



Country Operations Business Plan

August 2007

Samoa
2007–2009

Asian Development Bank

CURRENCY EQUIVALENTS

(as of July 2007)

Currency Unit	–	tala (ST)
ST1.00	–	\$0.3933
\$1.00	–	ST2.5426

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CPA	–	country performance assessment
CPS	–	country partnership strategy
CSPU	–	country strategy and program update
EPC	–	Electric Power Corporation
ESP II	–	Education Sector Project II
GI	–	general intervention
ID	–	institutional development
JSF	–	Japan Special Fund
OCR	–	ordinary capital resources
PAHQ	–	Pacific Operations Division
PARD	–	Pacific Department
PBA	–	performance-based allocation
PLCO	–	Pacific Liaison and Coordination Office
SDS	–	Strategy for the Development of Samoa
SPSO	–	South Pacific Subregional Office
TA	–	technical assistance
TASF	–	Technical Assistance Special Fund

NOTE

In this report, "\$" refers to US dollars.

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I. CONSISTENCY OF THE BUSINESS PLAN WITH THE CURRENT COUNTRY PARTNERSHIP STRATEGY

1. The Asian Development Bank's (ADB) strategy¹ for Samoa aims to: (i) enhance access to, and quality of, basic social services; and (ii) improve the environment for the private sector. The strategic focus of the CSPU 2005–2006 provides a solid foundation for the formulation of the new country partnership strategy (CPS) 2008–2012 for Samoa, currently under preparation with approval tentatively scheduled for early 2008.

2. The preparation of the CPS 2008–2012 will take full account of the results-based Country Portfolio Review Mission and lessons learned to develop a realistic and effective managing for development results framework. The Government would like ADB's strategy in Samoa to align with the SDS and support its implementation. ADB's strategy will therefore focus on poverty reduction with three pillars for intervention: (i) removal of infrastructure constraints, (ii) improvement of access and delivery of public services, and (iii) promotion of private sector development. This strategy contributes to the overarching goal of poverty reduction, is fully consistent with ADB's Pacific Strategy 2005–2009,² and supports Samoa's continued economic and social development and achievement of the Millennium Development Goals. The new CPS will build on a coordinated strategy with the other main development partners, and will acknowledge lessons from the past, by focusing on sectors where ADB has strong comparative advantages, particularly: (i) power; (ii) water, sanitation, and drainage; and (iii) private sector development. Longer-term commitments to specific sectors, instead of a project-by-project approach, will be supported by road maps for reform—developed in agreement with country stakeholders and development partners. Strengthening capacity and developing institutional building will be among the key outcomes of the results-based CPS 2008–2012.

3. In support of the objectives of the SDS, the new CPS 2008–2012 is expected to improve growth prospects and living standards, especially for disadvantaged members of the community. Physical infrastructure development and improved utility services to be pursued under the CPS, within appropriate regulatory frameworks, will also facilitate private sector development. The improved physical infrastructure will be important to improving public health and raising the amenity of urban areas, particularly for those lower-income households living in areas exposed to poor drainage. Efforts to improve the enabling environment for the private sector are to be enhanced through better dialogue, public enterprises are to be more accountable and achieve a higher standard of performance, and the commercial legal environment is to be upgraded.

II. INDICATIVE LENDING AND NONLENDING PROGRAMS

A. Lending Program

4. The country-specific Asian Development Fund (ADF) lending allocations have been derived on the basis of the results of the 2005 country performance assessment (CPA) exercise, after applying the performance-based allocation (PBA) formula. ADF allocations for Samoa for 2007–2008 have been set at \$26.33 million.³ Additionally, an unused balance of \$26.89 from 2005–2006 ADF allocations for Samoa could be carried over to 2007 as allowed under the

¹ ADB. 2004. *Country Strategy and Program Update (2005–2006): Samoa*. Manila.

² ADB. 2004. *Responding to the Priorities of the Poor: A Pacific Strategy for the Asian Development Bank 2005-2009*. Manila.

