the implementing agency.

Project implementation is approximately at the mid-point and on-going implementation is on schedule. The EPC has assumed full ownership and responsibility of implementation and has a good understanding of ADB operational guidelines (procurement and financial) and that it has good capacity with qualified technical staff. The Project Management Unit (PMU) is a well managed unit with efficient and capable staff with only limited involvement of international consultants.

PSEP is a large undertaking in all senses, and if not undertaken in a fully professional manner, delays and cost overruns, at worse project failure, may result. A Project Procurement-Related Review was undertaken by the ADB Office of Anticorruption and Integrity dated June 2012, and included review of procurement processes covering 14 contracts awarded under PSEP and inspected assets arising from these. Its scope covered 73% OF \$23.23 million of total ADB financing of \$32.52 million as of 31 May 2011. In respect to bidding and evaluation procedures, where some minor administrative matters were identified, and while these issues would not have altered the final award decisions, greater due diligence was recommended for future procurement activities. On-site asset verification and inspection revealed that the quality of construction was generally satisfactory with minimal waste, while project management and supervision was likewise found to be satisfactory.

In respect to internal controls, the review found that project management functions were overly concentrated on a small core staff with responsibility by subproject and that additional staff was required to adequately handle the many tasks and level of responsibilities. This was subsequently done through the appointment of three additional individual experts. File and record keeping was also identified as an area requiring improvement. Financial management at individual contract level was satisfactory. The ADB Report noted that the Samoa Audit Office, at the request of EPC, undertook a Performance Audit for the period 2008 -2011 which found that while EPC had been impressive in implementing capital projects and programs despite serious challenges, there had been a level of complacency in its internal controls. No specific instances of fraud and corruption were identified by the Project Procurement-Related Review Report.

For the Samoa Sanitation and Drainage Project (Loan No's. 2026/2440-SAM and Grant No. 0114-SAM), with an loan of \$10.8 million and approved in November 2003 with closing date in May 2011, the project included the rehabilitation and improvement of drains and floodways to mitigate regular flooding in the central business area, markets, and low-lying adjacent areas, and wastewater and sanitation improvements to meet basic public health requirements. The PCR rated the project highly relevant and effective in achieving project outcomes. Although the implementation period was longer than originally envisaged, due mainly to the delay in loan signing, late recruitment of implementation assistance consultants, and the need to rebid all of the major contracts due to non-compliant bids or excessive bid prices compared to appraisal estimates, efficiency in achieving outcomes and outputs was still rated as efficient. The overall project was rated as successful based on relevance, effectiveness, efficiency, and sustainability. The major lesson stemming from the project was the inadequate preparation at appraisal and readiness at approval, which caused the problems encountered during implementation.

The World Bank-funded Second Infrastructure Asset Management Project (P075523), Implementation Status and Results, dated June 2011, with a cost of approximately \$31.91 million and approved on December 2003 with loan effectiveness of 18 June 2004 and a revised closing date of 30 June 2012, is to enhance the economic, environmental and social sustainability of transport and coastal infrastructure assets through an effective partnership with private sector stakeholders. Project components consist of airport infrastructure, road infrastructure, sustainable management of infrastructure, institutional development and project management. As a result of satisfactory ratings in respect to progress in achieving project development objectives and overall implementation progress, the project was restructured to accommodate new co-financing made available through the Pacific Regional Infrastructure Facility (PRIF) to scale-up some priority investments. It was noted that planning, implementation, and management capacity of the government has been strengthened through improved human resource capacities and in developing investment and asset management plans and strategies, while private sector stakeholders play a greater role in these activities.

For the newly commenced World Bank-funded Samoa Post Tsunami Reconstruction Project (P120594) in the amount of \$11.30 million and approved on 2 November 2010, with loan effectiveness on 27 April 2011 and scheduled closing date of 30 April 2013, and consisting of provision of improved infrastructure access to relocation sites and enhanced transport infrastructure, initial implementation status is satisfactory with good progress being made in the implementation of physical infrastructure. While it is too early to determine overall implementation impacts, early achievements are positive.

