

## First Japanese ODA Loan to Samoa

### --First Project in collaboration with ADB Based on ACFA to Support a Stable Power Supply That Also Tackles Climate Change, While Enhancing Use of Renewable Energy and Underground Installation of Transmission Lines--

1. Japan Bank for International Cooperation (JBIC; Governor: Koji Tanami) signed on December 10th a Japanese ODA loan agreement totaling up to 4,598 million yen for the Samoa Power Sector Expansion Project with the Government of the Independent State of Samoa in its capital, Apia. This is the first Japanese ODA loan extended to the country.
2. The Government of Japan launched an initiative Enhanced Sustainable Development for Asia (ESDA)[1] during the annual meetings of ADB held in Kyoto last May. Based on this initiative, JBIC and ADB signed in September 2007 the Framework Agreement for implementing the Accelerated Cofinancing Scheme with ADB (ACFA),[2] enhancing the co-financing with ADB. This is the first project to be funded under this scheme. Furthermore, this project is co-financing with AusAID as well as ADB, which contributes to the reduction of transaction costs from the donor coordination viewpoint.
3. The scope of the Project includes supporting the implementation of the Electric Power Corporation's Investment Plan (2008-2015), which includes construction and renovation of power plants and improvement and rehabilitation of transmission/distribution lines. The Project thereby aims to improve the capacity of the power sector to provide sustainable and reliable electricity services to all consumers at affordable price, thereby facilitating private sector development and economic growth. Currently, the country has difficulty in a reliable power supply due to the insufficient power facilities and inadequate transmission capacity during peak times. In the meantime, the buoyant tourism industry, which accounts for 20% of GDP, has been a driving force behind Samoa's robust economic growth, resulting in an annual growth rate in power demand of more than 4%. In Upolu Island where the capital is located, the peak power demand is projected to exceed power supply next year. There is thus a need to take urgent measures to address the power supply situation.
4. In the Pacific region, diesel power plants are a major source of electric power for many countries. Thus hikes in electricity tariff are caused by soaring prices of crude oil are affecting people's lives and economic activity. Global warming has also impacts on this region, with natural disasters, such as those caused by more frequent cyclones bringing blackouts, creating a bottleneck for investments. The Project thus contributes to (1) curbing hikes in electricity tariff by building a new, highly energy-efficient diesel power plant and by harnessing inexpensive and domestically-produced renewable energy through construction of a hydropower plant and (2) ensuring reliable power supply by taking disaster reduction measures such as installing transmission lines underground and by increasing voltage of transmission lines to meet increasing power demands accompanied by robust economic growth.
5. The Government of Japan pledged its active commitment to tackling two challenges for sustainable growth in Asia through ESDA; that is, investment promotion and energy efficiency. Following this policy initiative, JBIC will continue to support projects and programs aiming to promote investment and increase energy efficiency in the Pacific by taking advantage of the ACFA that promotes cofinancing Japanese ODA loans with ADB.

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[1] Under ESDA, Japan will support efforts by Asian developing countries and ADB to overcome two major challenges—investment promotion and energy efficiency—which are crucial for sustainable development in the region. Specifically, a new scheme, the Accelerated Cofinancing Scheme with ADB (ACFA), was established: to enhance cooperation between JBIC and ADB; to draft a joint plan with ADB for investment promotion and energy efficiency; and to enable JBIC to provide ODA loans in the aggregate amount of US\$2 billion over the next five years based this plan. In addition, as the second pillar of ESDA, two funds—the Asian Clean Energy Fund and the Investment Climate Facilitation Fund—were established within ADB. Through these two funds, Japan will contribute up to US\$100 million.

[2] The ACFA targets projects and programs that are intended to support: (1) investment promotion, including basic socioeconomic infrastructure and capacity development for better investment climate, as well as infrastructure projects for regional cooperation; and (2) energy efficiency, including promotion of energy efficiency, better access to energy, stable energy supply, renewable energy, etc, and measures to address the effects of climate change, while making good use of Japan's advanced knowledge and technology. The Framework Agreement for the ACFA will thus boost cofinancing operations utilizing ODA loans in Central Asia and the Caucasus, the Pacific region and other regions of Asia.

### 1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/ Grace Period(Years)	Procurement
Samoa Power Sector Expansion Project	4,598	0.45	30/10	Untied*

\*International bidding among companies in the member countries of the Asian Development Bank

### 2. Project Executing Agency

Electric Power Corporation (EPC)

Address: Level 3 John Williams Building, Tamalagi, Apia, Samoa

Tel: 685-21312 Fax: 685-24779

### 3. Political and Economic Conditions in Samoa

Samoa is located 1,200km south of the equator in the middle of the South Pacific. It has a land area of 2840 sq km, somewhat smaller than Tottori prefecture, and a population of 185,000.

Since independence in 1962, Samoa has had stable political conditions. Prime Minister Tofilau, who served following 1988, was replaced in November 1998 by Deputy Prime Minister and Finance Minister Tuilaepa. The country has since been ruled by the government of Prime Minister Tuilaepa, with the party led by him, Human Rights Protection Party (HRPP), winning the parliamentary elections held in March 2001 and 2006.

In external relations, the cornerstone of Samoan foreign policy is to maintain close ties with New Zealand and Australia; focus on cooperative relations with other countries in the South Pacific region; and contribute to United Nations activities. Since Samoa does not maintain a formal military, it will seek New Zealand's defense assistance in times of emergency, based on the Treaty of Friendship with New Zealand.

Economically, Samoa has a typical economic structure of island countries: small domestic market dependent on imports for a majority of consumer products. As a result, its economy has chronically large trade deficits. This is offset by surpluses in the service and transfer accounts, which are due largely to remittances from abroad and tourism revenues. Its major industry is tourism, which accounts for about 20% of GDP, and increasing tourist visits have underpinned favorable economic growth. Real GDP rose 6.0% in 2005. Reconstruction work on the damage caused by the cyclone in 2004 and the robust construction sector benefiting from the XIII South Pacific Games, an international sports event held in Samoa in 2007 with 22 participating countries, have driven recent strong growth.