

Exploring the potential of Green Tourism Bonds as a climate financing initiative in Samoa

The Samoa Tourism Authority are continuing to strive towards sustainable tourism development in the post-COVID-19 recovery era.

The Government of Samoa are actively involved in accessing climate financing, with government processes in place. Yet, the government faces internal and external capacity constraints when it comes to applying for funding, adapting to changes in external approaches, and implementing the projects.

The flow-on effect is that when the government cannot access the level of funding and financing needed, it limits the extent and in what way they can assist the private sector (including tourism) and communities. As a result, there are currently no climate financing initiatives directed towards the tourism sector from the government.

What is the development issue?

The development issue is that globally-led climate financing initiatives are hard to access for Small Island Developing States, and do not encourage them to tap into their already present forms of community resilience. The issue then extends to the tourism sector in Samoa; a sector that can provide sustainable development benefits. Tourism businesses in Samoa are on the front line to climate change, yet are struggling to access climate financing and then when it is received it is often not within their own conceptualisation of resilience. This is a major issue which could prevent climate change projects from having long-term benefits for sustainable tourism development.

There is a need to explore climate financing options for tourism in Samoa that align with their aspirations in sustainable tourism development. As a result, my research adopted the nascent idea of Green Tourism Bonds as a climate financing initiative that allows the tourism sector to adapt and mitigate to the impacts of climate change through providing financial capital where needed. Green Bonds are a fixed income-security increasingly being used to provide capital to projects designed to enhance sustainability.

Research questions

To explore the development issue and possible solutions, the following questions were applied to explore this aim:

- 1) What is the potential of Green Tourism Bonds as an initiative which supports the sustainable development of Samoa's tourism sector?
- 2) In what ways might Green Tourism Bonds align with tourism authorities', operators', and the Government of Samoa's aspirations for climate finance and sustainable tourism development?

Field research was conducted in Samoa between 18th June 2023 - 24th July 2023, which consisted of key-informant interviews and observations. Policy and document analysis also took place.

This policy brief focuses on exploring the challenges of access to climate financing and the need to be connected to sustainable tourism development.

Research findings

Sustainable tourism development in the post-COVID-19 recovery era in Samoa

The Government of Samoa (GoS) have been actively involved in protecting fa'asamoa (see box below for definition) and encouraging sustainable tourism development through policy since the tourism was actively promoted in the 1980s. This research indicated that Samoan officials are continuing to strive towards sustainable tourism development in the post-COVID-19 era: this encapsulates the emerging needs from climate change impacts as well as addressing the economic recovery from the COVID-19 pandemic in the Pacific region. The Pacific Tourism Organisation (SPTO) Pacific Sustainable Tourism Policy Framework (left-hand side of Figure 1, also see SPTO, 2021, p. 3, 10,11) has been a useful framework, policy, and set of principles to guide Samoa and the other 20 member states by encouraging them to set parameters within which they can conceptualise their own tourism development.

Through their four development goals of: prosperous economies, thriving communities, visible and valued cultures and healthy islands and oceans (SPTO, 2021, p. 12) they align with the well-being notion of sustainable tourism development (Bramwell, 2007; Lu & Nepal, 2009; Ruhanen et al., 2015). This framework is innovative for the sector and has been incorporated by the STA in their Tourism Sector Plan 2022-2027 (STA, 2022), as well as this research. The approach of striving for sustainable tourism does not disregard destinations as either entirely 'sustainable' or 'unsustainable' but rather it acknowledges that there are types and pockets of tourism that reflect the principles of sustainable tourism development (Butler, 2018; Butler et al., 2017; Sharpley, 2020).

Fa'asamoa briefly explained:

Fa'asamoa; 'the Samoan way' is the very essence of what it means to be Samoan (Tamua et al., 2000). It is a framework for action based on their social structure and relationship that connects Samoans to their environment and cultural affairs through the continued practice and customs of traditional Samoan culture (Meleisea, 1987).

Climate financing

"Climate finance refers to financial resources and instruments that are used to support action on climate change"

-The UNDP Climate Dictionary (UNDP, 2023, p. 23)

Key climate financing facts

Climate financing is one of the most essential ways to help in the fight against climate change through providing financing for adaptation and mitigation (or both) projects (Samuwai, 2021). It offers support to countries and communities that are on the front line of climate change (Zagama, 2023, p. 2).

Access is through the system of public funds and institutions from bilateral donors, multilateral climate funds and implementing agencies (Fouad et al., 2021; Thwaites & Amerasinghe, 2017).

The climate financing system is changing constantly (Watson & Schalatek, 2020). Climate financing projects are dictated largely by the funding sources' priorities rather than on-the-ground needs (Clarke et al., 2019)

To access climate financing, countries must prove themselves 'ready' in the following three dimensions:

- Policies and Institutions
- Knowledge Management and Learning
- Fiscal Policy Environment (Samuwai & Hills, 2018).

Climate financing at the Government of Samoa (GoS) level

Samoa's climate change needs between 2022-2026 have been estimated at around USD 650 million (WST 1.8 billion), 17% of their GDP per year, with USD 400 million (WST 1 billion) already committed by donors (IMF, 2022). This leaves a funding gap of USD 250 million (WST 700 million) to achieve their targets which are unlikely to be met without additional donor and private sector support (IMF, 2022).

The GoS are actively involved in accessing climate financing, with government processes in place (see Figure 2). However, the GoS face internal and external capacity constraints, such as having limited resources (including time and specialised staff) when it comes to applying for funding, adapting to changes in external approaches, and implementing the projects. Another significant challenge is their fiscal environment (high-debt distress) that is minimising their ‘readiness’ for climate financing.

“It all comes down to financing. We have this list of work plans and ideas and implementation, but it is just a matter of financing that we struggle with” - Official, Government of Samoa, interview July 2023.

Combined with their vulnerability to climate change, this highlights that access to climate financing is not on a needs-based approach, that is, vulnerability alone is not the sole determiner in access to finance to adapt to climate change impacts. **Rather countries must prove themselves ‘ready’ in a system that was designed by states who are largely to blame for climate change.** They must have the needed capacities, institutions, systems and processes to meet the inflexible and vigorous fiduciary standards, environment and social safeguards that are demanded by the international sources of finance (Ford & King, 2015). These complexities of the current climate financing process in Samoa are shown in Figure 2.

It was evident that the financial support that the GoS can mobilise and direct towards the tourism sector depends on their own access to climate financing. This directly affects the progress of achieving their projects and sector plans. The flow-on effect is that when the government cannot access the level of funding and financing needed, it limits the extent and in what way they can assist the private sector (incl. tourism) and communities. As their level of assistance is dependent on how much financing they can obtain from donors and development partners externally.

Climate financing at the tourism accommodation level in Samoa

“Tourism operators are finding it pretty hard when there is talk of millions and millions of aid money tied to climate change, yet are unable to access those funds” - Official, Government of Samoa, interview July 2023.

Climate change, through its environmental and livelihood impacts, affects everyone in the tourism accommodation industry in Samoa; from locally-owned beach fale to foreign-owned resorts and everything else in between. The majority of the accommodation offered in Samoa is located on the beachfront, and regardless of their level of standard, all are being affected and need to respond to the climate change impacts. Becoming obsolete was seen by owners as a real threat.

Not only is there a gap between countries that can access financing, but this research indicates that there is also a gap within the tourism sector in who can access it. Foreign-owned resorts were reported to have less reliance on the GoS due to a higher ability to access capital elsewhere; thus locally-owned accommodations have a greater reliance on climate change initiatives driven by the GoS and the STA.

The GoS want to help the tourism sector, but when they are unable to access the level of financing they need, there is a flow-on effect to their projects. The research findings indicated that Samoa’s tourism accommodation sector is unable to engage actively with climate change adaptations because they cannot access finance, both privately and through government/STA projects. They face challenges in guidance and resources: simply put, locally-owned small and medium businesses have limited access to finance (IMF, 2022, p. 35). This research found that tourism accommodation in Samoa have limited private financial flows, which were connected to the lack of financial flows from the COVID-19 economic impacts, as well as that there are currently no climate financing initiatives directed towards the tourism sector from the government. As a result, this research emphasised that the private sector is constrained in conducting adaptation activities.

Green Tourism Bonds model

Green Tourism Bonds were explored in this research as a way to address the climate financing gap (both at the GoS level and within the tourism sector), engage the private sector (there are currently no climate initiatives directed towards them) and, allow for communities to have agency in their adaptations and sustainable tourism development. In exploring this climate financing initiative, the GoS must be involved as they have the potential to access the greatest level of climate financing for the tourism sector in Samoa as well as provide trust in the tourism sector. **However, it became evident that for Green Tourism Bonds to achieve the aspirations of sustainable tourism and tourism operators' accessibility of climate finance, the GoS must have strong access to international and regional sources of climate financing, as well as strong capacity (both financial and human resources).**

The preferred climate financing modes and looking ahead for Samoa

On the broader subject of climate financing for Samoa, it is important to consider what modes of climate financing could work best. The tourism sector in Samoa over the last five years has experienced a significant number of disasters and events that have impacted the way the sector operates with finance and their economy has been in a continuous recovery cycle for a long time. There were also indications to suggest that the tourism sector is still in a recovery phase rather than growth, which means a planning rather than an implementing phase. Therefore, the STA, tourism industry, development partners and the government are in a balancing act of economic, livelihood and disaster recovery whilst simultaneously planning for future adaptation and mitigation.

It was reported both in the research findings and by several authors (e.g. Carter, 2023; IMF, 2022): that Samoa are at a high risk of debt distress over the long term. The findings further indicated that the GoS is cautious of any additional debt as their remaining fiscal base in the short- to medium-term is reserved for undertaking debt needed in disaster recovery.

Green Tourism Bonds would require the GoS to undertake a small level of debt, and even with backing from a development partner, it requires an element of risk. Since this research highlighted that are unable to take on additional substantial debt or utilise new financial instruments with the multilateral banks, Green Tourism Bonds are unable to be recommended in the short term for tourism accommodation climate financing. Therefore, grants and concessional loans are recognised as being favourable in the short- and medium-term.

Recommendations for policy makers

This research does not recommend Green Tourism Bonds in Samoa in the short- and medium- term due to the country's high public fiscal debt and lack of a strong enabling environment. Rather, it is a model that could be integrated into their long-term goals, potentially after further COVID-19 recovery or at a smaller scale on a trial first.

To achieve more sustainable locally-driven tourism in Samoa, this research recommends that **there is a need for climate financing mechanisms to directly involve the tourism accommodations in Samoa so that they have control over the initiatives that are financed.** Such as incorporating the conceptual framework developed for this research within their plans (see Figure 1). The STA have previous experience in tourism climate change projects and could investigate a blended approach to financing.

Whilst this research is concentrated in Samoa, **there is evidence to suggest that a similar model and development strategy could be applied to other Pacific Island states** that follow the SPTO Sustainable Tourism Policy Framework conceptualisation at the country level. **At the regional level, the SPTO should look into conducting a trial into Green Tourism Bonds.**

This research is the first known academic source to conceptualise this type of climate financing and applied to sustainable tourism development in the Pacific region. Further research is needed into the opportunities for sustainable tourism development of blended finance in climate change projects based in the Pacific Islands.

Figure 1: Research Conceptual framework (Source: Author & adapted from: SPTO, 2021).

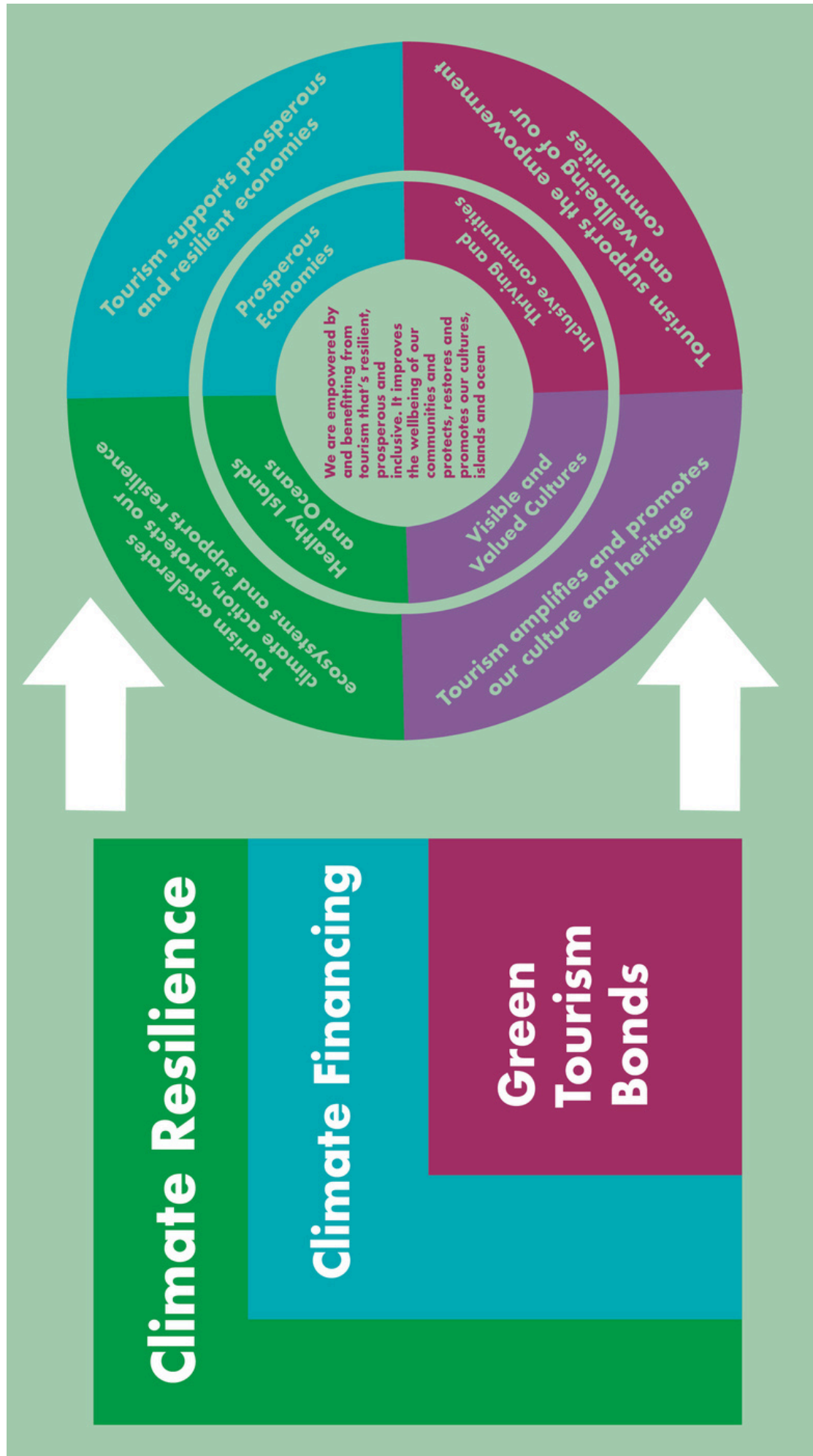
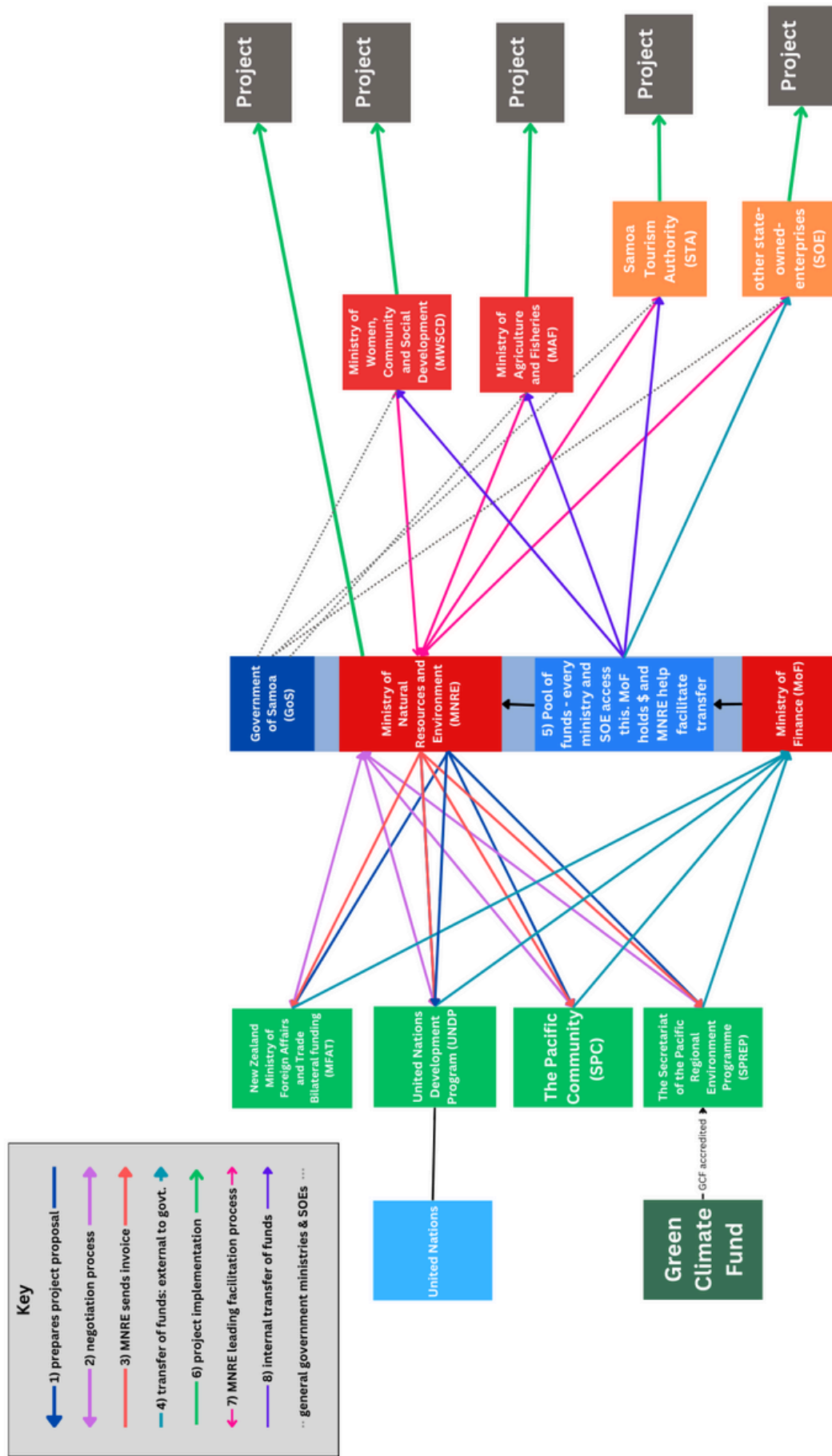


Figure 2: Complexity of the current climate financing process in Samoa (Source: Author).



This Figure is the researcher’s understanding Samoa’s climate financing process that combines the relationship with the external donors, internal GoS process and then community project implementation.

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How to cite this document: Patrick, I (2024). *Exploring the potential of Green Tourism Bonds as a climate financing initiative in Samoa* [Policy Brief]. Aotearoa New Zealand International Development Studies Network (DevNet).