³ This allocation includes the \$16.49 million initial allocation for Samoa for 2007-2008, plus an additional \$9.84 million reallocated among Pacific Development Member Countries with sufficient absorptive capacity.

revised PBA policy.⁴ ADF assistance program for 2009 is tentative, with actual ADF assistance levels subject to the results of the next CPA exercise and the outcome of the discussions on the next ADF replenishment. For planning purposes, the three-year allocation for 2007–2009 has been set at \$61.46 million.⁵ An indicative assistance pipeline for lending products for 2007–2009 is in Table 1.

5. For 2007–2009, a power sector expansion project and a schoolnet expansion project have been included in the lending program for Samoa.

B. Nonlending Program

6. ADB is considering indicative annual technical assistance support for 2007–2009 at around \$900,000. Based on the agreement reached with the Government, ADB technical assistance will focus primarily on: (i) project preparation, (ii) power sector, (iii) private sector development, and (iv) formulation of Samoa's next development strategy. An indicative assistance pipeline for nonlending products for 2007–2009 is in Table 2.

III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS

7. The years covered by this business plan do not overlap with those covered by the CSPU 2005–2006. The proposed lending and nonlending program is consistent with the ongoing discussions with the Government in view of the preparation of a CPS for Samoa. Additional information on the proposed lending and nonlending products and services for 2007 are in Tables 3 and 4.

IV. INDICATIVE INTERNAL RESOURCE REQUIREMENTS

7. It is estimated that the following internal staff resources will be required for timely delivery of the operations under the proposed business plan: (i) in 2007, 28.0 person-months of professional staff and 13.0 person-months of supporting staff; (ii) in 2008, 12.0 person-months of professional staff and 6.0 person-months of supporting staff; and (iii) in 2009, 17.5 person-months of professional staff and 7.0 person-months of supporting staff.

V. RESULTS-BASED MONITORING

8. The CSPU 2005–2006 was not results-based, and its road maps had no medium-term goals and targets. A results-based CPS will be developed in 2007 in close coordination with development partners, to be approved in early 2008. Background thematic assessments are currently ongoing, and will provide the required information to prepare the results framework for the CPS.

⁴ ADB. 2004. *Review of the Asian Development Bank's Policy on the Performance-Based Allocation of Asian Development Fund Resources*. Manila.

⁵ ADB is in the process of revising the framework for ADF grants. Approval of the new framework, which links grant eligibility to a country's debt situation, is still pending. The indicative grant program is based on the revised ADF grant framework as presented in the working paper considered by ADB's Board of Directors on 24 July 2007. The grant framework is still subject to further change, which may affect the indicative grant program. Submission of ADF grant projects for Board consideration prior to the approval of the revised grant framework will be on a conditional basis. Should ADB's Board approve such projects, the grant agreement will not be signed until the revised grant framework is approved.

Table 1: Indicative Assistance Pipeline for Lending Products, 2007–2009

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of Project Preparatory Assistance	Total	Cost (\$ million)						
						OCR	ADB		Total	Gov't.	Co- financing	
							Loans	Grants				
2007 Firm Loans												
Energy												
Power Sector Expansion Project	GI	ECO	PAHQ	2006	100.00	0.00	26.61	15.39	42.00	20.00	38.00	
Education												
Schoolnet Expansion Project	GI	ISD	PAHQ	2007		0.00	0.00	5.90	5.90	TBD	TBD	
Total						0.00	26.61	21.29	47.90	TBD	TBD	

ADB = Asian Development Bank, ADF = Asian Development Fund, EDO = sustainable economic growth, GI = general intervention, Gov't = government, ISD = Inclusive Social Development; OCR = ordinary capital resources, PAHQ = Pacific Operations Division., TBD = to be determined

Source: Asian Development Bank staff estimates.

