PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.: PIDC762

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Samoa Aviation Investment Project (P143408)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Region</td>
<td>EAST ASIA AND PACIFIC</td>
</tr>
<tr>
<td>Country</td>
<td>Samoa</td>
</tr>
<tr>
<td>Sector(s)</td>
<td>Aviation (85%), Public administration- Transportation (15%)</td>
</tr>
<tr>
<td>Lending Instrument</td>
<td>Adaptable Program Loan</td>
</tr>
<tr>
<td>Project ID</td>
<td>P143408</td>
</tr>
<tr>
<td>Borrower(s)</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>Implementing Agency</td>
<td>Samoa Airport Authority</td>
</tr>
<tr>
<td>Environmental Category</td>
<td>B-Partial Assessment</td>
</tr>
<tr>
<td>Date PID Prepared/Updated</td>
<td>04-Jan-2013</td>
</tr>
<tr>
<td>Date PID Approved/Disclosed</td>
<td>21-Feb-2013</td>
</tr>
<tr>
<td>Estimated Date of Appraisal Completion</td>
<td>20-Sep-2013</td>
</tr>
<tr>
<td>Estimated Date of Board Approval</td>
<td>03-Dec-2013</td>
</tr>
<tr>
<td>Concept Review Decision</td>
<td>Track I - The review did authorize the preparation to continue</td>
</tr>
</tbody>
</table>

I. Introduction and 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, at any given time.

Per capita GDP in 2011 was US$ 2,714. The service sector contributed some 68 percent of GDP,
the primary sector 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 also makes a significant contribution to Samoa’s economy. With the exception of the 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 Upolo, 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 of tourism, and thus 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 main international airport (Faleolo) and the two domestic airports (Asau and Maota) are operated by the Samoan Airports Authority (SAA). 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 to in the aviation sector that aim to strengthen aviation safety and security, including the broader regional reform agenda:

• 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 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.

• 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.

• 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.

• 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:

• 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 CAA estimate 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.

• 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.

• 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 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.

Relationship to CAS

Improving transport infrastructure remains a priority of both the Government’s Strategy for the Development of Samoa (2012-2016) and the Bank’s Country Partnership Strategy (2013-2016). As tourism and external remittance are both fundamental to Samoa’s long-term economic development, the aviation sector is vital to ensuring access and connectivity to global and regional markets for both business and leisure travel. The sector is also critical for the providing support in the event of Samoa’s frequent natural disasters. Sector investment also supports regulatory reforms consistent with the regional objectives of aligning aviation safety and security standards across the Pacific. Public investment in aviation infrastructure will be critical for attracting potential private sector investors to opportunities available with anticipated commercialization of airport operations, particularly for terminal upgrades.

The CPS acknowledges that the level of finance required for the aviation investment exceeds the national IDA allocation and accessing additional IDA Regional Program resources may be available to finance qualified regional investments with cross-country spillover benefits. Consistent with the Bank’s strategy, the project approach also seeks to mobilize partner resources that can contribute to the regional development agenda.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The project development objective is to improve operational safety and oversight of international and domestic air transport infrastructure. The PDO is aligned with the regional program objectives.

Key Results (From PCN)

Project outcomes will be monitored through four indicators: (i) regulatory certification of safety and security at Faleolo airport; (ii) state requirements for safety and security reaches global ICAO average; (iii) modernization of air traffic management; and (iv) implementation of a regional safety and security levy for departing international passengers. Results monitoring and evaluation will be conducted as part of the regional aviation program.

Intermediate outcome indicators for the Samoa project are likely to include: (i) specific runways, taxiways, and apron areas rehabilitated at Faleolo airport; (ii) runway and Precision Approach Path Indicator (PAPI) lights installed along with energy efficient runway lights at Asa and Maota airports; (iii) agreed air traffic navigation, surveillance and weather reporting equipment installed; (iv) percentage reduction in annual airport terminal power consumption; and (v) CAD training, technical assistance and equipment needs assessment recommendations satisfactorily implemented.

Primary beneficiaries are air travelers throughout the PICs, as well as the national and regional administrative bodies and personnel involved in air transport management, freight and passenger air service providers. Other indirect beneficiaries are tourism-related services and seasonal labor markets.

