

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA1901

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| Project Name | Samoa Aviation Investment Project (P143408) |
| Region | EAST ASIA AND PACIFIC |
| Country | Samoa |
| Sector(s) | Aviation (85%), Public administration- Transportation (15%) |
| Theme(s) | Regional integration (80%), Administrative and civil service reform (10%), Natural disaster management (5%), Climate change (5%) |
| Lending Instrument | Investment Project Financing |
| Project ID | P143408 |
| Borrower(s) | Independent State of Samoa |
| Implementing Agency | Samoa Airport Authority |
| Environmental Category | B-Partial Assessment |
| Date PID Prepared/Updated | 25-Sep-2013 |
| Date PID Approved/Disclosed | 26-Sep-2013 |
| Estimated Date of Appraisal Completion | 15-Nov-2013 |
| Estimated Date of Board Approval | 28-Feb-2014 |
| Decision | |

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I. Project Context

Country Context

Samoa is a small South Pacific country comprised of the islands of Upolu, which hosts the capital Apia, Savai'i, and seven smaller islands. More than 75 percent of its population of 186,000 lives on Upolu with 20 percent in Apia. Samoa's inhabitants are 90 percent Polynesian, around seven percent Euronesian, and the balance European or of mixed Asian-Polynesian descent.

Samoa is located in the "cyclone belt" near the earthquake generating "Tonga Trench". The majority of the population (some 80 percent) lives on a narrow coastal strip surrounding the two main islands. Since 1990, there have been five extreme cyclone events (hurricane strength), four of which caused massive damage, and one major tsunami. In general, Samoa's small and compact surface area (total of 2,820 sq. km) makes it particularly vulnerable to natural disasters and the impact of each event is likely to affect a large proportion of the country and population.

Per capita GDP in 2011 was US\$ 2,714. The service sector contributed some 68 percent of GDP; the primary sector, for its part, contributed some 10 percent of GDP. In spite of its small size relative to GDP, one third of Samoa's employment base is in agriculture. Although it has the

smallest Pacific exclusive economic zone, fishing is also an important source of employment and livelihood. Remittances, averaging around 24 percent of GDP over the last 10 years, are a key contributor to economic livelihoods.

At 20 percent of GDP, tourism makes a significant contribution to Samoa's economy. With the exception of 2009 and 2010, when arrivals dropped slightly due to the impacts of the September 2009 cyclone, visitor arrivals have increased steadily over the past decade, and were 43 percent higher in 2011 than in 2001. The vast majority of these visitors arrive by air. In 2011, accommodation and restaurant services directly engaged almost six percent of the employed population in the island of Upolu, and almost four percent in Savai'i. Visitor demand for agricultural, fishing and other food products, crafts, internal transport and other services underline the importance of tourism to the country and its people, and thus of efficient and functional aviation services to facilitate tourism.

Sectoral and institutional Context

Aviation plays a vital economic and social role in Samoa's development. Most visitors, tourists and the crucial VFR (visiting friends and relatives) segment, rely predominantly on air transport. Furthermore, air connectivity is essential to meeting Samoa's educational and medical needs, and enables effective regional integration with its Pacific neighbors. Its geographic distance from main markets means that efficient air services are integral to the Government of Samoa's (GoS) drive to increase exports, especially those of low volume and high value that depend on fast delivery.

Samoa's remoteness, limited size, coastal settlement patterns and susceptibility to a host of natural disasters, makes aviation crucial for effective disaster risk management, particularly in the delivery of relief aid. In emergency situations, air transport can effectively and efficiently bring in humanitarian cargo and aid workers to reach cut-off communities. Aircraft and helicopters also have the advantage of being able to survey large areas, scan affected zones for victims and assess damage on the ground. Ensuring the availability of resilient and appropriate air transport infrastructure is therefore critical.

The Samoan Airports Authority (SAA) operates Faleolo International Airport, the main international gateway and the Asau and Maota airports on the island of Savai'i. Another small international airport, Fagali'i, is operated by the state-owned airline Polynesian Airlines and services primarily the short-distance international connection with American Samoa, in addition to limited domestic flights. Aerodrome upgrades at Faleolo International Airport were completed in 2000 under IDA Samoa Infrastructure Assets Management Project (IAM) to comply with International Civil Aviation Organization (ICAO) operational standards. The level of IAM investment was anticipated to meet a 10-year service life before further rehabilitation would be required and this 10-year life has now been exceeded.

There are three national airlines that operate scheduled and non-scheduled domestic and international air services: Polynesian Airlines; Virgin Samoa, which is a joint venture between the GoS, Virgin Blue, Aggie Grey's Hotel, and Virgin Australia (NZ); and privately owned Samoa Air. In addition, Air New Zealand, Fiji Air (Air Pacific) and Air Caledonia have been granted Foreign Air Operator Certificates for flights to and from Samoa.

Air transport in Samoa suffers from the challenges facing all smaller Pacific island countries

(PICs): long routes with thin traffic and low freight levels constrain airline and airport profitability and place high demand on professional management and regulations in an environment where highly specialized human resources are not readily available.

The aviation sector regulatory oversight is carried out by the Civil Aviation Division (CAD) of the Ministry of Works, Transport and Infrastructure (MWTI). Though Samoa does not have a self-standing Civil Aviation Authority, it has been in the forefront of PICs in introducing sector reforms in the aviation sector that aim to strengthen aviation safety and security:

- (i) As a signatory to the Pacific Islands Air Services Agreement (PIASA), Samoa's decision to ratify the agreement in 2007 demonstrates a commitment to fostering an enabling environment that can promote regional market competition through potential new service routes. Samoa is also a party to the Multilateral Agreements on the Liberalization of International Air Transport (MALIAT) and the Pacific Islands Civil Aviation Safety and Security Treaty (PICASST). Samoa has accepted the 2009 amendment to PICASST expanding the Pacific Aviation Safety Office (PASO) functional jurisdiction.
- (ii) Pursuant to PICASST in 2008, Samoa entered into a Service Level Agreement with PASO for safety and security oversight, in addition to the agreement with New Zealand Civil Aviation Authority (NZCAA) signed in 2006.
- (iii) Airport regulation and airport management have been separated in 1984, with the CAD in MWTI and the SAA performing these functions respectively. A comprehensive Airport Authority Act was enacted in 2012, which confirms the separation of airport operations, air traffic control and aviation security provided by the SAA from safety and security regulatory functions performed by the CAD. This act grants SAA the right to impose and collect fees, charges and levies for the provision of services.
- (iv) Airport operations have been commercialized under the SAA with strengthened financial management, business planning and accounting systems. Despite an unfunded public service obligation to maintain and operate two domestic airports, SAA has finally been able to turn a modest profit in 2012.

Nevertheless, the reform agenda is far from completed and there are some urgent investments needed to prevent the deterioration of key airport assets:

- (i) The latest ICAO Universal Safety Oversight Audit Programme (USOAP) audit conducted in 2010 identified 59 findings and benchmarked Samoa below global average in six of the eight critical areas. Samoa has submitted a Corrective Action Plan to ICAO and the CAD estimates that approximately 40 percent of the findings have been addressed, but further assistance from PASO and/or NZCAA will be required to address all findings.
- (ii) Samoa's civil aviation safety and security oversight capacity is still limited. The main constraints are availability of human resources with appropriate skills and experience and very limited funding. The safety and security levy to be introduced under the Pacific Aviation Investment Program (PAIP) and the expanded role of PASO as coordinator and training provider, currently under consideration, would help address these constraints.
- (iii) The aviation sector in Samoa is fairly complex with several airline operators, both private and state-owned, four airports of potentially international significance and two airport operators. Although some investments priorities are identified in the National Infrastructure Strategic Plan, there is no aviation sector policy/strategy based on a thorough analysis of impact and interrelations with other key sectors such tourism, maritime and road transport, disaster and medical emergency

response, and the affordability/sustainability of investments and both explicit and implicit public sector obligations. The need for such a strategy was also identified in the Samoa Tourism Development Plan 2009-2013.