Table 2: Indicative Assistance Pipeline for Nonlending Products and Services, 2007–2009

Sector Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			ADB		Others		
			Source	Amount (\$'000)	Source	Amount (\$'000)	
2007							
Law, Economic Management, and Public Policy							
Formulation of the Strategy for the Development of Samoa	SPSO	ID	JSF	500.0	—	—	500.0
Energy							
Power Sector Expansion Cluster	PAHQ	ID	JSF	600.0	AUS FIN	900 1,250	2,150
Subtotal				1,100.0	—	—	2,650.0
2008							
Law, Economic Management, and Public Policy							
Private Sector Development Cluster	PLCO	ID	TASF	800.0	—	—	800.0
Subtotal				800.0	—	—	800.0
2009							
Social Infrastructure							
Preparing the Sanitation and Drainage Project II	PAHQ	PP	JSF	700.0	—	—	700.0
Energy							
Preparing the Power Sector Expansion Project II	PAHQ	PP	JSF	700.0	—	—	700.0
Subtotal				1,400.0	—	—	1,400.0
Total				3,300.0			4,850.0

ADB = Asian Development Bank, AUS = Government of Australia, FIN = Government of Finland, ID = institutional development, JSF = Japan Special Fund, PAHQ = Pacific Operations Division, PLCO = Pacific Liaison and Coordination Office, PP = project preparatory technical assistance, SPSO = South Pacific Subregional Office, TASF = Technical Assistance Special Fund
Source: Asian Development Bank estimates.

Table 3: Summary Information on Proposed Indicative Lending Products for 2007

Project Name	Description
Power Sector Expansion Project	<p>Goal The proposed loan will assist the Government and Electric Power Corporation (EPC) to provide reliable and sustainable electricity services at cost-effective prices. The overall goal is to meet growing electricity demand through a resource efficient, cost-effective, and environmentally sustainable power sector that is conducive to broad-based economic growth.</p> <p>Major Components The project will include (i) expansion and upgrades of existing power stations and new power stations to meet capacity constraints, (ii) upgrades of the transmission and distribution network to improve capacity and reduce losses, (iii) supply, installation, and operation of a system control and data acquisition, and (iv) prepayment meters.</p> <p>Expected Outputs and Outcomes The proposed loan will support EPC's least-cost power sector expansion program over 8–10 years to: (i) meet growing electricity demands on Upolu and Savai'i, (ii) reduce system losses and improve generation efficiency, (iii) improve the financial sustainability of EPC, and (iv) promote environmentally sustainable and renewable power projects with community involvement.</p>
Schoolnet Expansion Project	<p>Goal The proposed Schoolnet project will assist the Government to achieve an equitable and effective education system using Information Communication Technology (ICT). The goal is to reduce the digital divide and promote life-long learning outcomes of young people for further study, work and adult life. The outcome of the proposed project will be an enhanced quality of education by delivering the curriculum, assessment, learning materials, teacher training and learning through ICT in coordination with the Education Sector Project II (ESP II).</p> <p>Major Components The proposed Project will have four components: (i) increasing access of schools to e-teaching and e-learning tools, (ii) improving quality of teaching learning through e-learning material and approaches, (iii) strengthening management of Schoolnet and Community Access Program, and (iv) improving the project management in conjunction with ESP II.</p> <p>Expected Outputs Outputs of Component 1 are: (i) consolidated Schoolnet pilot projects, (ii) expansion of Schoolnet network to additional school sites, (iii) extension of Schoolnet network access to relevant divisions of the Ministry of Education, Sports and Culture, (iv) expanded and adapted Data Center to meet Schoolnet expansion requirements, and (v) expanded and adapted Schoolnet portal.</p> <p>Outputs of Component 2: (i) capacity development of Curriculum, Material and Assessment Division's and Teacher Resource Center's (in collaboration with National University of Samoa) in developing and disseminating e-teaching and e-learning materials, (ii) expansion and capacity development of MESC IT department, and (iii) training of primary and secondary school teachers in utilizing e-learning and e-teaching materials at the classroom level in coordination with ESP II.</p>

	<p>Outputs of Component 3: (i) management plans including business plans and administrative procedures for schools, (ii) formal agreement among private public partners to support Schoolnet, (iii) revised and updated policy guidelines for MESC/IT Unit; (iv) community awareness of Schoolnet expansion; and (v) capacity developed for monitoring and evaluation.</p> <p>Outputs of Component 4: (i) strengthening project implementation, monitoring and evaluation in conjunction with ESP II; and (ii) aligning reporting and reviewing of the proposed project in conjunction with ESP II.</p>
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Source: Asian Development Bank.