III. Preliminary Description
Concept Description
The project represents a subsequent phase of the PAIP, an on-going ‘horizontal’ Adaptable Program Loan with an overarching objective of improving regional aviation safety and security. First phase participants include Kiribati, Tonga and Tuvalu. Key implementation activities that support the regional aspects of the Program are in place or in development. Samoa’s participation in PAIP was included in the original PAD and is contingent upon a commitment to meeting the following PAIP participation criteria:
(i) Agreement to implement PASO’s recommended minimum regular scheduled safety and security oversight program for the country;
(ii) Agreement to implement the separation of the policy/regulatory functions from airport operations;
(iii) Agreement to implement at least an AUS$5 equivalent departing international passenger ‘safety and security levy’ which is dedicated to covering the costs of safety and security oversight, Civil Aviation Division (CAD) operations, and other safety and security related activities.

For Samoa, the focus would be on criteria i) and iii), as the separation of policy/regulatory functions from airport operations has already been implemented.

The project represents a set of physical aerodrome improvements and institutional strengthening activities that are consistent with the framework outlined in the regional program.

Component A: International Airport Infrastructure Investments (approx. US$20.6 million base cost). The component will invest in aviation infrastructure to meet and maintain ICAO safety and security standards. Potential investments include runway and apron rehabilitation, and energy efficient LED airfield lighting upgrades. It will also contribute to regional safety and security through the introduction of improved regional navigation and communication technologies and enhancements for air traffic control. The focus will be on improving safety and security as well as operating efficiency.

Component B: Strengthening Policy and Regulatory Capacity, and Training (approx. US$1 million base cost). This component will finance technical assistance to Samoa’s CAD to strengthen its capacity to provide effective safety and security oversight. Investments may include setting up an electronic data collection system and targeted technical assistance aimed at addressing ICAO audit findings. Training activities will also be financed. Funding under PAIP from the Government of Australia will also be made available for ongoing safety and security oversight services and general support provided by PASO. This component may assist the GoS in developing their overall policy for the sector, particularly with regard utilization of existing aerodromes, SAA’s community service obligations, and air transport impacts and interrelations with other key sectors such tourism, maritime and road transport, disaster and medical emergency response.

Component C: Strengthening airport operations and management capacity (approx. US$1 million base cost). This component would help strengthen SAA through training in priority areas and the development of an integrated MIS system. Technical assistance may also be provided in areas such as development of non-aeronautical revenues.

Component D: Project Support (approx. US$2 million base cost). Incremental operating costs incurred by the Samoa project, support provided by the PAIP Technical and Fiduciary Services Unit
(TFSU), project management consultant service costs, and project financial audits would be financed under the project.

An initial assessment of the urgent investment requirements at the Faleolo, Asau and Maota airports and is on the order of US$31.2 million. To meet these needs, project financing will require a combination of resources, including both IDA grant and credit resources, as well as parallel financing from other partners, including Australian Agency of International Development (AUSAid) and the European Investment Bank (EIB). Both donors have indicated they are prepared to consider supporting the proposed project.

The EIB is financing technical assistance to prepare: (i) a National Aviation Strategy – which will help Government form their aviation policy and; (ii) an SAA Strategy and Business Plan which will work up the SAA business plan within the context of the strategy/policy under (i). These activities will provide detailed guidance to implementing specific activities on the proposed project.

The PAIP is a regional project and the regional IDA funds will provide supplemental resources for the financing of investments, the costs for which are otherwise beyond the resources available from Samoa’s national IDA allocation. The primary justification for utilizing Regional IDA resources is the recognition that the cross country benefits of regional connectivity can only accrue after the investments in improved airport infrastructure meet uniform operational requirements, thereby enabling air service providers to assess intra-regional passenger and air freight opportunities. IDA’s ability to mobilize these funds simultaneously to participating countries facilitates the synchronization of the infrastructure investments, which will effectively elevate ICAO compliance ratings across the region, in addition to ensuring needed provision of critical airfield assets and apparatus. Further, the operability of the air traffic monitoring and communications equipment under the program is dependent on an integrated system-wide roll out that will bring visibility to air traffic traversing the region.

### IV. Safeguard Policies that might apply

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

### V. Tentative financing

<table>
<thead>
<tr>
<th>Financing Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>BORROWER/RECIPIENT</td>
<td>4.00</td>
</tr>
</tbody>
</table>
International Development Association (IDA) 14.20
AUSTRALIA Australian Agency for Internation 3.00
EC European Investment Bank 10.00
Total 31.20

VI. Contact point
World Bank
Contact: Christopher R. Bennett
Title: Sr Transport. Spec.
Tel: 61-46-890-33
Email: cbennett2@worldbank.org

Borrower/Client/Recipient
Name: Ministry of Finance
Contact:
Title:
Tel:
Email:

Implementing Agencies
Name: Samoa Airport Authority
Contact:
Title:
Tel: (685) 23-201
Email: hoe.jerome@airportssamoa.ws

VII. For more information contact:
The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop