



**Vulnerability**

non-communicable disease remoteness  
disaster risk management climate change  
**RISING SEA LEVEL**  
diseconomies of scale labor migration  
volatile growth natural disasters

**PICS VOLUME 2**

# Cluster Country Program Evaluation on Small States

Pacific Island Countries Program Evaluation (FY05–15)



**IEG**  
INDEPENDENT  
EVALUATION GROUP

**WORLD BANK GROUP**  
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# **Pacific Island Countries Program Evaluation (FY05–15)**

## **Cluster Country Program Evaluation on Small States**

**PICs Volume II: Appendixes**

AN INDEPENDENT EVALUATION

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All volumes of the Cluster Country Program Evaluation on Small States are found online at <http://ieg.worldbankgroup.org/evaluations/cpe-smallstates>.

# Abbreviations and Acronyms

|         |  |
|---------|--|
| ADB     | Asian Development Bank                                       |
| ANZ     | Australia and New Zealand Banking Group                      |
| AusAID  | Australian Agency for International Development              |
| BSP     | Bank South Pacific   |
| CAS     | country assistance strategy                                  |
| CEDAW   | Convention for Elimination of Discrimination Against Women   |
| CROP    | Council of Regional Organisations                            |
| DFAT    | Department of Foreign Affairs and Trade (Australia)          |
| DPO     | development policy operation                                 |
| DRM     | disaster risk management                                     |
| FFA     | Forum Fisheries Agency                                       |
| GDP     | gross domestic product                                       |
| GFDRR   | Global Facility for Disaster Reduction and Recovery          |
| GFMIS   | Government Financial Management Information Systems          |
| IBRD    | International Bank for Reconstruction and Development        |
| ICAO    | International Civil Aviation Organization                    |
| ICT     | information and communication technology                     |
| IDA     | International Development Association                        |
| IEG     | Independent Evaluation Group                                 |
| IFAD    | International Fund for Agriculture Development               |
| IFC     | International Finance Corporation                            |
| IMF     | International Monetary Fund                                  |
| MTEF    | Medium Term Expenditure Framework                            |
| OECS    | Organisation of Eastern Caribbean States                     |
| PASO    | Pacific Aviation Safety Office                               |
| PCRAFI  | Pacific Catastrophe Risk Assessment and Financing Initiative |
| PEARL   | Pacific Early Age Readiness and Learning                     |
| PER     | public expenditure review                                    |
| PFM     | public financial management                                  |
| PICs    | Pacific Island countries                                     |
| PICASST | Pacific Islands Civil Aviation Safety and Security Treaty    |
| PIDP    | Pacific Islands Development Program                          |
| PMU     | Program Management Unit                                      |
| PPA     | Pacific Power Association                                    |
| PPP     | public-private partnership                                   |
| PRIF    | Pacific Region Infrastructure Facility                       |
| PSD     | private sector development                                   |
| SCD     | Systematic Country Diagnostic                                |
| SME     | small and medium enterprise                                  |
| SPC     | Secretariat for the Pacific Community                        |
| SPREP   | Secretariat of the Pacific Regional Environment Program      |
| TFSU    | Technical and Fiduciary Services Unit                        |
| UNDP    | United Nations Development Programme                         |
| USP     | University of the South Pacific                              |

*All dollar amounts are U.S. dollars unless otherwise indicated.*

# Appendix A. Regional Institutions in the Pacific Islands

## Regional Institutions

PIFS: The Pacific Islands Forum Secretariat was set up in the early 1970s. It is the Secretariat to the annual Pacific Island Forum meeting of Pacific leaders. At the Forum the leaders agree on priorities for the region as part of the Pacific Plan. There are 100 staff members.

CROP: The Council of Regional Organisations in the Pacific is an interorganizational consultative process which aims to prevent either overlaps, or gaps, appearing between the work programs of its various members.

In addition to the Forum Secretariat, the members of CROP are:

- FFA: The Pacific Islands Forum Fisheries Agency is an advisory body that was established to help countries sustainably manage their fishery resources that fall within their 200 mile Exclusive Economic Zones. FFA provides expertise, technical assistance and other support to its members who make sovereign decisions about their tuna resources and participate in regional decision making on tuna management.
- PIDP: The Pacific Islands Development Program was established in 1980, is to assist Pacific islands leaders in advancing their collective efforts to achieve and sustain equitable social and economic development consistent with the goals of the Pacific islands region's people. PIDP began as a forum through which island leaders could discuss critical issues of development with a wide spectrum of interested parties.
- SPC: The Secretariat for the Pacific Community is a regional intergovernmental organization which serves 22 Pacific Island countries and territories through technical assistance, policy advice, training and research. It operates in a wide range of sectors with the aim of achieving three development outcomes— sustainable economic development, sustainable natural resource management and development, and sustainable human and social development.
- SPREP: The Secretariat of the Pacific Regional Environment Program is a regional organization established by the governments and administrations of the Pacific region to look after its environment. This is reflected in the Mission Statement of SPREP that calls on the organization, "to promote co-operation in the South Pacific region and to provide assistance in order to protect and

**APPENDIX B**  
**ASSESSMENT OF THE WORLD BANK PROGRAM IN TONGA**

improve its environment and to ensure sustainable development for present and future generations."

- SPTO: The South Pacific Tourism Organization, established in 1983 as the Tourism Council of the South Pacific, is the mandated organization representing tourism in the region. It has 18 government members and its mission is to market and develop tourism in the South Pacific.
- USP: The University of the South Pacific is the premier provider of tertiary education in the Pacific region and an international center of excellence for teaching, research consulting and training on all aspects of Pacific culture, environment and human resource development needs. Established in 1968, USP is jointly owned by the governments of 12 member countries: Cook Islands, Fiji, Kiribati, the Marshall Islands, Nauru, Niue, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, and Vanuatu. The University has campuses in all member countries.
- PPA: The Pacific Power Association is an inter-governmental agency to promote the direct cooperation of the Pacific island power utilities in technical training, exchange of information, sharing of senior management and engineering expertise and other activities of benefit to the members. The PPA's objective is to improve the quality of power in the region through a cooperative effort among the utilities, private sector and regional aid donors.
- PASO: The Pacific Aviation Safety Office is a regional international organization overseeing aviation safety and security in the Pacific Islands using guidelines provided by the International Civil Aviation Organization (ICAO). PASO was created on 11 June 2005, as a result of the Pacific Islands Civil Aviation Safety and Security Treaty (PICASST) and is managed by a permanent staff based in Port Vila, Vanuatu. States that are currently parties to the PICASST are Cook Islands, Kiribati, Niue, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. Countries that are also members of PASO, but not parties to the PICASST are Australia, Fiji, and New Zealand.



# Appendix B. Assessment of the World Bank Program in Tonga

This appendix is an adjunct to the main report. It is not intended as a free-standing CPE on the World Bank in Tonga. It provides additional underpinning and evidence for the overall story of the Bank's relevance and effectiveness in the PICs provided in the main report.

## Tonga's Development Challenges

Tonga illustrates many of the challenges that the PICs face. Tonga has a population of just over 100,000 (but estimates are that between 100,000 and 200,000 Tongans live abroad, mainly in Australia, New Zealand, and the United States). The country was governed by the monarchy until 2008. In November 2006, pro-democracy riots took place in the capital Nuku'alofa. In 2008, the King took a number of steps to establish a constitutional monarchy, including ceding power to the Prime Minister and divesting many of the key economic entities in the country. In 2010 a new Parliament with most of the seats democratically elected, cemented the political progress that had taken place. Further elections and an orderly transition of power took place in 2014.

The economy of Tonga was buffeted by a series of shocks during the period under review. Given its heavy reliance on imported fuel and food, the price increases prior to the global financial crisis impacted GDP growth and weighed heavily on the poor. During the global crisis, remittance receipts which were 30 percent of GDP in 2007–08 fell to 22.5 percent of GDP in 2009–10. At the same time tourist receipts fell by 13.3 percent in 2009–10. After this came a series of natural disasters. A Tsunami in September 2009 was followed by cyclones in February 2010, February 2011 and February 2012. As a consequence, economic growth in Tonga declined from an annual average of 2.6 percent over the 2008–10 period to -0.1 percent over the 2011–13 period.

Absolute poverty is rare, and social indicators are relatively strong. In 2014 GDP per capita was \$4,114 with a human development ranking of 100 out of 188 countries. Strong family and church networks, as well as extensive subsistence agricultural production, mean that food poverty is virtually nonexistent. There is almost universal literacy, with 98 percent of children ages 6–14 enrolled in school, and little or no difference between enrollment rates for boys and girls. Health indicators have improved steadily, and access to safe water and sanitation is widespread. Life expectancy is 73 years for women and 70 years for men. About 98 percent of Tongan women give birth in the presence of skilled birth attendants. Under-5 mortality is 23 per

## **APPENDIX B**

### **ASSESSMENT OF THE WORLD BANK PROGRAM IN TONGA**

1,000 live births (the best of any of the Bank's Pacific island member countries), and continues to decline steadily. Maternal mortality is low, with an average of two reported deaths per year associated with birth related complications.

### **The Bank's Strategy and Program in Tonga**

The Tonga country assistance strategy (CAS) was prepared in 2010 and covered the period from FY11 to FY14. The CAS signaled a considerable scaling up of analytic and financial support for Tonga (and the other PICs). It identified connectivity as the Bank's major contribution over the previous five years, through the support for increased temporary migration opportunities and the encouragement of telecoms reform that led to the opening of the market for mobile telephones. In addition to the two broad themes in the regional framework (connectivity and resilience), the CAS added a third: Supporting policy reform to strengthen growth prospects and improve service delivery. Going forward the Bank planned to make increased use of the development policy operation (DPO) instrument which would support Tonga during the very difficult period it was going through at the time, given the combination of coping with the global crisis and with natural disasters. There was to be emphasis on support for improved governance and public financial management (PFM) reforms. Under the theme of Building resilience against shocks, the Bank looked to tap the Global Facility for Disaster Reduction and Recovery (GFDRR) to provide support for integrated adaptation and disaster risk management (DRM) activities. The GFDRR would also be used to "climate proof" future infrastructure investment. The CAS also declares the intention in small island states like Tonga to be "more nimble in project preparation and give greater attention to implementation support. The Bank can at times be more of an elephant than a lynx." Between its first project in 1987 and the most recent one before the CAS in 2008, the Bank had committed a total of \$33 million of the International Development Association (IDA) and trust fund money in six operations in 20 years. In the CAS period it proposed to commit \$50 million in eight operations in four years.

### **Bank Support for Building Resilience in Tonga**

#### **BUILDING ECONOMIC RESILIENCE**

Tonga's fiscal situation worsened as a consequence of natural disasters and the global financial crisis. The 2011 CAS noted the growing fiscal deficit as revenues declined through reduced tourism and particularly, lower levels of remittances. The spike in petroleum and food prices in 2008 was also a serious problem even though prices fell subsequently. As a consequence Tonga's debt level which had been maintained at around 30 percent of GDP until 2008 had moved to above the 50 percent of GDP threshold, considered as high risk, by 2010. In addition the government had adopted

expansionary fiscal policies to provide a stimulus to the economy during the global crisis so that the fiscal deficit had risen to 7 percent of GDP by 2011. Starting in 2012, the government made a strong effort to get the deficit under control. Table B.1. present trends in central government ratios since 2010.

Starting in 2010 donor funding increased to provide budget support for Tonga during this period including four World Bank DPOs. In September 2009 the Tongan authorities asked the Bank to extend a DPO to assist the government respond to the cumulative external shocks. Other donors such as the Asian Development Bank (ADB) and European Commission had already provided or agreed to provide budget support, and delays could potentially affect service delivery in Tonga. The Bank initiated a series of DPOs along with analytic work and technical assistance for supporting Tonga's economic resilience. The first DPO, approved in 2010, was focused on the energy sector. The subsequent DPOs supported a wide range of measures to improve public financial management in each of the areas identified above. The second World Bank DPO was approved in November 2011, the third in November 2012, the fourth in October 2013 and the fifth in August 2014. The total IDA funding provided under these four latter DPOs amounted to about \$24 million. The focus of these DPOs in the fiscal context was on strengthening public financial management and fiscal policy. The DPOs played an important role by swinging the weight of the donors behind particular policy measures and providing a seal of approval. As in many other countries they were an especially useful tool for the Ministry of Finance in its inter-actions with the line ministries.