While it is difficult to conclude any major lessons learned from the implementation results of the above limited infrastructure projects, all of which are considered to be successfully implemented, the following can be identified:

- (i) greater due diligence is needed in procurement activities especially in respect to bid evaluation processes;

- (ii) adequate number of qualified staff needs to be appointed to the Project Management Unit (PMU) so that management functions are not overly concentrated on a small core staff;
- (iii) general PMU internal administrative procedures needs to be better managed with improved record and file keeping activities;
- (iv) improvement in use of on-site personal protection equipment as well as up-to-date maintenance of engineer's site inspection logs;
- (v) better application of executing agency internal controls in order to avoid complacency;
- (vi) improved quality of appraisal document preparation especially cost estimates in order to avoid cost overruns and delays in project implementation;
- (vii) greater participation from stakeholders and beneficiaries; and
- (viii) advance identification and assignment of PMU staff and reduced time between loan approval and loan effectiveness in order to reduce project delays.

Annex 3: Samoa Performance Assessment Framework

Samoa economic Infrastructure Program development goal to 2020-21	Reduced poverty in Samoa by stimulating inclusive economic growth though the provision of economic infrastructure and associated structural and policy reform.			
This supports the Samoa Australia Partnership for Development goal:				
<ul style="list-style-type: none">Address vulnerability to economic shocks and climate change through economic growth and diversification.Support public investment in Samoa by using grant financing to leverage concessional borrowing.				
It also supports the Samoa Development Strategy 2012-2016 Priority Area Three: Infrastructure-Key Outcomes 9-12.				
Investment Outcome				
End-of-strategy outcome to 2020-21	End-of-strategy outcome indicators	Intermediate outcomes	Intermediate outcome indicators	Key assumptions
High priority economic infrastructure is improved.	Increased access to services. Lower cost of services where appropriate. Increased functionally of services (such as improved road infrastructure). Improved whole-of-life cost of infrastructure.	Intermediate outcomes will be determined by the specific infrastructure investments negotiated between the GoS and development partners.	Intermediate indicator will be determined by the specific infrastructure investments negotiated between the GoS and development partners.	Natural disasters do not divert public expenditure away from planned investments. Public debt prevents Samoa from obtaining concessional finance from the development banks. Economic Infrastructure investment prioritised politically
Key evaluative questions for end-of-strategy outcome.	What evidence is there that improvements in economic infrastructure have increased economic growth? Have improvements in economic infrastructure have led to better delivery and functionality of services particularly for vulnerable groups? What evidence is there that improvements in economic infrastructure have increased employment? Is the GoS is able adequately budget for the recurrent cost of investments?			Suggested means of verification: investment evaluations, GoS annual budgets, employment and national statistics.

Reform Outcome				
End-of-strategy outcome to 2020-21	End-of-strategy outcome indicators	Intermediate outcomes.	Intermediate outcome indicators	Key assumptions
GoS agencies implement structural and policy reforms which improve the sustainability of economic infrastructure and enhance inclusive economic growth.	Percentage of planned reform activities implemented according to timetable.	Asset management capabilities of the GoS are improved.	GoS agencies & public enterprises have asset management plans in place.	Achievement in this area will be largely dependent on the ongoing commitment of GoS in undertaking economic infrastructure reforms.
	Percentage of reform plans adequately resourced (budgets and actual)	Reforms lead to an increase in the performance of public enterprises.	Agencies and public enterprises performance indicators show improvement.	
	Effectiveness of selected reforms established through tracer studies & evaluations	The cost of services to the consumer where appropriate, decrease.	The price of services decreases where appropriate.	
		Budget management is improved in respect to economic infrastructure assets.	National budget includes appropriate allocation of resources for asset management.	
		The private sector & civil society are better able to influence investments and reform choices.	Number of consultations with private sector and civil society groups undertaken by the GoS.	
Key evaluative questions for end-of-strategy outcome	Are the reforms being implemented by the GoS? What are GoS agencies doing differently due to the reforms? What effect are the reforms having on economic infrastructure and AusAID's investments? How are improvements in public sector staff, plans, systems and processes leading to system-wide capacity development and reform?			Suggested means of verification: Annual interview of key stakeholders including GoS, development partner and the private sector. Agency and public enterprise annual reports.