II. Proposed Development Objectives

The project development objective is to improve operational safety and oversight of international air transport and associated infrastructure.

III. Project Description

Component Name

Component A: International Airport Infrastructure Investments

Comments (optional)

The component will invest in aviation infrastructure assets to meet and maintain International Civil Aviation Organization safety and security standards.

Component Name

Component B: Strengthening Policy and Regulatory Capacity, and Training

Comments (optional)

This component will assist the Ministry of Works Transport and Infrastructure and the Civil Aviation Division in developing regulatory and fiscal policies for the air transport sector.

Component Name

Component C: Strengthening airport operations and management capacity

Comments (optional)

The component will support SAA with business planning and strategy development, as well as technical assistance for operational management.

Component Name

Component D: Project Support

Comments (optional)

Funding will also be available to SAA for support with project management and implementation monitoring.

IV. Financing (in USD Million)

| | | | |
|---|-------|-----------------------|---------------|
| Total Project Cost: | 32.20 | Total Bank Financing: | 20.00 |
| Financing Gap: | 0.00 | | |
| For Loans/Credits/Others | | | Amount |
| BORROWER/RECIPIENT | | | 4.20 |
| International Development Association (IDA) | | | 20.00 |
| EC European Investment Bank | | | 8.00 |
| Total | | | 32.20 |

V. Implementation

The grant recipient and executing agency for the project will be the Ministry of Finance (MOF). The implementing agency will be the SAA, which is a legally autonomous State-owned Enterprise under the Ministry of Finance. Line Ministries (including MWTI; Natural Resources and Environment –

MNRE; and Women, Community and Social Development – MWCSO) will be directly involved performing roles and implementing activities within their respective mandates. A National Steering Committee, comprising these and other key government stakeholders, will oversee the coordination and monitoring of the project's implementation, as well as advise the GOS on any concerns or issues that may arise with regard to project implementation.

Though capacity of the CAD and SAA to implement the project is considered to be limited, both agencies, as well as the MWTI, have previous experience with the IDA-financed Samoa Infrastructure Asset Management and subsequent projects. As part of the World Bank's ongoing infrastructure program in Samoa, a project support team (PST) will be in place to support project activities, and within the Ministries and SAA. At a minimum, the PST will provide the services of a project manager and project assistant.

The project will also benefit from the regional implementation arrangements that have already been established and operationalized in the first phase of the program. This includes a Program Steering Committee, which convenes representatives from the National Steering Committees from participating countries. A Technical and Fiduciary Services Unit (TFSU) based in Tonga will provide additional capacity to support project management, procurement and financial management, including expertise in the areas of planning and budgeting, engineering and equipment specification, contract management, World Bank safeguards policies, monitoring and evaluation, and reporting requirements. The TFSU will coordinate directly with SAA to ensure that the proposed project is implemented efficiently and in accordance with the program objectives. A Service Agreement that outlines the roles and responsibilities of the TFSU has been signed with SAA.

VI. Safeguard Policies (including public consultation)

| Safeguard Policies Triggered by the Project | Yes | No |
|--|------------|-----------|
| Environmental Assessment OP/BP 4.01 | x | |
| Natural Habitats OP/BP 4.04 | | x |
| Forests OP/BP 4.36 | | x |
| Pest Management OP 4.09 | | x |
| Physical Cultural Resources OP/BP 4.11 | | x |
| Indigenous Peoples OP/BP 4.10 | x | |
| Involuntary Resettlement OP/BP 4.12 | | x |
| Safety of Dams OP/BP 4.37 | | x |
| Projects on International Waterways OP/BP 7.50 | | x |
| Projects in Disputed Areas OP/BP 7.60 | | x |

Comments (optional)

VII. Contact point

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