



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 08/13/2024 | Report No: ESRSA03652

**I. BASIC INFORMATION****A. Basic Operation Data**

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P181456	Investment Project Financing (IPF)	Samoa Finance	2025
Operation Name	Samoa Finance Sector Resilience and Development Project		
Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Samoa	Samoa	EAST ASIA AND PACIFIC	Finance, Competitiveness and Innovation
Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
Independent State of Samoa	Central Bank of Samoa, Ministry of Finance, Samoa Bureau of Statistics	14-Aug-2024	28-Oct-2024
Estimated Decision Review Date	Total Project Cost		
30-Jul-2024	21,000,000.00		

Proposed Development Objective

To enhance Samoa's financial supervisory, payment, and identification systems for resilience

B. Is the operation being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project Activities

[Description imported from the PAD Data Sheet in the Portal providing information about the key aspects and components/sub-components of the project]

The project has three components: (i) financial supervisory and payment systems implemented by CBS; (ii) identification systems implemented by the Samoa Bureau of Statistics; and (iii)



project management implemented by the Ministry of Finance. Component 1: Financial Supervisory and Payment Systems (US\$6mn). CBS will implement Component 1. The two sub-components support financial supervisory and payment systems, which are priorities under the Finance Sector Plan and the NFIS and will strengthen financial stability, inclusion, efficiency, and resilience. Sub-Component 1.1 Financial supervisory systems (US\$3.5mn). This sub-component finances activities to strengthen CBS' supervisory systems. It is expected to improve CBS's identification and mitigation of risks, including climate and environmental-related risks, and enhance financial stability and resilience. There will be two core activities: (i) Financing of a modern supervisory technology (SupTech) platform to facilitate the flow of information between CBS and its regulated financial institutions, enabled by modern data architecture with advanced data validation and analytics. The project will help CBS conduct a SupTech assessment and to digitize its reporting and regulatory processes, resulting in more efficient and proactive monitoring of risk and compliance at financial institutions. SupTech will support many of CBS' supervisory phases (i.e., licensing, macro- and micro-prudential supervision, AML/CFT) and address challenges from emerging risks. One objective of the investment in this component is to incorporate key climate related data within CBS's data infrastructure which will facilitate more effective climate risk assessment, regulation and supervision by the Samoan authorities. The narrowing of climate data gaps would also promote the channeling of public and private finance for climate change mitigation and adaptation. (ii) Financing CBS's institutional capacity to assess physical and transition risks to the financial sector related to climate events. This will include intensive training for CBS staff on measuring, managing and mitigating climate and environmental related risks to the financial sector and activities to assess and improve quality of data needed to analyze climate risk to the financial sector. The activity will also finance planned sector-wide coordination efforts, including a government-industry taskforce to develop long-term climate-resilient strategies to be endorsed by the Samoan government and industry. Capacity-building efforts will be informed by international best practice guidance and frameworks developed by the Network for Greening the Financial System (NGFS), the Taskforce on Climate-related Financial Disclosures (TCFD), and others. Subcomponent 1.2 Payment systems (US\$2.5mn). This sub-component finances activities to strengthen payment systems and promote DFS. It is expected to improve access to formal financial services, expedite short-term disaster-relief in a more efficient and scalable way, and reduce remittance costs. There will be two core activities: (i) Financing implementation costs of the national payment system including annual software subscription fees under the 2023 CBS-launched system, intended to enable more efficient, secure, and inclusive electronic payments. Depending on the trajectory of payment usage, the sub-component could also include investments in further national payment infrastructure, such as a retail payment switch – a specialized system that facilitates and routes electronic payment transactions between multiple parties in the retail payments ecosystem, resulting in efficiency and convenience in utilizing all payment channels, including mobile payments. This would allow quicker, more efficient, and more inclusive relief assistance mechanisms through DFS options for crisis-affected populations in the future by enabling cross-platform interoperability between different bank and mobile money transaction accounts. (ii) Financing key diagnostics, reforms advisory, and gender-focused financial literacy. This would include, among other activities, a diagnostic on a retail payment switch and use cases, and advisory support on payments relevant regulations and standards, including the regulatory and supervisory framework, a financial consumer protection regime, competition with an



interoperable payment system infrastructure, and regulatory sandboxes for the development of the fintech ecosystem. Notably, the sub-component will also finance gender-focused financial literacy communication materials. Component 2. Identification Systems (US\$12mn) The Samoa Bureau of Statistics (SBS) will implement Component 2. The two sub-components support the development of the National Digital Identification System (NDIDS) and upgrade of Civil Registration and Vital Statistics System (CRVS), as well as mass registration operations, the issuance of credentials, and integration into public and private sector service delivery. These will enhance public and private services such as healthcare, education, financial services, and disaster-related social protection. Notably, addressing these ID gaps can help with cost-effective CDD and the onboarding of financial service customers, as well as with enhanced KYC to prevent illegal activities and maintain CBRs. Sub-Component 2.1 National Digital Identification System (NDIDS) and Civil Registration Vital Statistic System (CRVS) (US\$7.6mn). This sub-component finances the development of the NDIDS, the first such system for Samoa, the upgrade of the CRVS and the migration and quality checking of data from the old CRS, the integration of NDIDS and CRS, the development of identity verification and e-KYC functionalities and their integration with public, private, and financial services (including other e-KYC platforms). The sub-component will also include stakeholder consultations, back-office systems (e.g., grievance management systems), consultants to help SBS design, coordinate, and supervise NDID and CRS development, and other technical assistance and capacity development. The NDIDS and CRS will be aligned with the ten Principles on Identification for Sustainable Development, with adherence to international good practices for accessibility and non-discrimination (especially for women, people with diverse sexual orientation or gender identity such as Fa'afafine, persons with disability, the elderly, and other vulnerable populations), personal data protection, and cybersecurity. NDIDS and CRS will incorporate relevant international and open standards, and adopt, where appropriate, digital public goods to maximize country ownership and interoperability, and enable flexibility for future cross-border use cases such as access to services in other countries and travel. The design and implementation of NDIDS and CRS will include a broad consultative process to understand peoples' needs, concerns, and expectations, identify potential barriers to registration and use, and develop communication and education strategies, and a grievance mechanism. The NDIDS and CRS data infrastructure will meet internationally-recognized energy efficient standards and be climate-resilient backup mechanisms that will allow data to be easily recovered if the primary data infrastructure is affected by to climate-induced shocks and natural disasters. Notably, the NDIDS and CRS will improve the response to climate-induced shocks and natural disasters by ensuring interoperability with the relevant social protection and other registries, allowing the government to quickly roll out response programs and validate the identity of beneficiaries. Sub-Component 2.2 Registration and credential issuance (US\$4.4mn). This sub-component finances mass registration operations and the issuance of the Samoa Digital ID Number (SDIN) and physical ID cards (utilizing 2 D barcode technology and not smartcards), developing the ability to issue digital verifiable credentials (e.g., a digital representation of the ID cards and civil registration certificates) into digital wallets , and the development of a smartphone application to allow people to verify themselves remotely for online public and private sector services and to act as a government-recognized digital wallet, including for offline use cases. The verifiable credentials and smartphone application will follow relevant international standards for decentralized identity. The mass registration and credential issuance activities will particularly benefit persons



vulnerable to climate change due to geographic and socioeconomic conditions, such as those living in remote areas, the elderly, and people with disabilities, as it allows verification of their identity and entitlements for government support payments, including disaster relief support. Component 3. Project Management (US\$3mn) The Ministry of Finance (MOF) will implement Component 3, which will provide overall support with project supervision and implementation. It will also provide capacity-building on financial management (FM), procurement, environmental and social (E&S), and monitoring and evaluation (M&E) functions for this project and the broader World Bank portfolio in Samoa. The MOF will utilize existing staff and dedicated consultants. Sub-Component 3.1 Project Coordination (US\$1mn). The sub-component will provide project-specific implementation support to the implementing entities, including project management, stakeholder engagement, E&S, and M&E. It will also finance procurement and FM support and training to grow capacity in staff the implementing agencies as well as relevant office equipment. Sub-Component 3.2. Centralized Technical Services Support Unit (CTSSU) for all World Bank projects in Samoa (US\$2 mn). This sub-component will finance the CTSSU for two years, providing high-level oversight, training and service support with specialists in FM, procurement, E&S, M&E, and coordination functions for all World Bank projects in the Samoa country portfolio. This shared services support has in the past been financed by the Samoa Climate Resilient Transport project (P165782) and the Samoa Aviation project (P176272).

