Report Number : ICRR0021665

1. Project Data

Country	Practice Area(Lead)
Samoa	Macroeconomics, Trade and Investment

Programmatic DPL

Planned Operations: 2 | **Approved Operations:** 2

Operation ID	Operation Name
P149770	First Fiscal & Economic Reform Operation

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-H9870	30-Sep-2015	6,926,542.00

Bank Approval Date	Closing Date (Actual)
22-Sep-2014	30-Sep-2015

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	7,500,000.00	0.00
Revised Commitment	7,500,000.00	0.00
Actual	6,926,542.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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Operation ID	Operation Name
P155118	Second Fiscal and Economic Reform DPO (P155118)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-59010,IDA-H9870	31-Dec-2017	5,082,911.97
Bank Approval Date	**Closing Date (Actual)**	
13-Sep-2016	31-Dec-2017	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	5,000,000.00	0.00
Revised Commitment	5,000,000.00	0.00
Actual	5,082,911.97	0.00

2. Program Objectives and Policy Areas

a. Objectives

According to the Program Document of the first operation, a Development Policy Grant, the objectives of the programmatic series of development policy operations (DPO) were (i) to strengthen public financial management in the areas of debt, procurement and revenue; and (ii) to strengthen the payments system, tourism sector policy and private sector development opportunities as foundations for more robust economic growth over the medium term (p. 2, Program Document of DPO1).

The second operation, a Development Policy Credit, maintained these two objectives and introduced a third: to strengthen the monitoring, reporting, and coordination of climate resilience activities in Samoa as an important step toward increasing its resilience to the effects of climate change (p. 2, Program Document of DPO2).

The Financing Agreements did not provide a statement of program objectives.

b. Pillars/Policy Areas

Consistent with the program objectives, DPO1 had two pillars, each of which was underpinned by three sets of activities supported under the DPO series (pp. 13-23, Program Document of DPO1). DPO2 maintained the two pillars and areas of activities and added a new pillar with associated activities (p. 13-28, Program Document of DPO2). The policy matrices in Annex 1 of the two Program Documents reflected the same objectives, pillars, and activities, which are adopted in this review.

1 **. *To strengthen public financial management in the areas of debt, procurement, and revenue***. Despite a track record of good macroeconomic management, Samoa's external debt rose rapidly in the wake of a series of major shocks (global economic crisis, tsunami, and cyclone). Fiscal consolidation was critical for returning its debt to sustainable levels. The DPO series supported the government's efforts to strengthen debt policy and management, procurement processes, and revenue collection.
2 **. *To strengthen the payments system, tourism sector policy, and private sector development opportunities as foundations for more robust economic growth over the medium term***. As a remote, small, island economy, labor migration and remittances, tourism, and public infrastructure services are the most important components of the Samoan economy. The DPO series supported the government's initiatives to modernize the payment system, strengthen sector policy for tourism industry development, and introduce a new public-private partnership (PPP) policy framework to increase opportunities for private participation in state-owned enterprises (SOEs).
3 **. *To strengthen the monitoring, reporting, and coordination of climate resilience activities in Samoa, as an important step toward increasing its resilience to the effects of climate change***. Samoa is highly vulnerable to climate changes. DPO2 supported government efforts to improve its screening and monitoring of the large number of policies and projects associated with building climate resilience in order to facilitate better-coordinated policies across sectors and to reduce the risks faced by vulnerable communities.

c. Comments on Program Cost, Financing, and Dates

The IDA grant of SDR 4.9 million (US$7.5 million) was approved on September 22, 2014, became effective nine months later (with much of the delay due to a breach by the government in agreeing with loan contracting procedures), and closed as planned on September 30, 2015 after US$6.93 million were disbursed.

The IDA credit of SDR 3.6 million (US$5 million) was approved on September 13, 2016. After a long delay of nearly 16 months, it became effective (nine months behind schedule) and closed (as planned) on December 31, 2017 after full disbursement.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The objectives were relevant to the country context in Samoa. The government's response to a succession of major external shocks in the years prior to the DPOs had increased its risk of debt distress to high. The country's size and location meant dependence on limited sources of income and high exposure to natural disasters. To achieve the objective of "improved quality of life for all," the Samoa Development Strategy (SDS) laid out several policy priorities for economic, social, and infrastructure development, as well as environmental sustainability. The first two objectives of the DPO series were closely aligned with the SDS priorities for economic development, while the third was aligned with those for environmental sustainability and the intention to integrate climate resilience into all priority areas under the new SDS (under finalization as DPO2 was being prepared).

The objectives were also aligned with the priorities of the World Bank Group's FY12-FY16 Country Partnership Strategy, including Priority 1: Rebuilding Economic Resilience and Encouraging Inclusive Growth, and Priority 3: Overcoming Isolation and Generating Opportunities from Greater Global and Regional Integration. They continue to be aligned to the FY17-FY21 Regional Partnership Framework's Focus Area 4: Strengthening the Enablers of Growth Opportunities.

Rating

High

b. Relevance of Design

Design of the DPO series had several strengths as well as shortcomings. The DPO program was designed within a Joint Policy Action Matrix (JPAM) framework with development partners. The Program Documents explained, in varying detail, the rationale for the choice of actions supported under the program and how they would contribute to the objectives. However, while the results chain was clear for the objectives under the fiscal management pillar, it was not always clear for the economic reform objectives. Some of the prior actions and triggers (e.g., enactment of payment system act and submission of draft regulations, approval of tourism sector strategy and preparation of status reports and independent reviews) could not reasonably be expected to deliver the expected outcomes (e.g. increased prevalence of electronic payments, increased tourists and employment of women in tourism sector) without other actions. The complementary actions were not always identified, and it is not clear if they would take place within an appropriate timeframe to allow the DPO-supported reforms to succeed. As for the climate resilience pillar, the expected outcomes (e.g., inclusion and monitoring of climate/disaster resilience actions in sector plans) were explicitly committed in the prior actions, so there was little causal link to speak of.

At the time of appraisal of DPO1, the macroeconomic situation in Samoa was deemed adequate for the DPO series. With Samoa's economic growth expected to rise to modest levels over the medium term, its fiscal and monetary policies were judged consistent with the prevailing economic conditions, and the government had a credible plan for consolidating its fiscal position and returning its elevated debt to sustainable levels over the medium- to long term. However, the economy would remain highly vulnerable to external shocks, and not all the risks could be mitigated. The macroeconomic outlook improved in 2016, when DPO2 was approved, as real GDP expanded faster than expected thanks to strong growth in fishing, transport, and utility services, and the government had begun to consolidate its fiscal position.

Rating

Modest

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

To strengthen public financial management in the areas of debt, procurement, and revenue

Rationale

The DPO series supported the government's efforts to strengthen debt management, procurement processes, and revenue collection to reduce external debt to sustainable levels. Substantial progress was achieved in all these areas. At approval of DPO1, the programmatic series would also support the development of a new noncommunicable diseases (NCD) policy under DPO2 because of the fiscal costs of treating NCDs. Various delays (e.g., review of previous NCD policy, the Bank's NCD study) led to the removal of the NCD agenda from the DPO series. The ICR notes that the Bank supported NCDs through other interventions.

Debt management. To improve compliance with the government's Medium-Term Debt Strategy (MTDS, prepared and updated with Bank assistance), the DPO series focused on establishing formal procedures for contracting loans and issuing government guarantees on debt (DPO1 prior actions); amending the Public Finance Management Act to require that debt operations be consistent with the MTDS and annual reporting of MTDS implementation to Parliament; and updating the MTDS for 2016-20, which included an assessment of the implementation of previous MTDS (DPO2 prior actions). Shortly after DPO1 was approved, newly adopted loan contracting procedures were breached in an infrastructure loan, which led to the Bank delaying effectiveness of DPO1 by about six months. Since then, the only loans that Samoa has contracted are two IDA credits (one is DPO2), both of which are in full compliance with the MTDS (target).