**Table B.1. Central Government Finance Indicators over 2010–15**

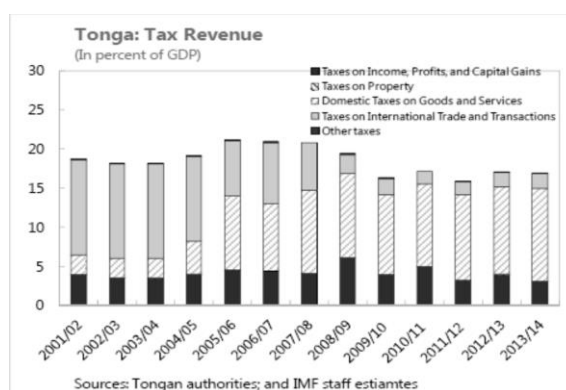
|  | 2010/11 | 2011/12 | Prel.<br>2012/13 | Est.<br>2013/14 |
|--|---------|---------|------------------|-----------------|
| <b>Central government finance</b>        |         |         |                  |                 |
| Total revenue and grants                 | 26.7    | 27.9    | 25.6             | 29.2            |
| Total revenue                            | 19.8    | 18.4    | 19.9             | 19.8            |
| Of which: tax revenue                    | 17.4    | 16.1    | 17.3             | 17.0            |
| Grants                                   | 6.9     | 9.5     | 5.7              | 9.4             |
| Total expenditure and net lending        | 34.2    | 30.7    | 26.9             | 28.1            |
| Current expenditure                      | 23.0    | 23.9    | 25.3             | 26.7            |
| Capital expenditure                      | 9.8     | 5.7     | 1.6              | 1.3             |
| Net lending                              | 1.5     | 1.1     | 0.0              | 0.0             |
| Overall balance (incl. grants)           | -7.5    | -2.8    | -1.3             | 1.1             |
| External financing (net)                 | 8.6     | 5.2     | 0.2              | -0.7            |
| Domestic financing (net)                 | -1.1    | -2.4    | 1.0              | -0.4            |
| Primary balance (incl. grants)           | -6.7    | -2.0    | -0.4             | 2.0             |
| Primary balance (excl. grants)           | -13.6   | -11.5   | -6.1             | -7.4            |
| <b>External debt (in percent of GDP)</b> |         |         |                  |                 |
| Public sector external debt              | 36.6    | 42.6    | 46.0             | 42.9            |
| Debt service ratio                       | 1.2     | 1.4     | 1.8              | 1.8             |

Source: IMF Article IV, 2015 (extract from table 5).

**Supporting Increased Revenue**

The DPOs supported a range of measures to strengthen domestic taxes (see figure B.1). This included Cabinet approval of a bill to amend the Income tax act to provide for simplified taxation for small business and to provide for the taxation of extractive industries (DPO 2013). In addition, based on the 2013 IFC/World Bank investment incentive report, a new revenue policy committee was established to review/advise on all requests of discretionary tax exemptions and to approve a framework for standardized and transparent investment incentives in priority economic sectors (DPO 2014). Also given the concerns that were emerging about the prevalence of noncommunicable diseases (NCD) particularly those related to smoking and obesity, adjustments were made to the excise duty regime for the associated products, based on the 2012 World Bank financing options for financing the health sector in Tonga report and the 2014 World Bank NCD roadmap.

**Figure B.1. Tax Revenue in Tonga**



Source: IMF Article IV, 2015.

**Improving Public Expenditure Efficiency**

For public expenditure efficiency the Bank combined agreement on the DPO with just in time support to the Ministry of Finance. A joint public expenditure review (PER) was carried out with the authorities and in coordination with other donors. It was completed in 2012 and has helped guide subsequent government decision-making. The key to the fiscal strengthening that has taken place since 2011 has been the implementation of centralized control of recruitment and a partial hiring freeze in 2011–12 to improve management of the public service wage bill (DPO 2011). However, the 2014 PEFA noted a deterioration in the effectiveness of payroll controls (from B+ to C+) compared to the 2010 PEFA) (see figure B.2). Recently, when the Prime Minister agreed on a salary increase of 28 percent for public servants, the Bank provided analytic work to demonstrate that this was not affordable and the amount was reduced. The Bank has also been working on rationalizing expenditures e.g., through better health sector

procurement Overall, the composition of expenditure out-turn compared to budget has improved from 2010 to 2014 (see figure B.2).

### ***Improving Debt Management***

In 2011 the DPO enabled agreement to be reached on not incurring additional debt. Tonga was in debt distress but the government wanted to continue borrowing. The DPO was the instrument which enabled agreement to be reached on no further borrowing. In the words of a senior official “We asked the politicians, do you want to be known as the government that bankrupted the country?” Tonga’s public debt currently stands around 50 percent of GDP. The recent Article IV welcomes the government conservative policy (no external commercial borrowing and limited concessional borrowing) and notes that Tonga remains at moderate risk of debt distress.

However the International Monetary Fund (IMF) notes that though Tonga has introduced a three year budget framework in 2013 it has not set a clear fiscal target for the medium term, and that it would be important for the authorities to gradually increase the fiscal surplus to around 1 percent of GDP so that external debt stabilizes at 35–40 percent of GDP, to allow the country to safely absorb external shocks.<sup>1</sup>

### ***Improving PFM Systems***

For improved PFM the focus has been on getting the basic budget process as accurate, quick and transparent as possible (see box B.1). The Bank has not supported more ambitious approaches such as the Medium Term Expenditure Framework (MTEF) and Government Financial Management Information Systems (GFMIS). The approach has been to try to fix major problems rather than move to best practice. The Bank has helped introduce BOOST, an Excel-based system for managing public expenditure. As far as the GFMIS is concerned, ADB has already spent \$2.5 million on the system in Tonga, but serious issues remain. In the view of a senior official in the Ministry of Finance in Tonga an upgrade of the system is badly needed. “There are still areas of the budget and accounts that are handled manually – and this is a nightmare when it comes to the annual budget with small errors holding up the process. The payroll software is not connected. There needs to be ongoing support from the Bank and ADB in this area.”

New procurement regulations were introduced in 2010 and a new Central Procurement Unit was established. This remains work in progress however as the Central Procurement function is still weak given the limited capacity and absence of a

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<sup>1</sup> Source: IMF 2015 Article IV, para 10.

## APPENDIX B

### ASSESSMENT OF THE WORLD BANK PROGRAM IN TONGA

procurement career stream in the PICs. The PEFA assessment noted a deterioration in procurement processes (from C to D) between 2010 and 2014 (see figure B.2).

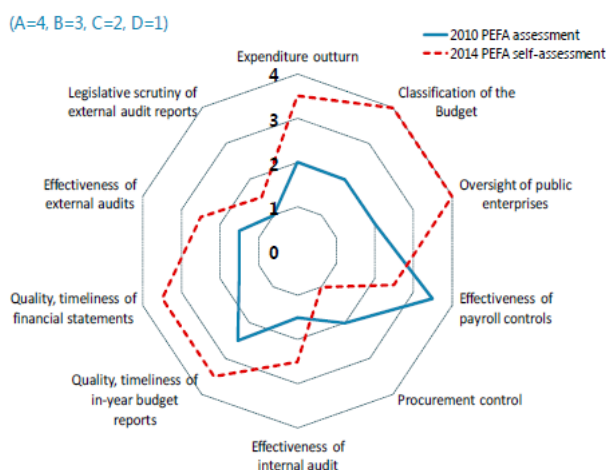
Overall the evaluation rates the outcomes achieved for fiscal sustainability in Tonga as Satisfactory. Interlocutors were positive in their assessment of both the analytic work carried out by the Bank as preparation for the DPOs, and the just in time support provided. Improvements are reflected in both the fiscal data (see table B.1) and a number of Tonga's PEFA scores (see figure B.2), in particular significant improvement in the oversight of fiscal risk from public enterprises, and the quality and timeliness of in-year budget reports. Nonetheless, some PFM areas still require attention including the effectiveness of tax collection, the internal and external audit, public procurement processes and revitalized effectiveness of payroll controls. All the CAS milestones were achieved (see table B.2). The DPOs themselves directly strengthened the dialogue between the government and donors on PFM reforms, as the CAS had envisioned.

#### Box B.1. PFM Measures Supported By The DPOs In Tonga

- Better budget reporting through the introduction of in year budget reporting system on monthly and quarterly basis (DPO 2011);
- Reform of the budget calendar to improve transparency in the process (DPO 2011);
- Publication of audited accounts of major SOE (DPO 2011);
- Publication of quarterly reports on the website on a timely basis (DPO 2012);
- Submission to parliament of the audited financial statement up to FY2010–11 (DPO 2012);
- Implementation of a treasury single account for all government funded operations (DPO 2012);
- Approval of procurement reform action plan (DPO 2013);
- Restructuring and staffing of the central procurement unit and setting up of new threshold (DPO 2013);
- Implementation of a new policy to prevent misuse of contingency fund (DPO 2014);
- Passing of an appropriation act to standardize between budget sub-programs and the issuing of a treasury circular to introduce new controls on transfers between programs (DPO 2014).

*Source:* The authors (from DPO's project Documents).

**Figure B.2. Change In PEFA Indicators In Tonga Over FY10–14**



Source: Tonga PEFA report.

**Table B.2. TONGA: Achievement of CAS Outcomes for Fiscal Sustainability**

| CAS Outcomes Expected (FY11–14)  | Achievement  |
|--|--|
| Budget revenue estimates to be improved, including through better data systems.                                | Achieved. Revenue outcomes have been close to budget estimates in recent years.          |
| Debt management system functioning with new external assistance on grant or concessional terms only.           | Achieved. Government has limited new external assistance to grant or concessional terms. |
| Quality of PFM systems improved as reflected in improved PEFA scores—particularly in audit—from 2010 baseline. | Achieved. PEFA scores improved from in 2010 to in 2014.                                  |

Source: Authors.

**BUILDING ENVIRONMENTAL RESILIENCE IN TONGA**

In Tonga the Bank’s interventions in support of environmental resilience have focused on post-disaster housing reconstruction. Three emergency response operations have each focused on housing reconstruction combined with some strengthening of disaster response capacity. There has been little support for physical risk reduction other than through directly constructing or repairing housing (and limited support for improving building codes). The first operation (after Cyclone Waka in 2002) supported 470 new houses, along with reconstruction and retrofits of public buildings and establishment and support for a national disaster management office. The second operation (after a 2009 tsunami) supported construction of 73 houses, similarly of stronger standard and on higher, less vulnerable ground, but at high cost.<sup>2</sup> Beyond reconstruction, support was provided for capacity building (hazard assessment, Geographic Information System training, and creation of community disaster planning) but not for other risk

<sup>2</sup> Actual costs per house were 32 percent higher than expected.

## APPENDIX B ASSESSMENT OF THE WORLD BANK PROGRAM IN TONGA

reduction measures. A third operation (after Cyclone Ivan in 2014) again focused on housing construction, remains active, and has seen considerable implementation problems (see box B.2). The decision to focus operations on housing was driven by a recognition that most disaster damage was for housing, combined with social development goals for supporting vulnerable people in remote outer islands.