Technical Assistance Outcome				
End-of-strategy outcome to 2020-21	End-of-strategy outcome indicators	Intermediate outcomes	Intermediate outcome indicators	Key assumptions
Research & analysis which considers cross-cutting issues leads to decisions that support inclusive and sustainable economic growth.	<p>Decisions on the prioritisation of investments, allocation of resources and reform agenda takes account of cross-cutting issues.</p> <p>Cross-cutting issues are addressed in investments and reforms.</p>	Studies are produced which provide recommendations to improve investment design and implementation.	Number of studies produced that are accepted by GoS and development partners.	<p>Quality analysis will produce useful information which will shape investments and reforms.</p> <p>Recommendations made by analysis will be taken into consideration.</p>
		Studies are produced which provide recommendations for GoS reforms.	Number of studies produced that are accepted by GoS and development partners.	
Key evaluative questions for end-of-strategy outcome	<p>What change did the study result in?</p> <p>Was the study made public?</p> <p>Was the study delivered in time and was the content accessible to decision makers?</p>			

1.1 Monitoring Phase one (to be refined as Phase one investments are developed):

Results Hierarchy	Indicators	Data source / means of verification	Baseline (Year) 2013/14		Annual Performance (2014/15)	Annual Performance (2015/16)	Annual Performance (2017/18)	End of phase one performance (2018/19)
End-of-strategy outcome one								
End-of-strategy outcome: Priority economic infrastructure needs are met by assisting in the rehabilitation of existing infrastructure assets and the provision of new assets where necessary.	Increased number of persons with improved access to services.	National statistics/house hold surveys.		Target:				
				Actual:				
	Lower cost of services where appropriate.	Market sources.		Target:				
				Actual:				
	Increased functionality of services (such as improved road infrastructure).	National statistics/house hold surveys.		Target:				
				Actual:				
	Improved whole-of-life cost of infrastructure.	Asset plan.		Target:				
				Actual:				

Intermediate outcome: Intermediate outcomes will be determined by the specific infrastructure investments negotiated between the GoS and development partners.	Intermediate indicators will be determined by the specific infrastructure investments negotiated between the GoS and development partners.	Data source/means of verification will differ depending on investments.		Target:				
				Actual:				
Results Hierarchy	Indicators	Data source / means of verification	Baseline (Year)		Annual Performance (2014/15)	Annual Performance (2015/16)	Annual Performance (2016/17)	End of phase one performance (2018/19)
End-of-strategy outcome two								
End-of-strategy outcome: Structural and policy reforms are implemented which complement economic infrastructure investments and promote sustainable inclusive economic growth.	Percentage of planned reform activities implemented according to timetable.	GoS/ development partners.		Target:				
				Actual:				
	Percentage of reform plans adequately resourced (budgets and actual)	GoS national budget		Target:				
				Actual:				
	Effectiveness of selected reforms established	Tracer studies & evaluations		Target:				
				Actual:				

Intermediate outcome: Asset management capabilities of the GoS are improved.	GoS agencies & public enterprises have asset management plans in place.	Agency management plans		Target:				
				Actual:				
Intermediate outcome: Reforms lead to an increase in the performance of public enterprises.	Agencies and public enterprises performance indicators show improvement.	Agency and public enterprise annual reports		Target:				
				Actual:				
Intermediate outcome: The cost of services to the consumer where appropriate, decrease.	The price of services decreases where appropriate.	Market statistics		Target:				
				Actual:				
Intermediate outcome: Budget management is improved in respect to economic infrastructure assets.	National budget includes appropriate allocation of resources for asset management.	National Budget		Target:				
				Actual:				
Intermediate outcome: The private sector & civil society are better able to influence investments and reform choices.	Number of consultations with private sector and civil society groups undertaken by the GoS.	GoS		Target:				
				Actual:				