Table 4: Summary Information on Proposed Indicative Nonlending Products and Services for 2007

Project Name	Description
Support for the Formulation of the Strategy for the Development of Samoa	<p>Goal The overall goal of the technical assistance (TA) is to improve the Government's capacity in strategic and development planning and management for development results, with emphasis on establishing the process to link the medium-term fiscal framework, sectoral plans, annual budget allocation, and departmental corporate plans.</p> <p>Major Components The Asian Development Bank assistance will support the Government to develop and implement a participatory consultation processes involving all stakeholders, in deriving a long-term strategic vision for achieving higher sustainable growth; ensuring financial stability; and, particularly, investment in people in Samoa. The TA will seek to set priorities based on realistic resource estimates and secure support and commitment for those priorities from the Government, including central and line ministries, and among stakeholders through public consultation, seminars, and workshops. The TA will help translate this vision into objectives and targets within a medium-term fiscal framework and budget.</p> <p>Expected Outputs and Outcomes The key TA outputs include: (i) developing a basic framework for costing of inputs; (ii) undertaking an assessment of the current sectoral plans; (iii) developing a methodology on data collection, analysis, and interpretation of Government Finance Statistics; (iv) developing a methodology and providing capacity building on the Revised Minimum Standard Model-Extended or recommending an alternative appropriate and less data-intensive economic model; (v) developing realistic target indicators under an appropriate results framework, in order to utilize the Strategy for the Development of Samoa as a suitable mechanism for managing for development results; and (vi) providing support in the implementation of the goals established under the results-based strategy. The expected TA outcome is an improved process of medium-term strategic planning and public expenditure management that will enable the Government to focus on operational objectives and performance standards established under recently implemented service charters.</p>
Power Sector Expansion Cluster	<p>Goal The TA will support the Government's power sector expansion project to provide sustainable and reliable electricity services to all consumers at cost-efficient prices.</p> <p>Major Components The major components comprise: (i) assistance to the Government for regulatory reform in the power sector; (ii) establishment of a Clean Energy Fund (CEF); (iii) establishment of a designated national authority (DNA); and (iv) provision to EPC of a resident financial management advisor to strengthen tariff submissions, budgeting and internal financial controls and reporting, provide guidance on private sector arrangements, and build capacity.</p> <p>Expected Output and Outcomes The TA cluster program forms part of the Government's power sector development plan and supports the proposed Power Sector Expansion Program. The TA cluster has the following expected results:</p> <p>(i) The establishment of a regulatory framework for the power sector to promote good governance, stakeholder participation, and a conducive environment for cost-effective private sector participation and investments.</p>

	<p>(ii) The establishment and strengthening of the institutional capacity and technical capability of a clean energy fund (CEF) in Samoa. The establishment of CEF will complement activities under the proposed Power Sector Expansion Project and the proposed TA for the Establishment of a Designated National Authority for utilizing the carbon development mechanism (CDM). The CEF will promote and facilitate development of clean energy initiatives for clean energy, environmental improvement, and climate change adaptation. It is envisaged that the establishment of CEF and CDM sub-fund would leverage co-financing once the structures for the funds are completed.</p> <p>(iii) The establishment and strengthening of the institutional capacity and technical capability of the DNA in Samoa to promote clean, indigenous, and renewable energy through the use of CDM.</p> <p>(iv) Improved corporate governance and financial management and planning of EPC are expected to result in improved transparency and cost-effectiveness of power supply which will benefit end-consumer. The TA will also support energy conservation and demand-side management through the preparation of a new tariff structure and bulk power purchase agreements.</p>
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Source: Asian Development Bank