The overall impact of these operations in Tonga has been modest. Newly constructed houses are somewhat more resistant to cyclones and are much less likely to be destroyed or damaged – though studies carried out during the third project noted that designs from the first two projects did not meet necessary cyclone standards. Yet the model of direct provision of housing is expensive, and 100 percent public financing of private assets may not be the most efficient use of scarce funds. The projects have affected only a small portion of at-risk assets, and so there has been little impact on the overall vulnerability of Tonga to natural disasters. At current funding levels donor funds will not be sufficient to support climate-proofing of a high proportion of assets, so project interventions might be more effective if they aimed to affect public and private decision-making. The current strategy also risks creating expectations that will be hard to meet in future – which is already a contributing factor in problems facing the current project. If the Bank is to continue with housing provision, it could consider alternative models with at least some level of matching support from those receiving houses, but still providing technical oversight on housing design and materials quality.<sup>3</sup>

The Bank has also supported financial disaster risk management in Tonga through the PCRAFI. Insurance products have been functioning in a pilot stage for three years in Samoa, Tonga, and Vanuatu. Two payouts have been made to date, to Tonga and Vanuatu, each of roughly \$2 million, and both very rapidly after the disaster. Government officials in Tonga interviewed by IEG were enthusiastic about the system, and understood the benefits and limitations. Policy engagement and dialog with finance ministries through the PCRAFI has helped the Bank increase awareness of the need for improved DRM.

Improvements to disaster risk management capacity in Tonga have been incremental. Disaster plans have been created. Hazard risk information is more widely available, especially for tsunamis, but there is little evidence that this had led to behavioral change

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<sup>3</sup> Another interesting model for housing reconstruction is that used in Samoa after Cyclone Evan involving concessional lending for private reconstruction, discussed below. But that model would not be feasible for the Tongan outer islands; the model requires a credible lender with access to customers, and requires a substantial private market for construction and materials, which does not exist in low population remote islands.



by public or private entities or by communities.<sup>4</sup> Some improvements have not been sustained.<sup>5</sup> Training programs have had limited impact due to staff attrition: most of the users trained in spatial information under Bank projects have left the public service, either emigrating or moving to the private sector. While there has been ongoing policy dialog with senior officials, there is not yet much evidence of change in building disaster and climate risk into investments outside of donor projects.

### Box B.2. Housing in Ha'Apai

After Cyclone Ian in January 2014, the Tonga Cyclone Reconstruction project was designed to rebuild and repair houses in Ha'Apai, a remote outer island group with a population of roughly 6,600. The project used a similar model to two previous disaster response projects in Tonga, which also supported housing. But this time, there was a disconnect between the available level of funding and expectations by the community. In previous projects, the Bank had financed two-room houses for a large number of applicants. But the level of damage here was higher and funds were scarce. So the Bank used a model where 350 households would receive one room houses while 200 others received two room houses, based on criteria that aimed to provide the larger houses to those with greater need or higher vulnerability. This created social and political challenges; the one room houses were seen by communities as being too small and "undignified." Politicians made promises to voters beyond what the project funding could support or what were indicated by eligibility criteria. The beneficiary lists were revised multiple times, and thousands of complaints were registered.

Another challenge was on who would live in the new houses, as most destroyed houses were not owner-occupied. The Bank insisted as in previous projects that those living in houses at the time of the storm would have guaranteed long term occupancy rights in the houses receiving project support, as they were the intended project beneficiaries. But this time the government argued that this was not fair to nonresident house-owners; there were intense negotiations which ended with an agreement requiring 5 year occupancy rights for those living there, after which the houses would revert to full control of the original owner. But this agreement had to be sought individually from each owner before reconstruction could proceed. While agreements from owners were obtained after some delay and house construction was mostly completed by January 2016, the agreements provided only 6 months of guaranteed occupancy, meaning that the targeted beneficiaries face uncertainty going forward. Recognizing these issues, the Bank is supporting a learning exercise aimed at supporting smoother future implementation.

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<sup>4</sup> For example, hazard maps have had limited use. The maps led to proposals to increase use of culverts in vulnerable areas, but these were not constructed due to budget limitations.

<sup>5</sup> The emergency operations center constructed under the first project is no longer used by the emergency management office, who have been moved elsewhere temporarily. It turns out that the site was within the high tsunami risk zone, and so there are plans to construct a new office further inland.

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The Bank’s support for environmental resilience in Tonga is rated Moderately Satisfactory. The first CAS objective is less relevant for the period as a whole, relating to a specific disaster in 2009 and the reconstruction effort based on that. While earlier reconstruction and rehabilitation targets were largely met, in the most recent disaster in Ha’apai the Bank has struggled. On the second outcome, the Bank supported institutional strengthening, but as discussed, the results have been mixed with difficulties in retaining the staff that have been trained and in utilizing hazard risk information (see table B.3).

**Table B.3. Tonga Achievement of CAS Outcomes for Environmental Resilience**

| <b>CAS Outcomes Expected (FY11–14)</b>                      | <b>Achievement</b> |
|---|--------------------|
| Niutoputapu reconstruction                                  | Achieved           |
| Improved national disaster management and planning capacity | Partially achieved |

*Note:* Niutoputapu is an outer island of Tonga that was severely impacted by the Samoan Tsunami of 2009. The island has about 1,000 inhabitants. The CAS indicator was to finance 85 houses and rehabilitate 60 other buildings; 73 houses were financed by the Bank project and 12 by other donors (costs were higher than expected). There were 38 houses rehabbed, plus 16 other buildings, but the ICR and PAD say the initial target was 40 houses not 60.

**BUILDING SOCIAL RESILIENCE IN TONGA**

***Fostering Migration***

The most important contribution of the Bank to social resilience in Tonga has been its involvement in the migration issue since 2008. The Bank provided knowledge of other temporary migration schemes worldwide (e.g., the Canadian scheme with Jamaica) and credibility, and this was instrumental in particular in giving the New Zealand authorities the confidence to go forward. There were issues of how to prepare workers for the scheme. The Bank learned from piloting the scheme. It was able to help the Employment Services Unit in Tonga with the kinds of information they needed to gather and the systems they needed to have in place. The evaluation of the scheme that has been carried out found that the selection of migrants in Tonga was pro-poor and that this made a significant contribution to poverty reduction.

***Health***

In Tonga the health sector program supported successful efforts to rehabilitate Tonga’s hospital services. By strengthening core tertiary care, this has provided a foundation to underpin continuing improvements in health service delivery. Tonga’s key health indicators – already among the best in the Pacific – have continued to improve during this period. The Vaiola hospital reconstruction was undertaken in close cooperation with parallel Australian and Japanese investments. The Bank financed the first phase. The Bank’s program had two key policy elements – health financing and health

systems. A World Bank supported study looked at the possibility of developing social insurance to cover medical costs. The Bank supported the introduction of user fees, paid by working age people over 14 and under 55. The Bank also supported the establishing of a Health Promotion Fund to educate people about the need for better nutrition and try to stem the growing epidemic of obesity.<sup>6</sup> The second Economic Reform support DPO included a prior action on tobacco taxation.<sup>7</sup>

### **Education**

The Bank has provided support for education in Tonga over the period with mixed results. A Bank-supported education project in Tonga appears to have had limited impact however. A \$1 million IDA credit was provided for a \$5 million Education Support Project in 2005 with cofinancing from New Zealand. The core of the project was a school grant program with funds provided directly to schools for nonsalary expenditures to be selected from an approved list by principals and parents. The project completion report was reviewed by IEG in 2013.<sup>8</sup> The IEG review found that the project objective, of improving the quality of both primary and secondary education, while highly relevant, was unrealistically broad and there was no clear results chain linking the project investments to the outcome. Achievement of the outcomes was rated as unsatisfactory. In addition the IEG review points to serious implementation issues particularly in weak monitoring and evaluation and the lack of any audit of the project on completion. The project also failed in achieving a better budgetary balance between salaries and key nonsalary expenditures for teaching materials. At the end of the project, salaries continued to account for 95 percent of the Ministry's budget. As far as greater involvement by the local communities in decisions on use of funds for nonsalary expenditures, initially the project appears to have had some effect, but the IEG review reports that by the end of project decisions were being made by the administrators (see table B.4).

The Bank is now providing assistance through the early age of childhood education through the PEARL project supported by the Global Partnership for education and the Australian Agency for International Development (AusAID). The project works at the

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<sup>6</sup> Ninety percent of the population of Tonga is considered overweight using NIH interpretation of body mass index (BMI) data, with more than 60% of those obese. 70% of Tongan women aged 15–85 are obese. Tonga and nearby Nauru have the world's highest overweight and obese populations.

<sup>7</sup> “The Recipient's Ministry of Finance and National Planning has, through its 2014/2015 Budget Statement, made adjustments to the excise duty regime in line with NCDs health policy.” (Tonga Development Policy Credit Program document).

<sup>8</sup> IEG Review of the Tonga Education Support Project: ICRR13813; 02/08/2013.

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policy and intervention fronts to improve efficiency by improving the students’ readiness and preparedness early in life. This initiative is expected to help Tonga make a transition from a focus on enrolments to a focus on improved learning outcomes. Bank support in the education sector in Tonga included a significant number of studies of the Systems Approach for Better Education Results, which contributed to provide technical advice to the Pacific Benchmarking for Education Results initiative, led by Australia’s Department of Foreign Affairs and Trade. This analytic work looked not only at student and child outcomes in early childhood and early grade reading, but also at the state of policies and the enabling environment in early childhood, teacher policies, and student assessments, as well as the effectiveness of education expenditure (PER).

**Table B.4. Tonga: Achievement of CAS Outcomes for Education**

| <b>CAS Outcomes Expected (FY11–14)</b>  | <b>Achievement</b>  |
|---|---|
| Net enrolment, dropout, retention rates and student test performance improved from 2005 baselines   | While these rates have improved somewhat this is not attributable to the Bank’s intervention and the results train linking the Bank program to this is unclear. |
| Increase local participation and accountability through introducing school based management, with schools engaging communities in planning, budgeting, and results assessment | Partially achieved. The approach supported by the project has not been sustained.   |

**Gender**

While Tonga has made significant strides in women’s access to health and education, providing economic opportunities for women remains a challenge. IFC’s 2010 Tonga Gender and Investment Climate Reform Assessment states that “women’s economic participation is constrained by gender specific elements of the legal framework for property rights and employment, weakness in women’s access to justice through the courts, absence of public private dialogue with women business people, and gender regulatory constraints to start a business.” Another problem is that, while women are well represented among owners of micro-enterprises, the evidence is that very few of them graduate into ownership of small and medium enterprises (SMEs). The view is that this reflects lack of access to finance, but also the inadequacy of networks and support systems for women entrepreneurs.

Other significant issues are the representation of women in Parliament and the pervasiveness of domestic violence. While fully half of the CEOs in the government of Tonga are women (five years ago there were none), in Parliament, the high

representation of traditional leaders who are mostly men, brings down the share of women overall. With regard to domestic violence, at the time of writing, there is a serious internal debate in Tonga as to whether to become a signatory to Convention for Elimination of Discrimination Against Women. This is an important instrument for promoting a national commitment to reducing domestic violence. The hold-up does not relate to this aspect of the convention, but to its requirement for rights to land ownership by women which is opposed by the traditional chiefs.

The Bank has mainstreamed gender issues in the design of infrastructure projects in Tonga. The Bank program has not addressed directly issues such as domestic violence and land ownership for women. However, through its project lending, the Bank has played an important role in pushing gender equality in the energy sector for example. The electricity authority is now using women linemen in the outer islands and they are proving they can do the job. They are also recruiting youth to do the job, with the extra incentive that they could move into jobs of this kind abroad. More women are now going into training. This is seen as not just ticking a box, but good for business.