Procurement processes. To strengthen the legal basis, and thus enforceability, of procurement procedures, the DPO series supported issuance of new Treasury Instructions on procurement, new Procurement Guidelines, and new standard templates for minor tenders (DPO1 prior actions), allowing the use of framework arrangements (through revisions to the Treasury Instructions and Procurement Guidelines), and introducing standard templates for major works (DPO2 prior actions). Continuous improvement in the procurement system has allowed five framework arrangements to be established by June 2018 (starting from none), with two more in place by December 2018. All such arrangements are with the National Health Service and have resulted in lower unit prices for medicines compared to 2014/15. The results exceeded the target of establishing framework arrangements for three categories of items with demonstrated benefits.

Revenue collection. After the government amended its Income Tax Act and Tax Administration Act, the DPO series supported the next step in modernizing Samoa's legislative, regulatory, and administrative frameworks for revenue collection through amendment of the Customs Act and implementation of ASYCUDA World (DPO1 prior actions) and introducing electronic systems for filing and paying taxes (DPO2 prior action). The enhanced customs legal framework and information system were aimed primarily at trade facilitation, which was not an explicit objective under the DPO series, while the revenue objectives were to be achieved through the activities supported under DPO2. Of the three targets, one was missed (only 75 percent of large enterprises and 39 percent of SMEs filed tax returns on time, compared to the target of 90 percent), and two were exceeded (85 percent of large enterprises and 87 percent of SMEs paid taxes on time, vs. the target of 80 percent; and 57 percent of outstanding returns in January 2016 had been collected by December 2016, vs. the target of 50 percent).

Non-communicable disease (NCD). Due to growing fiscal cost of NCD treatment, issuance of a new NCD policy was included as a trigger for DPO2. Delays in the preparation of the policy and in the Bank's NCD costing study to inform the policy led to not converting the trigger to a prior action. The ICR explains that the delays in the Bank's study were due to issues with data access owing to privacy and intellectual property concerns, and that other NCD measures have been implemented in the interim.

Rating
Substantial

Objective 2
Objective
To strengthen the payments system, tourism sector policy, and private sector development opportunities as foundations for more robust economic growth over the medium term

Rationale
The DPO series supported the government's initiatives to modernize the payment system, strengthen the sector policy for tourism industry development, and introduce a new PPP policy framework to increase opportunities for private participation in SOEs. Very limited progress was achieved in these areas.

Payments system. Samoa continued to operate on paper-based instruments for the majority of payments. To facilitate and regulate electronic payments and emerging payment instruments like mobile money, the DPO series supported the enactment of the National Payments System Act (DPO 1 prior action) and submission by the Central Bank of Samoa (CBS) to the Office of the Attorney General of draft regulations relating to agents providing payment services and oversight by the CBS (DPO2 prior action). The supported actions were important steps toward developing a sound legislative and regulatory framework for a modern payment infrastructure. However, as the ICR notes, even though draft regulations were prepared with Bank assistance, much more work was needed to get them adopted, while new payments infrastructure remained to be installed, tested, and implemented following a slower-than-anticipated procurement process. Consequently, none of the outcome targets was met: manual cheque settlements increased by 330 percent between 2014 and 2017 instead of decreasing by 10 percent (target); interbank credit transfers and mobile banking transactions decreased by 9 and 40 percent, respectively, instead of increasing by 10 percent (target); and data were lacking on intrabank debit and credit card payments (target was 10 percent increase).