D. Environmental and Social Overview

D.1 Overview of Environmental and Social Project Settings

[Description of key features relevant to the operation's environmental and social risks and opportunities (e.g., whether the project is nationwide or regional in scope, urban/rural, in an FCV context, presence of Indigenous Peoples or other minorities, involves associated facilities, high-biodiversity settings, etc.) – Max. character limit 10,000]

Samoa is a small Polynesian state located in the South Pacific. The country has a population of less than 200,000 people distributed across two main (Upolu and Savai'i) and two smaller islands (Apolima and Manono). The national capital is Apia, located on the island of Upolu. The ethnic structure in Samoa is predominantly ethnic Samoan. Official languages are Samoan and English. Administratively, the country is divided into 11 districts with approximately 362 villages. The traditional governance and socio-economic system (Fa'amatai) is central to Samoan culture.

Samoa has a GDP of approximately US\$1 billion. The major drivers of economic activity are tourism, agriculture and fishing, remittances, and aid flows. Economic growth is challenged by Samoa's small size, geography, and vulnerability to natural disasters and climate change. Estimates indicate that approximately half of Samoan adults are excluded from the formal financial sector. Remittances which are more than 30% of GDP are costly and often inefficient. While digital financial services (DFS) in Samoa have been expanded, cash is still a pre-dominant payment instrument in the country. Mobile banking transactions in Samoa (both per capita and volume as a share of GDP) have been stagnant in recent years. Challenges with identification hamper financial inclusion and access to services, and sustain risks associated with inconsistent data quality, governance, and data security. The project will be implemented nationwide. It will not involve any infrastructure investments.



D.2 Overview of Borrower's Institutional Capacity for Managing Environmental and Social Risks and Impacts

[Description of Borrower's capacity (i.e., prior performance under the Safeguard Policies or ESF, experience applying E&S policies of IFIs, Environmental and social unit/staff already in place) and willingness to manage risks and impacts and of provisions planned or required to have capabilities in place, along with the needs for enhanced support to the Borrower – Max. character limit 10,000]

The Ministry of Finance will serve as the executing agency, and the Central Bank of Samoa (CBS) and the Samoa Bureau of Statistics (SBS) will be the implementing agencies. A Finance Sector Coordination Unit under MOF has staff to support the overall coordination of the project, including sectoral support to fiduciaries and E&S risk management. CBS and SBS will be supported by the Centralized Technical Services and Support Unit (CTSSU) housed in the MOF, consisting of five full-time expert staff, including an Environmental and Social Specialist, who are well-versed in World Bank policies and procedures and the Environmental and Social Framework. The CTSSU will provide overall project management support, including fiduciary, procurement, environmental and social risk, monitoring and evaluation, and coordination functions.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Low

A.1 Environmental Risk Rating

Low

[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 4,000]

The environmental risk is rated as 'low'. The project is assessed to likely have minimal or negligible environmental risk given that the project activities can be clustered as i) type 2 of technical assistance for legislative, regulatory and institutional strengthening actions for financial inclusion and financial stability and ii) technical assistance to develop strong regulatory and supervisory frameworks and the Samoa National Digital ID System (SNDIDS). The project activities are expected to have largely positive and beneficial impacts, including raising environmental and safety awareness of the project staff, as guided in the national environmental framework and paragraphs 14-18 of the World Bank ESS1.

A.2 Social Risk Rating

Low

[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 4,000]

Social risk is rated as low. Project activities are expected to have largely positive and beneficial impacts across Samoan society with increased access to digital financial services and improvements in national identification systems. Key social risks associated with the project include i) the potential exclusion of vulnerable groups such as remote and rural residents, people with disabilities, marginalized women and girls, and those with low connectivity or technical literacy; and ii) privacy and data protection risks including data theft and misuse,



identify fraud and discrimination. These risks are predicable and expected to be readily managed through effective stakeholder engagement and robust project design and implementation.