## **Bank Support for Improving Competitiveness in Tonga**

### **THE BUSINESS CLIMATE AND THE FINANCIAL SECTOR**

IFC (together with ADB) has taken the lead in working with the government of Tonga to improve the enabling environment and lower the costs of doing business while the Bank has focused on the regulatory environment. The legislative framework for business activity in Tonga was very weak at the start of the period. The government worked closely with IFC on the business environment, and the country is now highly rated in the ease of doing business.<sup>9</sup> In the words of a senior official: “IFC has been of great assistance in reducing the cost of doing business.” The Bank has been supporting independent regulators in areas such as energy, telecoms and water. Given the small size of the market the Bank has argued to a single multi-sectoral regulator rather than separate regulators for each utility.

The Bank has also provided support for enhancing the enabling environment in Tonga through its DPOs. Prior actions included the approval of two bills on receivership and on business registration to improve the business environment, and Cabinet approval of a policy framework for foreign investment in order to open the fisheries and agriculture sectors to foreign investment.

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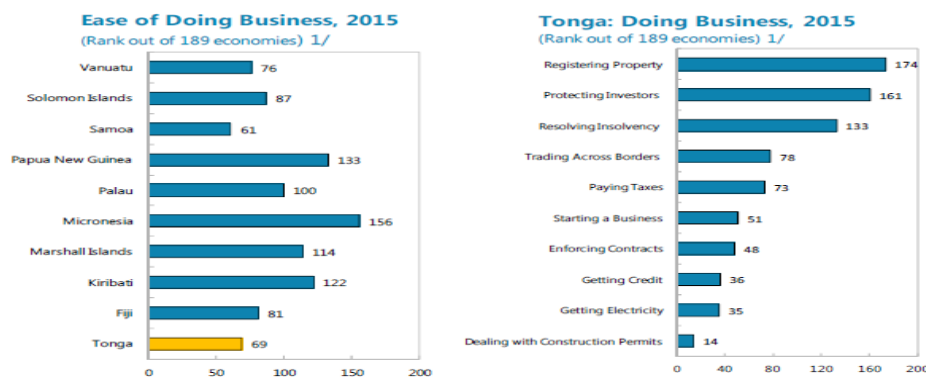
<sup>9</sup> In Tonga, there has been a large expansion of SME between 2010 and 2014. In 2010, 1,013 businesses were registered versus 3584 in 2014.

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Doing Business indicators show that Tonga remains competitive compared to other PICS though this should be interpreted with caution due to a limited number of respondents, limited geographical coverage and information availability (see figure B.3). Tonga ranks lower in protecting investors and registering property.

Access to finance is still an obstacle in Tonga for MSMEs. In 2013 only 28 percent of the population had access to financial services, for example. Micro-enterprises and SMEs in the PICs identify access to finance and access to markets as key constraints. For their part, financial institutions identify lack of collateral and information asymmetry as key limitations they face in expanding lending to SMEs. Getting credit remains difficult, with limited publicly available credit information, and insolvency resolution can be time consuming and costly. The information provided by Tonga’s credit bureau is perceived as incomplete and this hinders the screening process of borrowers. Lack of legal titles to customary land, and an inability to transfer ownership, also impedes access to finance. As a result, banks tend to concentrate on extending credit to larger established businesses.

**Figure B.3. How Tonga Ranks In The Ease Of Doing Business**



Source: World Bank Doing Business (2015 Doing Business Report).  
 1/ Higher rank indicates more costly. These indicators should be interpreted with caution due to a limited number of respondents, a limited geographical coverage, and standardized assumptions on business constraints and information availability.

Source: IMF 2015 Article IV report.

IFC has been instrumental in supporting banking development and building the capacity of the banks to lend. IFC has provided support to the Bank South Pacific (BSP), the largest local bank in Papua New Guinea, with branches in the Solomon Islands, Fiji, Tonga and Samoa. IFCs 2010 investment in the BSP has led to a major expansion. IFC owns 9.5 percent of BSP. This is now the only bank able to compete with ANZ bank in the region. IFC has steered BSP toward an increased focus on small business. Partly as a consequence of this, BSP has now reached 200,000 formerly unbanked people.

The Tonga CAS had three outcomes relating to the business environment, all of which were achieved (see table B.5).

**Table B.5. Achievement of CAS Outcomes for Business Environment**

| CAS Outcomes Expected (FY11–14)  | Achievement                                    |
|--|--|
| Improved business environment, as reflected in Doing Business indicators         | Achieved                                       |
| Reduced cost of connectivity translating into reduced business transaction costs | Achieved (see discussion under Telecoms below) |
| Reduced number of procedures for obtaining a business license                    | Achieved                                       |

## INFRASTRUCTURE

### *Aviation*

The Bank has been engaged with aviation in Tonga since 2000 when it provided support for corporatizing the airports authority. The Bank assisted with the transfer of assets and people and the setting up of the legal process. In 2007 Tonga Airports Limited was established. From 2005 to 2007 the facilities were starved of budget and seriously sub-standard. Airlines were threatening to pull out. After TAL was set up, a comprehensive list of investment needs was prepared including upgrading of the paving and this has been supported under the Bank Transport Sector Consolidation Project. The Bank also supported technical consolidation, safety equipment, technological support and surveillance equipment.

The Tonga CAS included an outcome on aviation and marine safety. The latter reflected a ferry disaster which occurred in 2009 with substantial loss of life. The outcome has been substantially achieved (see table B.6).

**Table B.6. Achievement of CAS Outcomes for Aviation and Marine Safety**

| CAS Outcomes Expected (FY11–14)   | Achievement            |
|---|------------------------|
| Improve civil aviation and maritime sector compliance with international safety standards | Substantially Achieved |

### *Roads*

The Bank's support for the Tonga Road Transport Rehabilitation project has contributed to strengthening the management of infrastructure assets. The main focus of the project is on institutional change, primarily to support improved road maintenance by increasingly contracting such functions to local private sector firms. It was not easy to sell this radically different approach to the government but the timing of the project, during the global crisis, helped since the argument could be made that it had the

## APPENDIX B ASSESSMENT OF THE WORLD BANK PROGRAM IN TONGA

potential to provide counter-cyclical employment opportunities at a time of economic slowdown. The Bank initiated a change management program as part of the preparation, with a specialist from the Bank to help consolidate the Ministry of Infrastructure and focus it on its core functions. Management of a quarry for example was transferred to the private sector, and the Department of Meteorology was transferred to the Ministry of Environment. The Bank is now providing additional finance for the project.

The key component of the project – the outsourcing of routine road maintenance – sealing, potholes, branch-cutting signage and drainage – has continued to be a source of tension with government ministers. Some politicians have wanted to revert to force account for carrying out the maintenance and the Bank and the Australian government which has co-financed the project have had to take a strong stand on the need for outsourcing, fortunately with the support of the Ministry of Finance. A further review of the outsourcing is scheduled to be undertaken with the additional financing that has been provided. A key part of the assessment will be the sustainability of the approach. 8 to 12 companies have been bidding for the work and it has had a positive impact on the development of the private sector. In the view of a senior official in the government of Tonga, there has been a major improvement over the past two or three years. “Bank support has enabled the Ministry and Department to focus on their core functions. I worked for the Ministry for 23 years, using Force Account (i.e., direct contracting by the Ministry) for 20 years. There were endless problems especially corruption and safety issues around road and worker safety. The new contract management section is working well. Before the project there was not a single contractor. Now there is a group who have received proper training and in some cases have gone ahead to obtain equipment. Most of the former workers were hired by the new contractors. There were no redundancies. Now they get better paid for working, instead of being paid for doing nothing.”

The Tonga CAS outcomes for the road sector have been achieved (see table B.7). Some experts reported that increased expenditure on road maintenance had reduced road travel time, though no quantitative evidence was collected. However, there are still implementation problems in contracting. Contractors may need longer-term contracts if they are to invest in new equipment needed for maintenance. And many of the initial contracts had to be cancelled as winning bidders were unable to complete the works at the price they bid, and work had to be completed by other contractors. While the reform efforts so far represent a promising start, there is little as yet little evidence of cost savings or quality improvements. An upcoming review of the experience by the finance ministry may offer additional evidence on impacts on cost and quality.



**Table B.7. Achievement of CAS Outcomes for Road Sector**

| <b>CAS Outcomes Expected (FY11–14)</b>   | <b>Achievement</b> |
|--|--------------------|
| Consolidate MOT as unified transport sector policy, planning and regulatory ministry | Achieved           |
| Strengthened domestic private sector road maintenance capacity                       | Achieved           |

### **Telecoms**

In Tonga the Bank Group has played a significant role in the past few years in supporting telecoms reform to encourage competition and allow new private sector operators. Due to concerns in the governance and management of the Tonga Communication Corporation (TCC), the Minister of Public Enterprises commissioned an independent report on TCC in 2010. The final report, completed in January 2012, identified investment and management decisions made by TCC that have led to substantial investment in inappropriate assets and weakened overall financial performance. The Tonga DPO 2013 supported approval of a policy to restructure TCC through the introduction of private participation in order to improve its services and profitability. With the opening of the market, the Bank has been helping to put the reforms more securely in place by providing policy advice to strengthen regulation. An IFC investment of \$6.8 million encouraged total new investments by Digicel of \$29 million – the largest single investment in the country. Mobile phone usage has increased from about 6 percent of the Tongan population to almost 60 percent in only a few years.

In 2009, when the Tonga Cable company was established by the government, the World Bank and ADB were approached for funding. Since the government was not able to borrow, 80 percent of the project was funded by grants from the Bank and ADB. In August 2013, the cable was commissioned. The impact has been huge. Capacity has increased about 8 fold. This has opened up capacity for research and has assisted in education. It has attracted new companies to Tonga and has enabled families to Skype to their relatives abroad at low cost. It has also impacted tourism. A particular benefit has been in medicine where, for example, mammogram images can be sent to a company in New Zealand which reads them and patients can be treated in Tonga. In the words of the authorities, “Without the financial support of the Bank and ADB there is no doubt that this would not have materialized.” However, some experts argue that prices remain higher than they could be, and utilization of the new capacity is lower than it could be, in part because of the monopoly nature of the newly created cable company. The Tonga CAS outcomes for telecoms have been substantially achieved (see table B.8). While the quantitative targets below were not met by the completion date of the CAS, substantial progress was made and continues to be made toward meeting these. The objective of a competitive environment has been met.

**Table B.8. Tonga: Achievement of CAS Outcomes for Telecoms and Information and Communications Technology**

| <b>CAS Outcomes Expected (FY11–14)</b>  | <b>Achievement</b>  |
|---|---|
| Internet use to increase from 15% to 40% of the population  | Not met by CAS completion date but substantial progress has been made |
| Wholesale Connectivity (bandwidth) costs to be reduced from \$3,500 megabits per second per month to \$800 Mbps/month or lower, flowing through to reduced retail internet and telecoms costs |   |
| Regulatory environment that allows competition with equal access by all market players to buy international bandwidth on a fair and transparent basis at the cable landing station            | Achieved  |

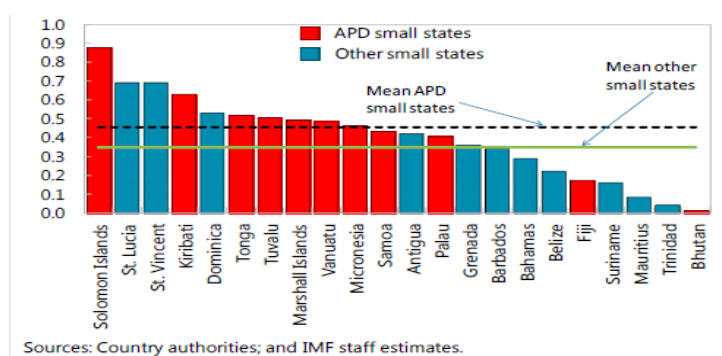
### **Energy**

In Tonga, the Bank’s entry point has been support for the preparation of a comprehensive energy road map 2010-2020. This establishes targets, defines the necessary regulatory frameworks, identifies the role and prospects of renewable energy, and reviews the petroleum supply chain. In Tonga the National Power Utility has done a good job, but the government is moving slowly with implementing the road map and appears to lack the capacity to follow through. The Bank is providing support for setting up an implementation office. In the words of one Bank staffer: “Tonga was the first and we struggled. The roadmap needs to be backed up by a competent implementing agency.” The government arranged for the Bank to present the roadmap at a cabinet meeting and endorsed it, and subsequently there have been a number of meetings with development partners. The roadmap is also providing the building blocks for an Energy Act which would for example create the potential for independent power producers, and require that all government procurement should follow energy efficiency standards. In the Bank’s view one of the lessons emerging from the Tonga experience is the need to put in place an Energy engineering master plan for the sector as a follow up to the direction-setting role of the roadmap.