Results Hierarchy	Indicators	Data source / means of verification	Baseline (Year)		Annual Performance (2014/15)	Annual Performance (2015/16)	Annual Performance (2016/17)	End of phase one performance (2018/19)
End-of-strategy outcome three –								
End-of-strategy outcome: Investments and reform decisions are well informed and cross-cutting issues are addressed in the program.	Decisions on the prioritisation of investments, allocation of resources and reform agenda takes account of cross-cutting issues. Cross-cutting issues are addressed in investments and reforms.	Investment and reform reviews and imitative QAI.		Target:				
				Actual:				
Intermediate outcome: Studies are produced which provide recommendations to improve investment design and implementation.	Number of studies produced that are accepted by GoS and development partners.	GoS and development partners		Target:				
				Actual:				
Intermediate outcome: Studies are produced which provide recommendations for GoS reforms.	Number of studies produced that are accepted by GoS and development partners.	GoS and development partners		Target:				
				Actual:				

Annex 4: Detailed breakdown of Phase 1

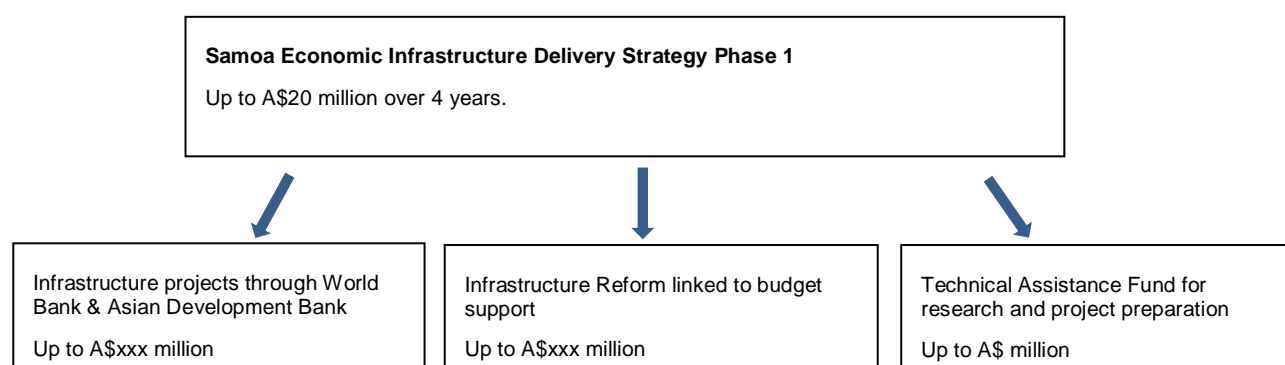
DRAFT

Following from AusAID's poverty and sector analysis, a joint mission was conducted consisting of representatives from the Asian Development Bank, AusAID and the World Bank²⁷. The mission visited Samoa from 5 to 16 November 2012 to discuss a possible program of infrastructure support with the GoS. Priority investments for Phase 1 were based on these discussions and AusAID's 2012 analysis.

Aligning with the delivery strategy, Phase 1 of the Samoa Economic Infrastructure Program will be structured in three key components:

- Component One- Economic infrastructure projects: with priority for roads, renewable energy and a submarine internet cable.
- Component Two: Incentivised Infrastructure Reform.
- Component Three- Technical Assistance Fund

Figure 1: Key components



The intermediate outcomes for Phase 1 are described briefly below but will be further developed through a series of Investment Concept Notes and/or Partner Led Summary Design Documents in accordance with AusAID design guidance. Specifically:

1. Samoa Enhanced Road Access Project (co-funded through the World Bank)
2. Pacific Regional Connectivity Program: Phase 3 Samoa (co-funded through the World Bank and Asian Development Bank)
3. Renewable Energy Program (co-funded through the Asian Development Bank)
4. Incentivising Infrastructure Reform Program

An Investment Concept Note/design will not be developed for the Technical Assistance fund. Rather individual funding arrangements will be put in place on a case by case basis up to the value of the allocation. This

²⁷ The Mission consisted of the following members: ADB – Mr. Adrian Ruthenberg, Regional Director, Pacific Subregional Office, 5-7 November; Ms. Maria Melei, Samoa Country Specialist, Pacific Subregional Office, 5-9 November; AusAID – Mr. Anthony Stannard, Counsellor, Apia, 5-16 November; Ms. Jennifer Gregory, Infrastructure Specialist, 5-9 November; Ms. Sara Dix, Economic Specialist, Pacific, 5-15 November; Mr. William Costin, Consultant, Infrastructure Program Delivery Specialist, 5-16 November; Mr. Isikuki Punivalu, Consultant, Samoa Infrastructure Specialist, 5-16 November; World Bank – Mr. Robert Jauncey, Senior Country Officer, Timor-Leste, Papua New Guinea & Pacific Islands, 5-9 November; Mr. Jim Reichert, Senior Infrastructure Specialist, Timor-Leste, Papua New Guinea & Pacific Islands, 9-14 November.

includes the engagement of an infrastructure panel firm from the AAS to assist AusAID management and quality assurance over the four year duration of Phase 1.

Component One – Infrastructure projects

A 2012 joint AusAID, ADB and World Bank mission determined priority economic infrastructure sub- sectors in Samoa. Telecommunications and energy were rated as high needs, mainly due to the extremely high costs and unreliability of services. Roads, airports and ports all came out as medium, while water & sanitation was low (due to high access and other donors providing substantial resources). The World Bank has a large and effective presence in the roads sector in Samoa and thus achieves substantial results from transport projects. Thus initial priorities of renewable energy, telecommunications (internet) and roads are recommended for investment. Investments in airports and ports have been included below but are tentative projects.

Energy Sub-sector (Co-financed with ADB)

- Development of Five Mini Hydro Plants with a total cost of around \$20-27 million.
- Possible AusAID support estimated at 25 per cent of total ADB indicative investment of around \$25-30 million would amount to \$xxx million.

Telecommunication Sub-sector (Co-financed with World Bank)

- Pacific Regional Connectivity Program: Phase 3 Samoa with an estimated amount of \$25-30 million
- Possible AusAID support estimated at \$xx million.

Roads Sub-sector (Co-financed with WB)

- IDA 16 (FY13-14) provides an indicative allocation for urban and rural roads improvement and improving access to villages and climate proofing existing roads and drainage systems in the amount of \$25-30 million
- In addition, GoS has identified a Rural Access Roads Program in addition to the WB investment with this estimated at approximately \$10 million.
- Possible AusAID support is estimated \$xxx million.

Airports Sub-sector (tentative)

- WB has indicated that it could consider providing financing support for terminal upgrades and runway improvements but there are no allocations in its IDA16/17 indicative investment program. The GoS has estimated the cost of this infrastructure at approximately \$xx million.
- Possible AusAID support to be determined.

Ports Sub-sector (tentative)

- While the WB has not committed any funding support to the Ports Sub-sector in its IDA 16/17 (FY15-16) indicative investment program, it has indicated that it could support a reform program needed to modernize ports, especially considering their vital importance to connectivity and inter-island trade.

The GoS has estimated a cost of \$30 million for improvement to inter-island ports, which would greatly benefit rural and low-income communities. Support would be needed for both capital works and policy reform for initiatives.

- Possible AusAID support to be determined.

Component 2: Incentivised Reform Program

Encouraging better infrastructure asset management, improving the private sector enabling environment and improving the performance of state-owned enterprises are anticipated to be a large focus of the reform component of the program. The reforms aim to support this by removing some bottlenecks and constraints to growth in the Samoan economy and efficient and effective management of Samoa's infrastructure assets.

The consistency of application of economic policies by government institutions and those affecting business need to improve, notwithstanding relatively good ratings on doing business. For example, foreign direct investment is welcomed, yet obtaining visas for foreign staff is regarded as an excruciating process. Bankruptcy laws are problematic. Enforcing contracts through the courts is too costly and slow, notwithstanding recent attempts to introduce low cost mediation. None of the Pacific countries rank highly in the World Bank Doing Business surveys. In some areas, Samoa performs well relative to other countries in the region. In others, such as business registration, it ranks poorly. While Samoa previously led the pack as a result of earlier reforms, other Pacific countries have now caught up. The costs of business remain high. Foreign direct investment (FDI) is around 4 per cent of GDP (IMF 2007)²⁸. A business environment which does not enable reasonably quick resolution of disputes is not conducive to new business entrants, particularly foreign investors, and raises the cost of doing business.