Tourism. IFC analysis suggested that major constraints to Samoa's tourism industry were its poorly targeted tourism promotion and market access arrangements, and associated air travel connections. The DPO series supported the approval of a revised tourism sector policy designed to provide for more effective tourism promotion and market access (DPO1 prior action), the completion of the first (FY14/15) annual status report on the Tourism Sector Plan, and the commissioning of independent reviews of its air access and marketing arrangements (DPO2 prior actions). These efforts were targeted at the tourist segments of visitor arrivals (about 35-40 percent). The actions were expected to benefit especially women, who made up 50 percent of tourism industry employment (compared to 27 percent in overall employment). The focus on women was dropped from the DPO2 results framework without no explanation provided.

Although the prior actions were completed, the ICR notes that no other annual reviews were undertaken, and up-take of IFC-supported independent reviews was limited because the government took a different position on air access and marketing arrangements. The ICR also notes that comparable data used to establish the baseline in 2013 were unavailable for the target date in 2018, and presents alternative data to show an increase of holiday arrivals by 51 percent between 2013-17 (against the target of increasing specific segments of tourist arrivals by 0.5 percent per year in 2013-18) and an increase of employment in accommodation, restaurants, and general commerce industries from 4873 in 2013 to 5610 in 2018 (against the target of increasing people employed in tourism related industries from 5992 in 2013 to 6376 in 2016).

The differences in the baseline, targeted, and reported data make it difficult to gauge progress, but it appears likely that both tourist arrivals and tourism-related employment grew more than expected during 2013-18. However, it is unclear how much the supported policy actions, some of which were partially implemented, contributed to these outcomes, which required other actions in addition to approval of tourism sector strategy and preparation of status report and independent reviews.

SOEs and PPPs. To complement Samoa's extensive SOE reforms and to encourage private participation in the large SOE sector, the DPO series supported the adoption of a PPP policy framework (DPO1 prior action) and a revised policy on ownership, performance, and divestment of Public Bodies, as well as the privatization of the Agriculture Store Corporation (DPO2 prior actions). Despite several successful PPP examples (e.g. joint venture between the national airline and Virgin Blue), a substantial pipeline of PPP opportunities, and the simplification, updating, and publication of the approved PPP guidelines, there were no new PPPs in 2017 and 2018 (target was two new PPPs by June 2018).

Rating
Modest

Objective 3

Objective

To strengthen the monitoring, reporting, and coordination of climate resilience activities in Samoa, as an important step toward increasing its resilience to the effects of climate change

Rationale

To help the government meet the challenges arising from the fragmentation of climate resilience policies and projects, DPO2 supported the establishment of a Ministerial Committee to Monitor Climate Resilience Projects with a coordination and clearance function for climate finance, and the integration of disaster risk and climate resilience into all sector plans, to be monitored through the new results framework of the Strategy for the Development of Samoa (DPO2 prior action). The ICR notes that the newly created ministerial committee has never been operationalized and asks whether such an additional oversight mechanism is needed, because existing organisms and processes are providing oversight of climate projects. All new sector plans (four) in FY18 included climate and disaster resilience actions (a target), but the sector plan annual reviews prepared in FY18 were unavailable to determine whether disaster risk and climate resilience results indicators were monitored (a target).

Rating

Modest

5. Outcome

Both the PDO and the specific objectives were highly relevant to the country context and aligned with the government's development program and Bank Group strategies. Program design was modestly relevant for achieving the stated objectives. Although there was a demonstrable causal link between the actions supported by the series and the expected results in the fiscal reform area, the link was weak in the economic reform and climate resilience areas. Efficacy is rated substantial, modest, and modest, respectively, for the three objectives, reflecting the progress achieved under each pillar by program closure. Achievement of expected outcomes was "modest" for the payments system and SOE/PPP parts of the second objectives, where movement was either stalled or in the wrong direction. Evidence was lacking for some aspects of the third objective.