The Tonga roadmap has played an important role in establishing the potential of renewables and the cost advantages that solar and wind power represent particularly in the outer islands. Although the Bank has not been directly engaged in financing renewables, one interlocutor in Tonga saw the Bank as playing a key role in changing the philosophy of the energy authorities in Tonga toward renewables, and perhaps as its most important contribution in the sector. Tonga has now set a target of having 50 percent of its energy generated through renewables by 2020. ADB has been supporting renewables in Tonga’s outer islands, with New Zealand and Japan supporting wind power. Another impact of Bank work is that resilience is no longer looked on as a luxury in Tonga. It is recognized that this needs to be standard in projects. There are disaster recovery systems in place for all business processes in the energy sector.

Bank technical assistance to Tonga has also addressed issues of reducing the cost of petroleum imports and the potential role of lifeline tariffs. Bank support has provided the basis for paper to the cabinet looking at the costs and benefits of bypassing Fijian petroleum storage in terms of the potential impact on fuel security and fuel price reductions. In the words of one official. “The Bank’s advice is much appreciated. It lends credibility to the eventual approach that is adopted.” Another area raised by the Bank that is getting some traction is the option of adopting lifeline tariffs. This has been implemented with a link to the level of petroleum prices. Lifeline tariffs are factored in when the price rises above a certain level. As of now this has only required the tariff for one month, but it remains an option when petroleum prices rise again.

**Figure B.4. Electricity Industry Tariffs in USD per KW 2011–13**



Source: IMF 2015 Article IV Report.

The CAS outcomes for energy have only been partially achieved (see table B.9). For the most part these are still work in progress and were not achieved by the end of the CAS period reflecting in part the slow implementation of the energy roadmap.

**Table B.9. Achievement of CAS Outcomes for the Energy Sector**

| CAS Outcomes Expected (FY11–14)  | Achievement                        |
|--|------------------------------------|
| Improve petroleum supply chain to reduce price and volatility of energy supply.<br>Increase efficiency of grid power system, including reducing technical and nontechnical losses from 17.5% on Tongatapu grid<br>Increase renewable energy for grid power to 20% by 2014. | Not achieved by end of CAS period. |

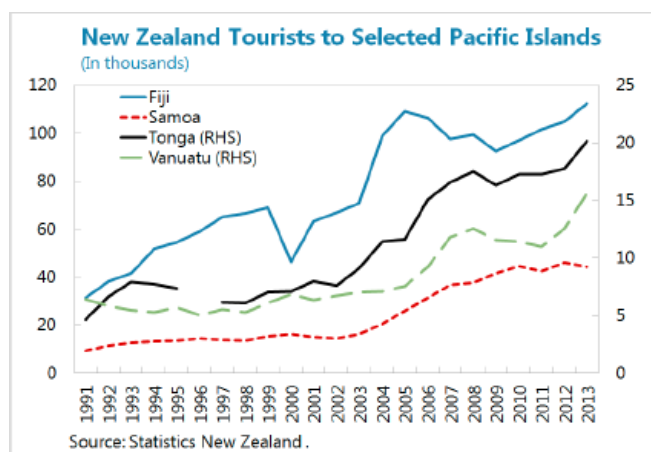
#### SUPPORT FOR KEY SECTORS WITH GROWTH POTENTIAL: FISHERIES, TOURISM, AND AGRICULTURE

The Bank Group has recently carried out some AAA in Fisheries and Agriculture in Tonga and has supported the Tourism sector through IFC. In late 2014, the Bank joined with the International Fund for Agriculture Development and the United Nations

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Development Programme to support the preparation of the Tonga Agriculture Sector Plan and the Tonga Fisheries Plan. These plans will aim to guide future investment decisions in the two sectors.<sup>10</sup> The Tonga Agriculture Sector Plan in particular has a strong focus on building resilience to a changing climate. In the tourism sector, IFC was engaged in supporting the re-opening of the Gateway Hotel in Tonga through transaction advice to the government, but disengaged when the government decided to proceed with a contract which IFC had advised against. The 2013 Tonga DPO included as a prior action approval of a plan for private sector participation in the management of the International Dateline Hotel. The government brought the deal to the point of transaction through a rigorous tender process but was unable to secure a final agreement, though it signed a new deal in 2015 without the involvement of IFC. IFC is also playing an important role in exploring various options for promoting tourism in the region as a whole. In 2012 IFC launched the Pacific Regional Tourism Initiative (PRTI), with three focus countries – Samoa, Tonga, and Vanuatu. The initiative aimed at mobilizing \$15 million in new investments in tourism infrastructure as well as \$30 million in new tourism investment to support up to 4,000 new tourist arrivals across the three pilot countries over three years.<sup>11</sup> Table B.5 notes that tourist arrivals from New Zealand have increased steadily (and more rapidly than for Samoa and Vanuatu) as Tonga is becoming a more attractive destination.

**Figure B.5. Tourism Trends In Selected Island Over 1990–2013**



Source: IMF 2015 Article IV Report.

<sup>10</sup> The Tonga Agriculture Sector Plan (TASP) and the Tonga Fisheries Sector Plan (TFSP) provide the foundation for Tonga’s application to the Bank’s Global Agriculture and Food Security Program (GAFSP) in mid-2016. This has opened up the opportunity to seek substantial financing for an agriculture and fisheries sector project that addressed the gaps identified in the TASP and TFSP.

<sup>11</sup> Project Supervision Report for the Pacific Tourism project FY15 Q4.

## OVERALL ASSESSMENT for Tonga Program

Table B.10 below summarizes the ratings under each pillar for the Tonga Program.

**Table B.10. Overall Assessment for Tonga Program**

| OBJECTIVE   | Rating    | COMMENTS   |
|---|-----------|--|
| <b>Pillar 1: Building Resilience</b>                |           |  |
| <b>1. Building Economic Resilience</b>              | <b>S</b>  |  |
| More efficient public expenditures                  | MS        | Outsourcing of health service delivery and road maintenance, but more efficient staff allocation needed to moderate the share of wage bill in current spending   |
| Sustainable debt management                         | S         | Significant progress supported by DPOs   |
| Enhanced PFM  | S         | Steady improvements and just in time support   |
| Selected revenue increases                          | S         | Increase in domestic tax, recently focused on tobacco and sugar  |
| <b>2. Building Environmental Resilience</b>         | <b>MS</b> |  |
| Disaster Risk Management                            | MS        | Good progress in general but disappointing outcomes on the Ha'ai disaster relief support   |
| Climate Change Adaptation                           |           |  |
| <b>3. Building Social Resilience</b>                | <b>S</b>  |  |
| Increased labor migration                           | HS        | Major beneficiary of the Recognized Seasonal Employer (RSE) and Seasonal Worker Program (SWP) schemes  |
| Better health outcomes                              | S         | Enhanced management and greater emphasis on NCDs   |
| Better education outcomes                           | MU        | Mixed results, limited project outcomes  |
| Gender Equality                                     | MS        | Gender effectively mainstreamed in Bank operations but slow progress on economic opportunity   |
| <b>Pillar 2: Improving Competitiveness</b>          |           |  |
| <b>1. Building a Stronger Financial Sector</b>      | <b>NR</b> | Not strategic but effective support for women's groups, payments etc.  |
| <b>2. Enhancing legal and regulatory frameworks</b> | <b>NR</b> | Not strategic but enhanced private involvement in infrastructure   |
| <b>3. Improving Infrastructure</b>                  | <b>S</b>  |  |
| Enhanced aviation                                   | HS        | Effective Bank leadership  |
| Road rehab. and resilience                          | MS        | Major contribution through outsourcing and resilience, yet reform ownership by the Ministry of Infrastructure has to be strengthened and very significant impact on outcome are yet to be seen as more round of biddings take place, and contractors' capacity is strengthened |
| Telecoms connectivity                               | S         | Opening sector and investment in enhanced cable connections  |
| Energy access and man.                              | MU        | Good progress on putting energy roadmap together but implementation has lagged. Efforts have yet to bear fruit to improve the cost effectiveness of energy use.  |

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### ASSESSMENT OF THE WORLD BANK PROGRAM IN TONGA

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|   |           |                                   |
|---|-----------|-----------------------------------|
| <b>4. Supporting Productive sectors</b> | <b>NR</b> |                                   |
| Fisheries management                    | NR        | Mainly through regional programs  |
| Tourism development                     | NR        | IFC efforts are at an early stage |
| Agriculture                             | NR        |                                   |
| <b>OVERALL</b>                          | <b>S</b>  |                                   |

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Note: H = high; HS = highly satisfactory; MS = moderately satisfactory; NR = nonrated.

# Appendix C. World Bank Group Operational Program in Tonga FY05–15

Over the FY05–15 period, the World Bank Group committed a total of \$135 million of mostly IDA credits to Tonga. Twenty eight new operations amounting to commitments of about \$135 million were approved during FY05–15, with IDA credits accounting for 77 percent of the total commitments (table C.1). IDA grants to the institutions implementing World Bank regional projects, amounted to about \$12 million (9 percent of total commitments). IFC investments during the period totaled almost \$7 million (5 percent) while trust fund grants commitments to Tonga totaled \$9 million (7 percent). During the period reviewed, 59 percent of the Bank administrative budget was spent on project supervision, 35 percent on lending and 5 percent on the delivery of AAA (see table C.8).

**Table C.1. World Bank Group Financing Commitments to Tonga, FY05–15**

|  | <b>Number of Commitments</b> | <b>Commitment Amount (US\$, millions)</b> | <b>Commitment Amount as % of Total Commitments</b> |
|--|------------------------------|---|--|
| IDA credits for Tonga operations           | 12                           | 104.2                                     | 77   |
| IDA grants to regional institutions        | 4                            | 11.7                                      | 9  |
| Trust fund grants to Tonga                 | 6                            | 9.4                                       | 7  |
| IFC investments                            | 1                            | 6.8                                       | 5  |
| Trust fund grants to regional institutions | 5                            | 3.3                                       | 2  |
| <b>Total</b>                               | <b>28</b>                    | <b>135.4</b>                              | <b>100</b>   |

Source: World Bank Business Intelligence database.

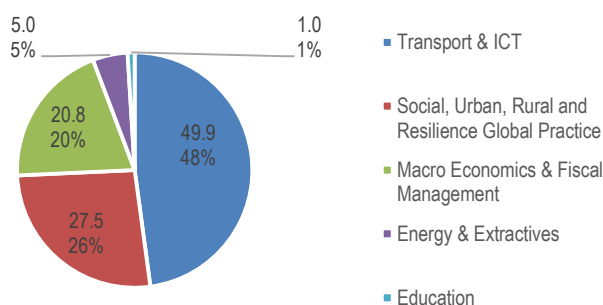
The IDA operations approved during the period were mostly investment operations concentrated in the transport and information and communications technology (ICT) sector. Overall, investment lending constituted 75 percent of the value and 58 percent of the number of new IDA operations. Five DPLs amounting to about \$25 million were approved between FY11 and FY15 and were primarily focused on economic policy.<sup>1</sup> The sectoral composition of IDA commitments was concentrated in the transport sector,

<sup>1</sup> The DPLs approved during the period included a \$5 million energy development loan approved in 2011, a series of two economic recovery operations approved in FY12 and FY13, and another series of two economic DPLs totaling \$20.8 million were approved between FY11 and FY15.