[Summary of key factors contributing to risk rating. This attribute is only for the internal version of the download document and not a part of the disclosable version – Max. character limit 8,000]

B. Environment and Social Standards (ESS) that Apply to the Activities Being Considered

B.1 Relevance of Environmental and Social Standards

ESS1 - Assessment and Management of Environmental and Social Risks and Impacts

Relevant

[Explanation - Max. character limit 10,000]

The project typologies are mostly technical assistance in nature and do not anticipate causing any adverse environmental impacts. The project activities are expected to have largely positive and beneficial environmental impacts, including raising environmental and safety awareness of the project staff. Social risks associated include the potential exclusion of vulnerable groups and privacy and data protection risks. These risks will be managed through effective stakeholder engagement and robust project design and implementation. This includes ensuring the NDIDS and CRS are aligned with the ten Principles on Identification for Sustainable Development, with special emphasis on ensuring adherence to international good practices for accessibility and non-discrimination (especially for women, people with diverse sexual orientation or gender identity – such as Fa’afafine, persons with disability, the elderly, and other vulnerable populations), personal data protection, and cybersecurity.

ESS10 - Stakeholder Engagement and Information Disclosure

Relevant

[Explanation - Max. character limit 10,000]

Project stakeholders include people (including vulnerable groups), government agencies and the private sector within Samoa who will utilize digital financial services and receive a digital ID; government agencies involved in the development and regulation of financial services and ID/registration systems; and civil society organizations. MAF, SBS and CBS have strong track records of active public consultation and information disclosure on the development of regulations, programs, and strategies. Project preparation has involved engagement between the implementing agencies MoF, CBS and SBS, and other complementary government institutions (ex: MCR, MCIL, MCIT, Development Bank of Samoa) as well as private sector stakeholders, including banks and MTOs, MFIs, and telcos to identify the most efficient way to implement the Samoa Financial Sector Plan 2022-2026. This stakeholder engagement will continue during project implementation, via regular meetings with private sector financial institutions and other key stakeholders. The GoS also conducted nationwide consultations to



inform the development of the National Digital Identification Act 2024. This broad and deep engagement with stakeholders will continue during project implementation. The GoS, through the ESCP has committed to outlining stakeholder engagement in the project operations manual; and in the design and implementation of project activities in accordance with ESS10 – and implementing them throughout project implementation. The NDIDS and CRS activity will include consultative processes during design to understand peoples’ needs, concerns and expectations and identify potential barriers to registration and use; and the implementation of communication and education strategies during establishment/implementation. The GoS, through the ESCP has committed to ensuring that a mechanism is in place which enables stakeholders to raise project concerns and grievances in accordance with ESS10. The Project will support the development and implementation of a grievance mechanism for the NDIDS and CRS activities.

ESS2 - Labor and Working Conditions

Relevant

[Explanation - Max. character limit 10,000]

The project is expected to include a relatively small and manageable workforce of i) direct workers including consultants employed directly by the IAs; and ii) contracted workers employed or engaged through third parties such as consulting firms. All workers will be over the age of 18. Labor and working condition risks and occupational health and safety risks for the Project workforce are expected to be minor. The GoS, through the ESCP has committed to managing the project workforce in accordance with Samoa’s country framework for labor and working conditions. Samoa’s regulatory arrangements for managing labor and working condition risks associated with the project are assessed to be materially consistent with the objectives of ESS2.

ESS3 - Resource Efficiency and Pollution Prevention and Management

Not Currently Relevant

[Explanation - Max. character limit 10,000]

ESS3 is not considered relevant as the environmental risks associated with the Project are expected to be negligible and solely associated with the establishment of the national digital ID system (e.g., the generation of negligible small volumes of e-waste and general waste, if any, which can be disposed of according to the national requirements).

ESS4 - Community Health and Safety

Not Currently Relevant

[Explanation - Max. character limit 10,000]

ESS4 is not relevant. The project typologies are anticipated to enhance positive environmental and social outcomes and not cause potential downstream community health and safety impacts from the outputs of the technical assistance. All relevant provisions can be covered under ESS1, ESS2 and ESS10.



ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

Not Currently Relevant

[Explanation - Max. character limit 10,000]

The Project will not finance any infrastructure investments.

ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources

Not Currently Relevant

[Explanation - Max. character limit 10,000]

The project activities are not expected to cause downstream impacts to biodiversity.

ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

Not Currently Relevant

[Explanation - Max. character limit 10,000]

The ethnic structure in Samoa is predominantly ethnic Samoan (92.6%) with a minority of Europeans and biracial European/Polynesian people. There are no IPs as defined by ESS7 in Samoa.

ESS8 - Cultural Heritage

Not Currently Relevant

[Explanation - Max. character limit 10,000]

The project is not expected to cause an impact on tangible or intangible cultural heritage.