a. Outcome Rating

Moderately Unsatisfactory

6. Rationale for Risk to Development Outcome Rating

There is limited risk of reversal to the outcomes achieved under the DPO program. Given strong government commitment, coordinated donor support, and a follow-up programmatic series of two DPOs (P162104) that built on the relevant reforms in this series, it is likely that the results achieved to strengthen macroeconomic and climate resilience will be sustained, although Samoa’s high vulnerability to external shocks is an ever-present risk. In the areas of payment systems, tourism, and private sector development, the supported upstream policy, legislative and regulatory improvements stand a good chance of being maintained, and there are few downstream development outcomes to be reversed. The new DPO series does not include reform actions in these areas. The ICR notes substantial personnel risk in a context of severe capacity constraints, where departure of a single staff member can seriously impact implementation of reforms.

a. Risk to Development Outcome Rating

Modest

7. Assessment of Bank Performance

a. Quality-at-Entry

Program design reflected lessons from two previous stand-alone DPOs (focusing on aspects of the government's program for which solid reform momentum existed) and reform areas relating to specific Bank and IFC engagements, addressing Samoa’s capacity constraints through a coordinated approach to budget support with development partners, and moving to a programmatic series when not responding to an immediate shock. The choice of policy areas originated from the government’s program to ensure ownership, and benefited from analytical work by the Bank, IFC, and development partners, including *Public Debt Management Reform Plan (2014), PER (2014), MAPS Assessment (2014), Assessment of Payment, Remittance and Securities Settlement Systems in Samoa (2010), Development of a PPP Policy Framework for Samoa Report (2014), Tourism Sector Diagnostic (2010, IFC), Tourism Support Program Sector Plan Review (2014, New Zealand),* and *Scoping Review and Gap Analysis of Customs Legislation and Procedures (2013, New Zealand*). The DPO program was complemented by other Bank and IFC operations (e.g., technical assistance on debt management reform, procurement reform, and PPPs), regional initiatives (e.g., Pacific Payments, Remittances and Securities Settlement Initiative, Pacific Regional Tourism Initiative), and assistance by development partners (e.g., Australia and New Zealand on customs, New Zealand on tourism, the Asian Development Bank on SOEs). The ICR notes, however, a relatively weak analytical basis for policy reforms in the tourism sector.

The risk assessment identified debt distress, limited institutional capacity (dropped in Program Document of DPO2), and vulnerability to external shocks including natural disasters as the key risks affecting the success of the DPO program. It considered the overall risk to be moderate. Some of the risks were to be mitigated by the reforms supported under the DPO series and/or by development partners, while others were recognized as impossible, or not desirable, to fully mitigate (e.g., natural disasters). The ICR notes the continuous relevance of the institutional capacity risk in DPO2, and the risks of reliance on technical assistance for reform implementation, but concedes that there were limited options to mitigate such risks. No particular shocks occurred during DPO program implementation.

The M&E design suffered from weak links between supported interventions and expected outcomes in several areas (e.g., payment, tourism, climate), which negatively affected program performance as the supported actions could not have delivered the expected outcomes without significant complementary interventions that were outside the scope of the DPO series. Selection of indicators could have paid more attention to data availability (e.g., tourism, climate), as this contributed to a lack of evidence of progress in some areas. The implementation arrangement was adequate, with the Ministry of Finance (MOF) as the main counterpart, sharing implementation responsibilities with other relevant agencies.

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

Initial supervision was proactive, leading to a delay in DPO1 effectiveness (and corresponding actions by other JPAM partners) when the government did not fulfill a condition of effectiveness by contracting a semi-concessional loan. The ICR notes that this took place at a time of changing Bank-IMF assessment of debt distress for Samoa (from "high" to "moderate") and changing credit terms (from grant to 50 percent credit), but ultimately strengthened the policy dialogue on debt.