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**WORLD BANK GROUP OPERATIONAL PROGRAM IN TONGA FY05–15**

with commitments classified under the transport and ICT global practice accounting for almost half of total lending (see figure C.1). Altogether, five key thematic areas accounted for the total IDA commitments to Tonga – transport and ICT, macroeconomics and fiscal management, social, urban, rural and resilience (under which virtually all disaster risk management operations are classified), education, and energy and extractives.

**Figure C.1. IDA Commitments to Tonga by Global Practice, FY05–15**



Source: World Bank Business Intelligence database.

Bank analytic and advisory activities (AAA) informed key areas of Bank Group engagement in Tonga and also contributed to building client capacity. The Bank delivered a total of 44 AAA products over the evaluation period at a total cost of \$19.4 million including both Bank (administrative) budget and trust fund financing.<sup>2</sup> Nonlending technical assistance constituted the main medium of delivery for AAA support, accounting for 64 percent of the number and 74 percent of the total cost of AAA products.<sup>3</sup> Financial contributions from Bank administered trust funds were an important factor in the delivery of AAA support, particularly NLTA for which they financed about 77 percent of the cost of delivery (see table C.2).

<sup>2</sup> The 44 AAA activities delivered, included 6 products focused specifically on Tonga and 38 products covering the Pacific-region including Tonga. The total cost of delivery (\$19.4 million) included \$868,000 for the Tonga specific activities and \$18.5 million for the Pacific islands AAA products.

<sup>3</sup> The World Bank proportion of NLTA during the same period was 55 percent in terms of number and 57 percent in terms of value.



Table C.2. World Bank Cost of AAA by Product Line and Funding Source, FY05–15

| Product Line                    | Cost of AAA: Bank Budget<br>(US\$, millions) | Cost of AAA: Trust Funds<br>(US\$, millions) | Total<br>(US\$, millions) | %   |
|---------------------------------|--|--|---------------------------|-----|
| Economic sector work            | 2.3  | 2.7  | 5.0                       | 26  |
| Nonlending technical assistance | 2.2  | 12.3   | 14.5                      | 74  |
| Total                           | 4.5  | 15.0   | 19.5                      | 100 |
| Percentage                      | 23   | 77   | 100                       |     |

Source: World Bank Business Intelligence database.

Bank analytic products were instrumental in building the knowledge base in strategic areas such as the transport, health financing, debt management, renewable energy development and expenditure mapping. Of particular note is the Bank's role in the preparation of the Pacific 2020 and Pacific Futures reports which examined the long-term prospects for the Pacific Islands and sought to identify feasible development paths and opportunities for the Pacific Islands. Key analytic reports delivered during the period included reports on; public expenditure management, parametric insurance, migration and remittances, and on regional ports and shipping. The Bank also provided hands-on capacity-building support in several areas, ranging from the articulation of a debt management reform plan to providing guidance on the restructuring of the air transport sub-sector. Towards the end of the evaluation period joint Bank, IFAD and UNDP work supported the preparation of sector plans for agriculture and fisheries.

IFC support to Tonga during the period occurred mainly through the provision of advisory service support, particularly in the area of investment climate reform. Advisory service support to Tonga comprised four projects in the area of investment climate reform and two in the area of Public Private Partnership transactions advisory. Projects in the area of investment climate reform sought to promote private sector activity by supporting activities aimed at identifying and removing administrative and regulatory barriers to doing business. The specific activities undertaken included among others, developing and strengthening alternative dispute resolution mechanisms, implementing an electronic company registration system, and the removal of generic business licensing requirements. As part of its public-private partnership (PPP) advisory services, IFC acted as a transaction advisor to the government of Tonga in trying to structure, competitively tender and award a PPP project for the rehabilitation and operation of the International Dateline Hotel. However, the two competitive tenders submitted for the PPP project were not successful. The government's approval of a third less competitive tender later forced IFC to disengage from the process citing potential reputational risks associated with the project. IFC investments in Tonga were limited to a single \$6.8 million loan to Digicel Tonga which helped finance the expansion of Digicel's operations in Tonga.

## APPENDIX C

### WORLD BANK GROUP OPERATIONAL PROGRAM IN TONGA FY05–15

The performance of completed projects in the Tonga was better than the World Bank average, albeit with some risks to development outcomes. IEG assessments of 5 Bank-supported operations that exit the portfolio during the evaluation period showed slightly better development outcome ratings (80 percent rated as moderately satisfactory) than the average for the East Asia and Pacific Region (76 percent), and the Bank as a whole (73 percent). However, a significant risk to development outcome was noted in one of the 5 instances where risk was assessed (see annex table 4). The significant risk to development outcomes was assessed on a \$1 million education support project representing 3.4 percent of the value of all projects assessed for risk to development outcome. The high risk was assessed on account of the high percentage of recurrent education expenditures devoted to salaries (96 percent at the primary, and 94 percent at the secondary level). High expenditures on salaries ultimately resulted in a severe squeeze on the resources available for operations and maintenance thereby risking the development outcome of the project.

The riskiness of the Bank's portfolio under implementation during the evaluation period was on average higher than both the East Asia and Pacific Region and World Bank averages (see table C.3). Over the FY05–15 period, 20 percent of the number of projects and 3 percent of the commitments were considered at risk. This was in contrast to an East Asia and Pacific Region average portfolio riskiness of 27 percent of the number of projects and 16 percent of commitment volumes, and a world average of 33 percent of the number of projects and 28 percent of commitment volumes at risk over the same period.

**Table C.3. Tonga Portfolio Implementation**

| Fiscal year                   | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------------|------|------|------|------|------|------|------|------|------|------|------|
| # Projects under supervision  | 3    | 3    | 2    | 2    | 3    | 2    | 2    | 3    | 4    | 4    | 6    |
| # Prob Proj                   | ..   | ..   | ..   | ..   | 1    | ..   | 1    | 1    | ..   | ..   | ..   |
| # Projects At Risk            | ..   | ..   | 1    | 1    | 2    | ..   | 1    | 1    | ..   | ..   | 1    |
| % of projects At Risk         | ..   | ..   | 50   | 50   | 67   | ..   | 50   | 33   | ..   | ..   | 17   |
| Net Comm Amt (US\$, millions) | 17.8 | 17.8 | 11.9 | 11.9 | 17.4 | 6.4  | 10.4 | 37.7 | 54.9 | 61.9 | 77.4 |
| % Commit at Risk              | ..   | ..   | 8.4  | 8.4  | 37.1 | ..   | 52.1 | 14.4 | ..   | ..   | 15.5 |

**Table C.4. Number and Total Commitment Amount of Commitments to Tonga, FY05–15**

| Sector Board  | 2005     |                | 2009     |                | 2011     |                | 2012     |                | 2013     |                | 2014     |                | 2015     |                | Total     |                |
|---|----------|----------------|----------|----------------|----------|----------------|----------|----------------|----------|----------------|----------|----------------|----------|----------------|-----------|----------------|
|   | No.      | US\$, millions | No.      | US\$, millions | No.      | US\$, millions | No.      | US\$, millions | No.      | US\$, millions | No.      | US\$, millions | No.      | US\$, millions | No.       | US\$, millions |
| Education   | 1        | 1              |          |                |          |                |          |                |          |                |          |                |          |                | 1         | 1.0            |
| Energy and Extractives                              |          |                |          |                | 1        | 5              | 1        | 2.9            |          |                |          |                |          |                | 2         | 7.9            |
| Macro Economics and Fiscal Management               |          |                |          |                |          |                | 1        | 9.0            | 1        | 1.8            | 1        | 5.0            | 1        | 5.0            | 4         | 20.8           |
| Social, Urban, Rural and Resilience Global Practice |          |                |          |                | 1        | 5              |          |                |          |                | 1        | 12.0           | 2        | 15.1           | 4         | 32.1           |
| Transport and ICT                                   |          |                | 1        | 5.4            | 1        | 0.2            | 2        | 44.4           |          |                |          |                |          |                | 4         | 50.1           |
| <b>Total</b>  | <b>1</b> | <b>1</b>       | <b>1</b> | <b>5.4</b>     | <b>3</b> | <b>10.2</b>    | <b>4</b> | <b>56.3</b>    | <b>1</b> | <b>1.8</b>     | <b>2</b> | <b>17.0</b>    | <b>3</b> | <b>20.1</b>    | <b>15</b> | <b>111.8</b>   |

Source: World Bank Business Intelligence as of January, 2016.

Note: Data include supplements and trust fund grants but does not include Pacific Islands regional commitments.

**Table C.5. IEG Project Ratings for Tonga, Exit FY05–15**

| Exit FY | Proj ID | Project Name         | Approval FY | Lend Instr Type | Sector Board                      | Net Commitment Amount (\$M) | IEG Outcome             | IEG Risk to DO Rating | IEG Bank Qual at Entry  | IEG Bank Supervision |
|---------|---------|----------------------|-------------|-----------------|-----------------------------------|-----------------------------|-------------------------|-----------------------|-------------------------|----------------------|
| 2007    | P075171 | TO-CYCLONE ER & MGMT | 2002        | INVESTMENT      | Urban Development                 | 6.1                         | Satisfactory            | Moderate              | Satisfactory            | Satisfactory         |
| 2010    | P075230 | TO-HEALTH SECTOR     | 2004        | INVESTMENT      | Health, Nutrition, and Population | 12.0                        | Moderately satisfactory | Moderate              | Moderately satisfactory | Satisfactory         |

**APPENDIX C**
**WORLD BANK GROUP OPERATIONAL PROGRAM IN TONGA FY05–15**

| SUPPORT PROJECT |         |  |      |            |                   |     |                         |                   |                         |                         |
|-----------------|---------|--|------|------------|-------------------|-----|-------------------------|-------------------|-------------------------|-------------------------|
| 2011            | P079657 | TO-Tonga Education Support Project     | 2005 | INVESTMENT | Education         | 1.0 | Unsatisfactory          | Significant       | Unsatisfactory          | Moderately satisfactory |
| 2011            | P121877 | Tonga Energy Develop. Policy Operation | 2011 | ADJUSTMENT | Energy and Mining | 5.2 | Satisfactory            | Negligible to low | Moderately satisfactory | Satisfactory            |
| 2014            | P120595 | Tonga Post Tsunami Reconstruction      | 2011 | INVESTMENT | Urban Development | 5.1 | Moderately satisfactory | Moderate          | Moderately satisfactory | Moderately satisfactory |

Source: World Bank database as of September 14 2015. Risk to development objective is rated for projects from FY07 onward.

Note: FY = fiscal year; GICT = Global Information and Communications Technology; IEG = Independent Evaluation Group; MS = moderately satisfactory; MU = moderately unsatisfactory; S = satisfactory; U = unsatisfactory.