ESS9 - Financial Intermediaries

Not Currently Relevant

[Explanation - Max. character limit 10,000]

ESS 9 is not relevant.

B.2 Legal Operational Policies that Apply

OP 7.50 Operations on International Waterways

No

OP 7.60 Operations in Disputed Areas

No

B.3 Other Salient Features

Use of Borrower Framework

In Whole



[Explanation including areas where "Use of Borrower Framework" is being considered - Max. character limit 10,000]

The borrower framework will be utilized for the management of environmental and social risks to align with the latest guidance for low-risk projects as part of the streamlined ESF.

- Stakeholder Engagement: SBS and CBS both have strong track records of active public consultation and information disclosure. These existing systems will be utilized to identify project stakeholders and undertake meaningful consultation during project preparation and implementation. The GoS, through the ESCP, has committed to incorporating and implementing stakeholder engagement in the design and implementation of project activities and establishing and operating a grievance mechanism in accordance with ESS10

- Labor and Occupational Health and Safety: The analysis of Samoa's ESF indicates that Samoa's regulatory arrangements for managing labor and working condition risks associated with the project are materially consistent with the objectives of ESS2 and therefore will be utilized.

The ESCP outlines additional measures to ensure compliance with the ESF.

Use of Common Approach

No

[Explanation including list of possible financing partners - Max. character limit 4,000]

n/a

B.4 Summary of Assessment of Environmental and Social Risks and Impacts

[Description provided will not be disclosed but will flow as a one time flow to the Appraisal Stage PID and PAD - Max. character limit 10,000]

The project activities can be clustered as i) type 2 of technical assistance for legislative, regulatory and institutional strengthening actions for financial inclusion and financial stability; ii) technical assistance to develop strong regulatory and supervisory frameworks crucial to enhance the efficiency and safety of payment service provision; and iii) establish the Samoa National Digital ID System (SNDIDS).

Social and environmental risk of the project is rated as low. Project activities are expected to have largely positive and beneficial impacts across Samoan society with increased access to digital financial services and improvements in national identification system and civil registry. The environmental risks are likely to be minimal or negligible. Key social risks associated with the project include the potential exclusion of vulnerable groups such as remote and rural residents, people with disabilities, marginalized women and girls, and those with low connectivity or technical literacy; and privacy and data protection risks including data theft and misuse, identify fraud and discrimination. These risks are predictable and expected to be readily managed through effective stakeholder engagement and robust project design and implementation. SEA/SH risk has been assessed as low and will be managed through standard SEA/SH prevention and response measures.



C. Overview of Required Environmental and Social Risk Management Activities

C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by implementation?

[Description of expectations in terms of documents to be prepared to assess and manage the project's environmental and social risks and by when (i.e., prior to Effectiveness, or during implementation), highlighted features of ESA documents, other project documents where environmental and social measures are to be included, and the related due diligence process planned to be carried out by the World Bank, including sources of information for the due diligence - Max. character limit 10,000]

An ESCP has been developed based on the national environmental and social systems, consulted, and disclosed to the satisfaction of the Bank task team. The ESCP includes requirements to address: i) Maintain the Finance Sector Coordination Division throughout project implementation; ii) E&S considerations in project reporting; iii) Incident management; iv) prior review of TA terms of reference and outputs to ensure they are consistent with ESS and GIIP (e.g. 10 Principles on Identification for Sustainable development; World Bank's Personal Data Privacy Policy); v) labor management requirements and SEA/SH prevention and response measures; and vi) stakeholder engagement and grievance management.

III. CONTACT POINT

World Bank

Task Team Leader:	Rekha Reddy	Title:	Senior Financial Sector Specialist
Email:	rreddy5@worldbank.org		
TTL Contact:	Ji Eun Choi	Job Title:	Senior Digital Development Specialist
Email:	jieunchoi@worldbank.org		
TTL Contact:	Christopher David Miller	Job Title:	Senior Private Sector Specialist
Email:	cmiller1@worldbank.org		

IV. FOR MORE INFORMATION CONTACT



The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

V. APPROVAL

Task Team Leader(s):	Rekha Reddy, Ji Eun Choi, Christopher David Miller
ADM Environmental Specialist:	Bunlong Leng
ADM Social Specialist:	Thomas John Callander