



Financing Environmental Infrastructure: Exploring Prospects for Coordination

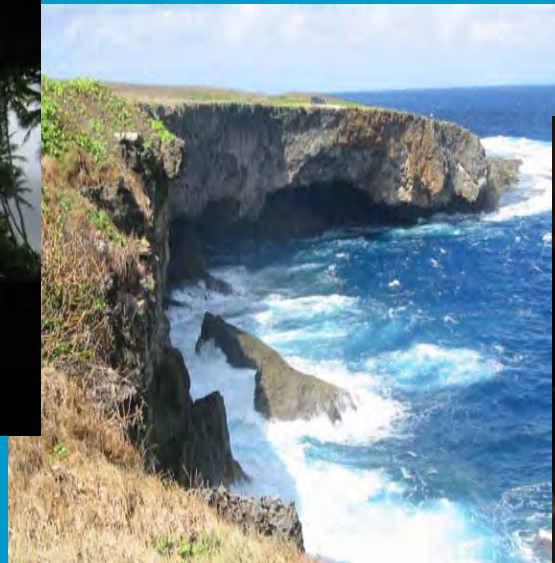


Department of the Interior

Office of Insular Affairs

Saipan Environmental Conference

The Role of the Office of Insular Affairs U.S. Department of the Interior





How OIA Helps Islands with Environmental Infrastructure

- **Compact Funding**
- **Compact Impact Funding**
- **Capital Improvement Funds**
- **OMIP: Operations and Maintenance**
- **Technical Assistance (TA) Funding**
- **Interagency Coordination**



Compact II

- **20 years of new U.S. funding for RMI and FSM**
- **Trust Fund for future funding**
- **\$1.85 billion in new grants for FSM**
- **\$1.20 billion in new grants for RMI**
- **Focused Sector grants**
- **\$30 Million annually in Compact-Impact funds**

Compact II Sector Grants

- **Education**
- **Health**
- **Infrastructure**
- **Environment**
- **Private Sector Development**
- **Public Sector Capacity Building**

Capital Improvement Grants

- **Congress annually provides \$27.7 million in CIP funding for U.S. Insular areas**
- **Congress provides periodic add-ons: \$2M for CNMI water system in FY 2004, \$1M for USVI wastewater improvements in FY 2003**
- **OIA allocates funds to Guam, the CNMI, American Samoa and the USVI based on specific CIP requirements**
- **CIP funds used for a wide variety of infrastructure projects, including environmental**
- **Competitive allocation formula rewards good fiscal management, project management and project planning**

EXAMPLES OF CIP PROJECTS



- **Saipan and Guam: water system upgrades**
- **Saipan: Closing Puerto Rico dump and opening new dump at Marpi**
- **Samoa: sewer system projects**
- **Guam: road upgrades**
- **Guam: Ordot landfill**
- **Guam: school water storage tanks**



Operations and Maintenance Improvement Program (OMIP)

- **Provides matching grants for improving operation and maintenance of local infrastructure**
- **Bolsters in-house staff capabilities**

Sample OMIP projects:

- Solid waste management (Saipan)
- Water quality monitoring (Chuuk)
- Micronesian water\wastewater training



Technical Assistance (TA)

- **TA provides targeted grants to the islands based on an as-needed basis**
- **TA grant funded Palau road impact study**
- **TA funded Palau Environmental Quality Protection Board**
- **TA funding study to integrate Guam and DOD water systems**

Costly Problems

Limited Resources

Current Conditions: Guam - Water

- **Highest risk of waterborne disease in the U.S.**
- **Greater than 500 million gallons of raw sewage spilled between 1999 and 2002**
- **Water outrages common**
- **Cost to address EPA violations: \$215M**



Guam – Solid Waste

- **Federal lawsuit to close Ordot Landfill**
- **Cost to close Ordot: ~ \$20 M**
- **Cost to open new landfill: ~ \$15 M (initial costs)**



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Current Conditions:

Northern Mariana Islands - Water

- **Only U.S. municipality without 24-hour water**
- **Tap water is too salty to drink**
- **Infrastructure improvements costs: (ACOE):**
\$93 M for Saipan
\$60 M for Tinian



Saipan: - solid waste

- **Cost to close Puerto Rico Dump: ~ \$10M**



Current Conditions: American Samoa

- **Septic systems and piggeries threaten drinking water sources**
- **38% of residents lack adequate plumbing**
- **\$35M needed just to address septic problems**

Current Conditions: Virgin Islands

- **Water and Power Authority (WAPA) estimates \$21.5M in water supply needs for FY 2005: no identified source for at least \$3.5M**
- **Wastewater needs estimated at \$200M, with Department of Public Works performing a more detailed survey**
- **Under EPA consent decree since 1984 to correct raw sewage discharges on St. Croix**
- **Over \$1B in outstanding government bonds**

Executive Order: Interagency Group on Insular Areas



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Federal Funding - EPA

- **FY 2004: Guam, CNMI, AS and USVI received \$6.07M in infrastructure grants**

	CNMI	GUAM	AMERICAN SAMOA	VIRGIN ISLANDS
Wastewater	\$560K	\$870K	\$1.2M	\$698K
Drinking Water	\$570K	\$700K	\$250K	\$1.22M
Total	\$1.13M	\$1.57M	\$1.45M	\$1.92M

- **Less than the minimum state allotment under the Clean Water Act/Safe Drinking Water Act**

Federal Funding

- **FEMA – Emergency funding for typhoon recovery, including infrastructure hardening**
- **USDA –**
 - **\$1.7M, half grants, half loans, is available each year – not all used**
 - **EQIP money in small amounts**
- **HUD – CDBG discretionary funds**
- **DOD – Procurement budget for environmental infrastructure services**

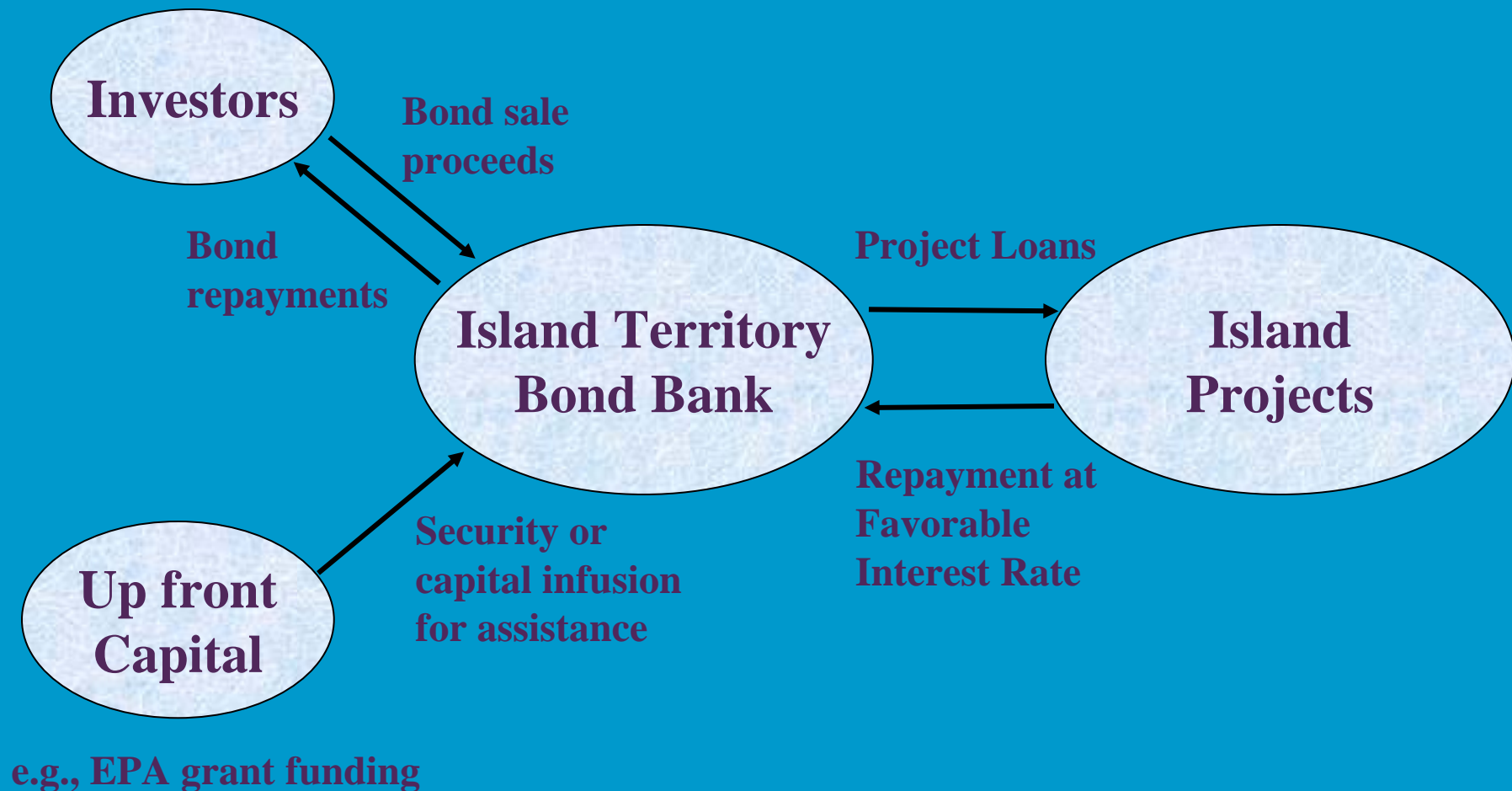
Study:

- **Can Federal funding be coordinated?**
- **Can the coordination of Federal funding enhance access to non-governmental financing?**

Bond Financing

- **Securitization of Federal grants**
- **General obligation bonds**
- **Revenue bonds**
- **Bond bank**

Example: Bond Bank Model



Project Finance

Public-Private Partnerships

- **Service Contracts**
- **Management Contracts**
- **Leases**
- **BOT, ROT, etc.**
- **Concessions**
- **BOO**
- **Asset Sale**

The Future