**Table C.6. Bank Budget by Cost Structure Category, FY05–15 (in US\$, thousands and percent)**

| Sector Board                                     | Total | Project Supervision | Lending | Analytic and Advisory Support | Country Program Support | Client Training |
|--|-------|---------------------|---------|-------------------------------|-------------------------|-----------------|
| <b>In US\$ thousands</b>                         |       |                     |         |                               |                         |                 |
| Agriculture and Rural Development                | 10    |                     |         | 10                            |                         |                 |
| Economic Policy                                  | 164   | 2                   | 134     | 28                            |                         |                 |
| Education  | 609   | 382                 | 227     |                               |                         |                 |
| Energy and Mining                                | 234   | 35                  | 199     |                               |                         |                 |
| Financial and Private Sector Development (I)     | 5     |                     |         |                               |                         | 5               |
| Global Information and Communications Technology | 280   | 103                 | 178     |                               |                         |                 |
| Health, Nutrition, and Population                | 561   | 500                 | 3       | 58                            |                         |                 |
| Procurement                                      | 1     |                     |         | 1                             |                         |                 |
| Transport  | 1,356 | 886                 | 369     | 101                           |                         |                 |
| Urban Development                                | 702   | 483                 | 219     |                               |                         |                 |

| Sector Board                                     | Total        | Project<br>Supervision | Lending      | Analytic<br>and<br>Advisory<br>Support | Country<br>Program<br>Support | Client<br>Training |
|--|--------------|------------------------|--------------|--|-------------------------------|--------------------|
| Not assigned                                     | 106          |                        | 100          |  | 5                             |                    |
| <b>Total</b>                                     | <b>4,028</b> | <b>2,391</b>           | <b>1,429</b> | <b>197</b>                             | <b>5</b>                      | <b>5</b>           |
| <b>Cost structure (percent)</b>                  |              |                        |              |  |                               |                    |
| Agriculture and Rural Development                | 100          | 0                      | 0            | 100                                    | 0                             | 0                  |
| Economic Policy                                  | 100          | 1                      | 82           | 17                                     | 0                             | 0                  |
| Education  | 100          | 63                     | 37           | 0                                      | 0                             | 0                  |
| Energy and Mining                                | 100          | 15                     | 85           | 0                                      | 0                             | 0                  |
| Financial and Private Sector Development (I)     | 100          | 0                      | 0            | 0                                      | 0                             | 100                |
| Global Information and Communications Technology | 100          | 37                     | 63           | 0                                      | 0                             | 0                  |
| Health, Nutrition, and Population                | 100          | 89                     | 1            | 10                                     | 0                             | 0                  |
| Procurement                                      | 100          | 0                      | 0            | 100                                    | 0                             | 0                  |
| Transport  | 100          | 65                     | 27           | 7                                      | 0                             | 0                  |
| Urban Development                                | 100          | 69                     | 31           | 0                                      | 0                             | 0                  |
| Not assigned                                     | 100          | 0                      | 95           | 0                                      | 5                             | 0                  |
| <b>Total</b>                                     | <b>100</b>   | <b>59</b>              | <b>35</b>    | <b>5</b>                               | <b>0</b>                      | <b>0</b>           |

**Table C.7. Total Net Disbursements of Official Development Assistance to Tonga, 2005–2013 (US\$, millions)**

|                      | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Total<br>2005-<br>2014 | % of<br>2005-<br>2014<br>Total |
|----------------------|------|------|------|------|------|------|------|------|------|------|------------------------|--------------------------------|
| <b>DAC Countries</b> |      |      |      |      |      |      |      |      |      |      |                        |                                |
| Australia            | 8.8  | 7.7  | 10.5 | 11.7 | 14.4 | 20.9 | 31.4 | 29.7 | 31.6 | 22.9 | 189.5                  | 34.3                           |
| Japan                | 11.2 | 4.4  | 4.6  | 3.8  | 11.7 | 23.8 | 18.7 | 13.3 | 4.5  | 17.1 | 113.1                  | 20.5                           |
| New Zealand          | 4.8  | 6.1  | 11.9 | 6.4  | 7.2  | 11.4 | 14.7 | 19.2 | 13.2 | 15.3 | 110.1                  | 19.9                           |
| United States        | 0.7  | 0.9  | 0.8  | 0.8  | 1.2  | 1.2  | 1.2  | 1.0  | 1.3  | 1.1  | 10.2                   | 1.9                            |
| Korea                | 0.1  | 0.1  | 0.1  | 0.1  | 0.0  | 0.0  | 0.5  | 0.2  | 0.3  | 0.1  | 1.4                    | 0.2                            |

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|                                | 2005        | 2006        | 2007        | 2008        | 2009        | 2010        | 2011        | 2012        | 2013        | 2014        | Total<br>2005-<br>2014 | % of<br>2005-<br>2014<br>Total |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------------|--------------------------------|
| Canada                         | 0.3         | 0.0         | 0.4         | 0.2         | 0.1         | 0.1         | 0.1         | ..          | ..          | ..          | 1.1                    | 0.2                            |
| United Kingdom                 | ..          | ..          | ..          | 0.5         | 0.0         | 0.2         | 0.0         | 0.0         | 0.0         | 0.0         | 0.8                    | 0.1                            |
| Denmark                        | ..          | 0.1         | 0.1         | ..          | ..          | ..          | ..          | ..          | ..          | ..          | 0.2                    | 0.0                            |
| Spain                          | ..          | ..          | ..          | ..          | 0.1         | ..          | ..          | ..          | ..          | ..          | 0.1                    | 0.0                            |
| Italy                          | ..          | ..          | ..          | 0.1         | ..          | ..          | ..          | ..          | ..          | ..          | 0.1                    | 0.0                            |
| France                         | -0.1        | -0.1        | -0.1        | -0.1        | -0.1        | 0.1         | ..          | ..          | 0.1         | 0.2         | -0.1                   | 0.0                            |
| Germany                        | -1.0        | -0.5        | -1.7        | 0.0         | ..          | ..          | ..          | ..          | 0.0         | ..          | -3.3                   | -0.6                           |
| DAC Countries, Total           | 24.8        | 18.7        | 26.6        | 23.4        | 34.6        | 57.6        | 66.7        | 63.4        | 51.0        | 56.7        | 423.3                  | 76.6                           |
| <b>Multilateral Agencies</b>   |             |             |             |             |             |             |             |             |             |             |                        |                                |
| IDA                            | 4.5         | 2.7         | 4.4         | 0.6         | 1.7         | 7.3         | 12.3        | 6.4         | 15.2        | 16.0        | 71.0                   | 12.8                           |
| EU Institutions                | 2.8         | 0.7         | 0.3         | 0.8         | 0.8         | 1.6         | 9.0         | 0.7         | 0.6         | 5.2         | 22.5                   | 4.1                            |
| ADB Special Funds              | -0.9        | -1.0        | -1.1        | 0.1         | 0.5         | 4.1         | 4.9         | 1.8         | 12.6        | 0.3         | 21.3                   | 3.9                            |
| UNTA                           | 0.8         | 0.6         | 0.9         | 0.3         | ..          | ..          | ..          | ..          | ..          | ..          | 2.6                    | 0.5                            |
| GEF                            | 0.2         | ..          | ..          | ..          | 1.9         | ..          | 0.1         | 0.1         | 0.1         | 0.2         | 2.5                    | 0.5                            |
| WHO                            | ..          | ..          | ..          | ..          | ..          | ..          | 0.6         | 0.6         | 0.7         | 0.6         | 2.4                    | 0.4                            |
| Climate Investment Funds (CIF) | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | 0.5         | 0.3         | 0.8                    | 0.1                            |
| UNDP                           | ..          | ..          | ..          | ..          | ..          | ..          | 0.2         | 0.1         | 0.0         | 0.2         | 0.5                    | 0.1                            |
| IFAD                           | -0.2        | -0.2        | -0.2        | ..          | -0.2        | -0.1        | -0.2        | 0.2         | 0.1         | 0.5         | -0.4                   | -0.1                           |
| Multilateral Agencies, Total   | 7.2         | 2.8         | 4.2         | 1.7         | 4.6         | 12.8        | 26.9        | 9.9         | 29.7        | 23.2        | 123.1                  | 22.3                           |
| <b>Non-DAC Countries</b>       |             |             |             |             |             |             |             |             |             |             |                        |                                |
| United Arab Emirates           | ..          | ..          | ..          | ..          | ..          | ..          | ..          | 5.0         | 0.2         | 0.0         | 5.2                    | 0.9                            |
| Turkey                         | ..          | ..          | 0.1         | 0.5         | ..          | ..          | 0.0         | ..          | 0.0         | 0.0         | 0.7                    | 0.1                            |
| Non-DAC Countries, Total       | 0.0         | 0.0         | 0.1         | 0.5         | 0.0         | 0.0         | 0.0         | 5.0         | 0.2         | 0.0         | 5.9                    | 1.1                            |
| <b>All Donors, Total</b>       | <b>32.0</b> | <b>21.5</b> | <b>30.8</b> | <b>25.7</b> | <b>39.2</b> | <b>70.4</b> | <b>93.6</b> | <b>78.3</b> | <b>80.8</b> | <b>79.9</b> | <b>552.3</b>           | <b>100.0</b>                   |

Source: Organization for Economic Co-operation and Development (OECD). Data extracted on January 14, 2016 from OECD. Stat.

Note: DAC = Development Assistance Committee; EU = European Union; GFATM = Global Fund to Fight AIDS, Tuberculosis and Malaria; IAEA = International Atomic Energy Agency; ADB = Asian Development Bank; GEF = Global Environment Facility; WHO = World Health Organization; UNDP = United Nations Development Programme; IFAD = International Fund for Agriculture Development; UNTA = United Nations Regular Program for Technical Assistance.

Table C.8. Tonga—List of World Bank AAA, FY05–15

| Proj ID<br>(AAA) | Project Name                       | Practice               | Country      | Fiscal<br>year | Prod<br>Line | AAA Cost<br>(BB)<br>Delivered<br>(US\$,<br>thousands) | AAA Cost<br>(TF)<br>Delivered<br>(US\$,<br>thousands) | Total<br>Cost<br>Delivered<br>(US\$,<br>thousands) |
|------------------|------------------------------------|------------------------|--------------|----------------|--------------|---|---|--|
| P092610          | TO-Transport Sector Review         | Transport and ICT      | Tonga        | FY05           | ESW          | 9   | 86  | 95   |
| P095826          | TO-TAL Preparatory Assistance      | Transport and ICT      | Tonga        | FY06           | NLTA         | 81  | 288   | 369  |
| P109085          | TO-Health Financing                | HNP                    | Tonga        | FY09           | ESW          | 58  | 6   | 63   |
| P116305          | Tonga Renewable Energy Development | Energy and Extractives | Tonga        | FY11           | NLTA         | 0   | 150   | 150  |
| P127973          | Medium Term Expenditure Mapping    | MFM                    | Tonga        | FY12           | NLTA         | 0   | 101   | 101  |
| P133609          | Tonga Reform Plan                  | MFM                    | Tonga region | FY14           | NLTA         | 28  | 63  | 90   |
|                  |                                    |                        |              |                |              | <b>175</b>  | <b>693</b>  | <b>868</b>   |

Source: World Bank database as of January, 2016.

Note: AAA = analytic and advisory services; BB = Bank Budget; TF = trust fund; HNP = Health, Nutrition, and Population; ICT = Information and Communications Technology; IDA = International Development Association; MFM = macroeconomics and fiscal management; NLTA = nonlending technical assistance.

