

The Samoan Experience



AID RELATIONS WITH CHINA

Samoaan Experience – China's Aid



- Diplomatic relations started in 1975
- Chinese embassy set up in 1978
- Samoan embassy in Beijing set up in 2009
- Unwavering support for a one-China policy
- 2015 marks 40 years of Samoa-Sino relations
- Grants/interest free loans are processed through China Development Bank while concessional loans are executed through EXIM Bank
- Samoa has adopted a policy for Effective development cooperation as well as a Medium Term debt Management Strategy and has a formal system for aid coordination

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- **FORMS OF AID**

- a. Interest free loans used for public facilities and projects that 'improve people's livelihoods'

- The repayment terms can be renegotiated and outstanding debts can be cancelled as was the experience for Samoa for 5 loans it took out in the eighties. Debt cancellation for the Pacific was effective in 2006
- Examples: Apia Park gymnasium/Vegetable project
- Government complex (3 phases)
- Women's centre

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- **B. Grants:**
- usually provided for small to medium size projects that improve 'social welfare', humanitarian aid or other in kind assistance.
- Grants are given in kind commonly in amounts not more than RMB 20 million(US\$4 m).
- Small cash donations are also made usually in response to emergencies.
- Process – signing of technical and economic cooperation agreement
- Dialogue on projects to be funded under agreement

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- **ISSUES around GRANTS:**
- It is difficult to get a clear decision on what China will and will not fund if there is a pipeline of projects-lists are then prioritised
- It is difficult to reconcile records with payment advice from Development Bank – the actual payments made per approved project do not correlate with the actual financing agreement of the same period.

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Sector	Project
• Health	5 member Medical teams for 2007, 2009, 2011, 2013, 2015 SWINEFLU EQUIPMENT CT SCANNER
• Agriculture	Sino Samoa Horticulture development Ph 1, 2 and 3 Relocation livestock division
• Environment	Earthquake monitoring system
• Trade	Study tour of 30 members of private sector in China 2012/2013
• Education & sports	Annual scholarships to China (10) TA for maintenance sports facilities Archery, Weightlifting, tennis coaches TA for study of CYGames rehabilitation facilities Establishment of Samoa Institute of Sports 8 primary schools Loto Taumafai National Centre NUS Ocean campus
• Others	Tsunami relief supplies 50 th Independence anniversary contribution
• International Conference support	SIDS Conference Supplies of Equipment, 15 buses and 20 sedans

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- **3. CONCESSIONAL LOANS**
- are provided to fund larger projects through the EXIM Bank under the designation of the Chinese government. Unlike the interest free loans, concessional loans are not easily cancelled or rescheduled.
- In 2004 a RMB Yuan **4 billion Pacific Loans Facility** was announced following the first Pacific Leaders meeting in Beijing.
- Samoa has taken out loans to the total amount of US\$250 m under the Pacific Loans Facility

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- **Loan terms: Average interest rate is 1.9% Average repayment period of 15 years exclusive of a 5 year grace period. 0.25% commitment fee and 0.25% administration fee.**
- **Concessional-but we face challenges all the same ***
- **High risk debt distress**
- **All measures towards debt sustainability need to be considered including selective borrowing after cost analysis of the most concessionary terms., new loans to have at least a 35% grant element and constraining new loans for another 2-3 years.**
- **Exploring window of opportunity to renegotiate loan terms**

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- **EVALUATION CHINA'S AID:**
- Provides both opportunities and challenges. Advantages include being a readily available financing option, they can fund projects other traditional donors would not engage in and processes are 'simple' compared to other donors.
- In the execution of Chinese assistance non policy conditions are attached such as the fact that the contractor must be a Chinese company, at least 50% materials are imported from China and that only countries that adhere to the one China policy receive this form of aid.*
- Chinese companies are state owned companies and they are important actors in China's foreign aid program often being the 'face ' of China in recipient countries. Together with the EXIM Bank they have both executing and implementing roles.

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- China's aid is very much aligned to national priorities. The challenges lie in the negotiation process – contractors have the tendency to negotiate directly with political leaders bypassing civil service that could provide the appropriate technical advice, the contractual arrangements are often opaque, and there are also construction quality issues. *
- Strong aid coordination mechanisms would help to increase transparency and ensure that government is informed about development assistance and involvement of civil service in decision making. **

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- Oversight funding is not provided by China. Our capacity to oversee has varied across projects.
- Where this has been strong, construction quality issues have been minimal eg. National hospital cf. Courts administration building; the latter having to deal with significant maintenance issues
- The prioritisation of infrastructural works for China's assistance need to be done in connection with ongoing and/or proposed works by other development partners as this can provide an option for cofinancing of agreed-to objectives of the government and can promote trilateral cooperation.

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- **THE WAY FORWARD**
- Opportunity for development of a regular aid program to be delivered annually – supports government forward planning – regular policy dialogue
- Possibility of trilateral cooperation with other development partners
- Consideration for greater involvement in tender processes if concessional loans are to be financing modality
- Consideration of Paris Declaration and Forum Compact principles of effective development cooperation and use of country systems
- More south south cooperation training opportunities in relation to technical / economic cooperation