The preparation of the subsequent DPO series was the main supervision mechanism. No Implementation Status Report was prepared, even though one was required as the time between Board approval of DPO1 and DPO2 exceeded 12 months. The ICR notes that supervision was on a relatively ad hoc basis and did not identify several emerging issues that eventually impeded achievement of the relevant outcomes.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Unsatisfactory

8. Assessment of Borrower Performance

a. Government Performance

Per Program Documents and the ICR, both the MOF and the implementation agencies were strongly committed to the reform program. Government commitment to loan contracting procedures was initially weak but strengthened subsequently. The ICR reports that the MOF led the JPAM forum and coordinated inputs from the implementation agencies. Nevertheless, the ICR notes room for improvement with coordination between the implementation agencies and the Office of the Attorney General, and for greater involvement of the private sector.

Government Performance Rating

Moderately Satisfactory

b. Implementing Agency Performance

Implementing Agency Performance Rating

Not Rated

Overall Borrower Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

M&E design was clear and used the government's existing system for data collection. The outcome indicators, which were measurable with time-bound baselines and targets, were appropriate for the fiscal reform and climate resilience objectives but not always at a level commensurate with the objectives under the economic reform pillar. In addition to inadequate attention to data availability for some indicators, the ICR notes that the results framework did not capture certain actions and the associated outcomes supported under the DPO series (e.g., customs reform, SOE divestment; see Section 7a).

b. M&E Implementation

The M&E framework did not change during program implementation. The ICR reports that the MOF coordinated data collection. The lack of adjustments to the results framework despite the above-noted design weaknesses suggests inactive M&E implementation.

c. M&E Utilization

It is not clear to what extent data collected through the monitoring system were used to make decisions in DPO2 and policy discussions, particularly in the absence of the required ISR. The ICR reports that the M&E arrangements are expected to be sustained and used for decision-making in implementing agencies' planning and reporting process.

M&E Quality Rating

Modest

10. Other Issues

a. Environmental and Social Effects

The DPO series was not expected to have negative environmental effects, and the actions to improve the coordination and monitoring of climate resilience activities would improve environment outcomes over time. The Program Documents noted that Samoa’s environmental protection regime was one of the strongest among Pacific island countries. The ICR does not address the issue.

The DPO series was expected to have a positive impact on the poor and vulnerable. The ICR notes that there were no significant direct impacts on poverty, gender equality, or social development, even though improved employment performance in the tourism sector is an expected outcome and was to disproportionately benefit women.

b. Fiduciary Compliance

The Program Documents considered the financial management risk for the operation to be moderate. The ICR reports timely confirmation of transfer of funds. The DPO series directly supported reforms in some of the weaker areas of public financial management.

c. Unintended impacts (Positive or Negative)

There is no unintended impact reported in the ICR.

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Unsatisfactory	All outcomes in one of the three pillars were either missed or moving in the wrong direction, and some outcomes cannot be verified.
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Moderately Satisfactory	Moderately Unsatisfactory	Quality at Entry has significant shortcomings related to M&E design.
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---

Quality of ICR	Substantial	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

The ICR distills five lessons: the usefulness of using DPO engagement to elevate policy issues, the need to consider carefully whether a DPO is the right instrument, the difficulty of aligning modalities and timelines of different Bank instruments, options for timelier and more systematic follow-up of past actions, and the benefits of more regular consultation with the private sector. It also offers several suggestions to address some of the issues identified. This review concurs with these lessons and suggestions, which are grounded in the experience of this operation.

This review wishes to underscore the importance of establishing a strong logical chain, in each support area, that links the Bank-supported policy actions to the expected development outcomes, with the key underlying assumptions clearly identified. This helps to assess the adequacy of the actions for achieving the outcomes, as well as the risks that must be managed to ensure success.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a candid assessment of the DPO series. It covers the program in sufficient detail and provides thoughtful analysis based on careful research. In particular, it offers useful suggestions to address some of the weaknesses in the design and implementation of the DPO series. The ratings under the economic pillar, however, do not fully reflect the significant shortcomings in the design of that pillar.

a. **Quality of ICR Rating**

Substantial