Infrastructure reform issues

- Electricity provision remains expensive, service delivery relatively poor, due to high system losses, and with a reasonable population (mainly rural population) without access to the network. Allowing private generators to return surplus power to the grid would be a good place to start, although the big challenge is in reforming and privatising the generation and retail parts of the Electric Power Corporation (EPC), and perhaps leasing out the network. In addition, and due to the high costs of diesel fuel for power generators, the opportunities of looking at renewable energy sources need to be considered.
- ICT has plenty of room for further liberalisation, relating to fixed lines for calls and internet broadband, the internet gateway, and in terms of allowing competition in the supply of ICT services. This will be a very important area for reform considering the large investment donors will make in the submarine cable. The arrangements around the management of the cable, as well as ensuring the broadband benefits reach all communities including in rural areas, will need to be discussed extensively prior to the cable project's implementation.

²⁸ In contrast, the average FDI rate for the Caribbean and Indian Ocean countries is double, at around 8 per cent of GDP.

- While the overall roads sector is fairly extensive, upgrading of a number of urban roads is necessary due to increased vehicle volumes and vulnerability to natural hazards. Rural access roads are generally unpaved and of relatively low quality and not classified as “all-weather roads”. A strong reform in the roads sector would involve providing a sufficient, predictable and secure source of funding for road maintenance activities.
- Further aviation liberalisation that expanded capacity on key routes would reduce costs of business and boost tourism. The key constraining rules are on greater foreign investment, by Virgin Holdings Australia, in the joint venture. It is unclear whether Samoa could further liberalise its international routes, to expand capacity. Domestic routes are apparently unprofitable, but a social returns analysis needs be done to identify the beneficiaries of these publicly subsidised services.
- The three airports operate at a loss, but it is unclear what exactly prevents full cost recovery from passengers, such that its return on equity increases. Private management under a concession arrangement might improve efficiency, reduce business costs, and underpin tourism development. There could also be fiscal savings.
- In passenger transportation, the Samoa Shipping Corporation faces competition on its international routes, but has a monopoly on its domestic routes and has enjoyed subsidies from GoS and donors. It too would benefit from a social returns analysis to identify the beneficiaries of public subsidies.
- The port has become more efficient, but is still regarded as high cost by business. Proper benchmarking of its performance and publishing the results would help. There is evidence that the port operator is crowding out private investment activities on port land, for example in the development of the commercial yacht marina.

Apart from land, State Owned Enterprises’ (SOEs) performance and the policy framework they operate within are key reasons for high business costs and are therefore a big drag on private investment. SOEs are generally inefficient. They account for 10 per cent of employment and 6 per cent of GDP but have performed poorly from both a financial and economic efficiency perspective. They make poor financial returns, pose significant governance and contingent liability risks, raise costs for business and in some cases undertake functions that could be undertaken by the private sector²⁹.

For the period 2002 to 2009 the average return on equity (ROE) for all SOEs in Samoa was 0.2 per cent compared with a Ministry of Finance target of 7 per cent (ADB 2011). There are plenty of opportunities for private provision and involvement in SOEs. For example, maintenance for electricity and water utilities, and the possible export to the electricity grid of excess capacity of private sector generators, among others. The binding constraint to making further progress on SOE reform is the limited political interest and leadership. The following table shows a comparison of the performance of SOEs across three selected Pacific-Island Countries based on specific economic impact indicators.

²⁹ IMF 2010, 2007 and ADB 2011, 2008

Component 3 – Technical Assistance Fund

As outlined in the Delivery Strategy a technical assistance firm will be engaged through the Aid Advisory Services (AAS) Panel for the duration of Phase 1. In addition, funds for technical assistance will be available to development partners and the GoS. It is intended that this technical assistance will be utilised to augment both investments and policy reforms and to ensure safeguard measures are met. The criteria for development partners and the GoS to access the funds is proposed as:

1. The technical assistance is directly relevant and contributes to a current or proposed SEIP investment.
2. The technical assistance is directly relevant to a current or proposed SEIP policy reforms.
3. The technical assistance informs current or proposed SEIP investments or policy reforms on cross-cutting issues.
4. The technical assistance is below the amount of A\$300,000.

Annex 3: Risk Management Matrix

(Refer to excel spread sheet '*Risk Matrix SEIP DS*')