Table C.9. Tonga Economic and Social Indicators, 2005–2014

| Series Name                                    | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Growth and inflation</b>                    |       |       |       |       |       |       |       |       |       |       |
| GDP growth (annual %)                          | 1.6   | -1.1  | -4.6  | 2.5   | 1.1   | 4.2   | 2.0   | 0.5   | -2.7  | 2.1   |
| GDP per capita growth (annual %)               | 0.9   | -1.7  | -5.2  | 1.8   | 0.5   | 3.6   | 1.6   | 0.2   | -3.0  | 1.7   |
| GNI per capita, PPP (current international \$) | 4,460 | 4,600 | 4,510 | 4,670 | 4,720 | 5,010 | 5,180 | 5,260 | 5,180 | 5,270 |
| GNI per capita, Atlas method (current US\$)    | 2,500 | 2,720 | 2,810 | 3,170 | 3,300 | 3,550 | 3,830 | 4,210 | 4,300 | 4,260 |
| Inflation, consumer prices (annual %)          | 8.3   | 6.4   | 5.9   | 10.4  | 1.4   | 3.6   | 6.3   | 1.2   | 0.7   | 2.5   |
| <b>Composition of GDP</b>                      |       |       |       |       |       |       |       |       |       |       |
| Agriculture, value added (% of GDP)            | 21.0  | 18.9  | 20.3  | 17.8  | 17.9  | 18.8  | 19.7  | 19.5  | 20.7  | 20.5  |
| Industry, value added (% of GDP)               | 19.9  | 18.5  | 19.2  | 18.6  | 19.4  | 20.6  | 22.0  | 21.9  | 19.4  | 18.8  |
| Services, etc., value added (% of GDP)         | 59.1  | 62.6  | 60.5  | 63.5  | 62.7  | 60.5  | 58.3  | 58.6  | 59.9  | 60.7  |
| <b>External Accounts</b>                       |       |       |       |       |       |       |       |       |       |       |
| Exports of goods and services (% of GDP)       | 18.0  | 14.7  | 12.4  | 13.7  | 14.3  | 12.7  | 16.8  | 19.5  | 21.2  | 17.8  |

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|   |         |         |         |         |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Imports of goods and services (% of GDP)                              | 58.9    | 52.1    | 52.4    | 52.8    | 54.7    | 48.3    | 49.2    | 56.1    | 56.9    | 53.5    |
| Current account balance (% of GDP)                                    | -8.2    | -16.7   | -13.5   | -26.9   | -30.7   | -21.4   | -18.4   | -9.9    | ..      | ..      |
| External debt stocks (% of GNI)                                       | 34.4    | 31.3    | 31.6    | 28.5    | 35.0    | 41.1    | 42.3    | 41.9    | 44.7    | 44.2    |
| Present value of external debt (% of GNI)                             | ..      | ..      | ..      | ..      | ..      | ..      | ..      | ..      | ..      | 32.1    |
| Total debt service (% of GNI)   | 2.0     | 1.5     | 1.6     | 1.6     | 1.2     | 1.3     | 1.3     | 1.4     | 1.5     | 1.5     |
| <b>Other macroeconomic indicators</b>                                 |         |         |         |         |         |         |         |         |         |         |
| Gross fixed capital formation, private sector (% of GDP)              | ..      | ..      | ..      | ..      | ..      | ..      | ..      | ..      | ..      | ..      |
| Gross savings (% of GDP)  | 11.3    | 14.6    | 20.3    | 13.3    | 15.5    | 20.8    | 31.6    | 27.5    | ..      | ..      |
| <b>Fiscal accounts</b>  |         |         |         |         |         |         |         |         |         |         |
| Cash surplus/deficit (% of GDP)                                       | ..      | ..      | ..      | ..      | ..      | ..      | ..      | ..      | ..      | ..      |
| General government final consumption expenditure (% of GDP)           | 15.8    | 21.3    | 18.5    | 18.5    | 20.1    | 18.2    | 17.6    | 19.2    | ..      | ..      |
| Gross national expenditure (% of GDP)                                 | 140.9   | 137.5   | 140.1   | 139.1   | 140.5   | 135.5   | 132.3   | 136.6   | ..      | ..      |
| Revenue, excluding grants (% of GDP)                                  | ..      | ..      | ..      | ..      | ..      | ..      | ..      | ..      | ..      | ..      |
| <b>Social indicators</b>  |         |         |         |         |         |         |         |         |         |         |
| Health expenditure, public (% of GDP)                                 | 5.6     | 4.8     | 4.5     | 4.2     | 3.6     | 3.7     | 3.2     | 3.6     | 3.9     | ..      |
| Out-of-pocket health expenditure (% of private expenditure on health) | 62.3    | 62.3    | 67.8    | 67.8    | 67.8    | 67.8    | 67.8    | 67.8    | 67.8    | ..      |
| Immunization, DPT (% of children ages 12-23 months)                   | 89.0    | 88.0    | 87.0    | 86.0    | 84.0    | 82.0    | 82.0    | 77.0    | 82.0    | 82.0    |
| Improved sanitation facilities (% of population with access)          | 92.3    | 92.1    | 92.0    | 91.8    | 91.7    | 91.6    | 91.4    | 91.3    | 91.1    | 91.0    |
| Improved water source (% of population with access)                   | 98.7    | 98.8    | 98.9    | 99.0    | 99.1    | 99.2    | 99.3    | 99.4    | 99.5    | 99.6    |
| Life expectancy at birth, total (years)                               | 71.5    | 71.6    | 71.7    | 71.9    | 72.0    | 72.2    | 72.3    | 72.5    | 72.6    | ..      |
| Mortality rate, infant (per 1,000 live births)                        | 14.3    | 14.4    | 14.5    | 14.6    | 14.8    | 15.0    | 15.0    | 15.0    | 14.9    | 14.7    |
| Population, total   | 100,858 | 101,507 | 102,169 | 102,816 | 103,416 | 103,947 | 104,392 | 104,769 | 105,139 | 105,586 |
| Population growth (annual %)  | 0.6     | 0.6     | 0.7     | 0.6     | 0.6     | 0.5     | 0.4     | 0.4     | 0.4     | 0.4     |
| Urban population (% of total)   | 23.2    | 23.2    | 23.2    | 23.3    | 23.3    | 23.4    | 23.4    | 23.5    | 23.6    | 23.6    |
| Population, female (% of total)                                       | 49.9    | 49.9    | 50.0    | 50.0    | 49.9    | 49.9    | 49.9    | 49.9    | 49.9    | 49.9    |
| Poverty headcount ratio at national poverty lines (% of population)   | ..      | ..      | ..      | ..      | 23      | ..      | ..      | ..      | ..      | ..      |



**APPENDIX C**  
**WORLD BANK GROUP OPERATIONAL PROGRAM IN TONGA FY05–15**

|  |       |       |       |       |       |       |       |       |       |      |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| Fixed telephone subscriptions (per 100 people)                   | 13.6  | 18.2  | 20.6  | 24.8  | 29.9  | 29.8  | 28.7  | 28.6  | 29.4  | 11.3 |
| Unemployment, total (% of total labor force) (national estimate) | ..    | 1.1   | ..    | ..    | ..    | ..    | ..    | ..    | ..    | ..   |
| Gross enrolment ratio, pre-primary, both sexes (%)               | ..    | ..    | ..    | ..    | ..    | ..    | ..    | 35.4  | ..    | ..   |
| Gross enrolment ratio, primary, both sexes (%)                   | 111.8 | 111.1 | 110.4 | 108.2 | 107.8 | 108.0 | 108.4 | 110.1 | 108.3 | ..   |
| Gross enrolment ratio, secondary, both sexes (%)                 | ..    | 101.3 | 104.7 | 104.0 | 103.6 | 103.9 | 104.3 | 90.9  | 102.1 | ..   |
| Gross enrolment ratio, tertiary, both sexes (%)                  | ..    | ..    | ..    | ..    | ..    | ..    | ..    | ..    | ..    | ..   |

Source: World Development Indicators database. Retrieved January 2016.

Note: DPT = diphtheria, pertussis, and tetanus; GDP = gross domestic product; GNI = Gross National Income; ILO = International Labor Organization; PPP = purchasing power parity.

## World Bank Group Program in Tonga Organized Along the Evaluation Pillars

### Pillar 1: Strengthening Resilience

#### STRENGTHENING FISCAL AND DEBT SUSTAINABILITY AND PUBLIC SECTOR PERFORMANCE

Under Pillar 1.1, the Bank Group sought to help make progress on the objectives/outcomes detailed below.

| Objectives/Outcomes Sought   | Milestones  |
|--|---|
| Budget revenue estimates to be improved, including through better data systems.                                | Treasury Instructions to Line Ministries issued.  |
| Debt management system functioning with new external assistance on grant or concessional terms only.           | Strengthened dialogue between donors and government on economic and PFM reforms linked to budget support.   |
| Quality of PFM systems improved as reflected in improved PEFA scores—particularly in audit—from 2010 baseline. | New procurement regulations consistent with World Bank/ADB advice to be gazetted and in force in 2010. Joint public expenditure review completed identifying options for improved expenditure management. |

Instruments used by the Bank Group to help make progress on the above objectives/outcomes are detailed below.

| Lending Operations  | Analytic Work   | Nonlending Technical Assistance                                 |
|---|---|---|
| TO-Economic Recovery Operation (P126453; 2012; \$9M)                  | PI-PFM Design under Capacity Constraints (P131402; FY14; \$M) | TO-Medium Term Expenditure Mapping (P127973; FY12; \$4.579452M) |
| TO-Economic Recovery Operation II (P130824; 2013; \$1.8M)             | PI- Pacific 2020 (P098009; FY06; \$M)                         | Tonga Reform Plan (P133609; FY14; \$5M)                         |
| TO-First Economic Reform Support Operation (P144601; 2014; \$5M)      | Program Development in Northern Pacific (P118674; FY10; \$M)  | Pacific Futures (P117120; FY14; \$M)                            |
| TO-Second Economic Reform Support Operation (P149963; 2015; \$5M)     | Monitoring and Evaluation (P109069; FY11; \$M)                | PRAXIS Discussion Series (P126058; FY14; \$M)                   |
| IDF Pacific Regional Audit Initiative (PRIA) (P120343; FY10; \$0.55M) |   |   |

#### STRENGTHENING ENVIRONMENTAL AND DISASTER RISK MANAGEMENT AND CLIMATE CHANGE

Under Pillar 1.2, the Bank Group sought to make progress on the objectives/outcomes detailed below.

| Objectives/Outcomes Sought | Milestones   |
|----------------------------|--|
| Nuatoputapu reconstruction | Construction of 85 cyclone resistant houses, and rehabilitation of 60 houses |

|   |  |
|---|--|
| Improved national disaster management and planning capacity | Institutional strengthening of Ministry of Land Survey and Natural Resources and preparation of community disaster risk management plans |
|---|--|

Instruments used by the Bank Group to make progress on the above objectives/outcomes are detailed below.

| Lending Operations  | Analytic Work | Nonlending Technical Assistance                                    |
|---|---------------|--|
| Pacific Resilience Program - Tonga (P156334; 2015; \$4.6M)            |               | PI- Pacific CAT Risk Financing TA - Phase II (P122344; FY12)       |
| Tonga Post Tsunami Reconstruction (P120595; 2011; \$5M)               |               | Pacific-Catastro Risk Assess. Geonode Innov TA (P125720; FY12)     |
| Tonga Cyclone Reconstruction (P150113; 2014; \$12M)                   |               | Pacific M&E of Conserv. Action Strategy (P095031; FY08)            |
| Pacific Resilience Program - Tonga (P154840; 2015; \$10.5M)           |               | Pacific Catastrophe Risk Pool Feasibility Study (P110131; FY09)    |
| Pacific Islands Regional Oceanscape Prog (P153429; FY15; \$2.191781M) |               | Pacific Sustainable Mgt Thru Reduced Disaster Risk (P112080; FY10) |
| Pacific Island Regional Oceans Program (P131655; FY15; \$3.97M)       |               |  |
| PACIFIC RESILIENCE PROGRAM - SPC (P147839; FY15; \$3.68M)             |               |  |
| Pacific Cat Risk Insurance Pilot (P152570; FY15; \$1M)                |               |  |
| PACIFIC RESILIENCE PROGRAM - PIFS (P155542; FY15; \$1.32M)            |               |  |
| PACIFIC RESILIENCE PROGRAM - PIFS (P156335; FY15; \$0.9M)             |               |  |

#### ENHANCING HUMAN CAPITAL AND SOCIAL RESILIENCE

Under Pillar 1.3, the Bank Group sought to make progress on the objectives/outcomes detailed below.

| Objectives/Outcomes Sought  | Milestones   |
|---|--|
| Net enrolment, dropout, retention rates and student test performance improved from 2005 baselines   | School grants program operational, with all schools receiving grants on schedule |
| Increase local participation and accountability through introducing school based management, with schools engaging communities in planning, budgeting, and results assessment | School rehabilitation completed at 20 most needy sites                           |

Instruments used by the Bank Group are detailed below.

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### WORLD BANK GROUP OPERATIONAL PROGRAM IN TONGA FY05–15

| Lending Operations                                       | Analytic Work  | Nonlending Technical Assistance                                   |
|--|--|---|
| TO-Tonga Education Support Project (P079657; 2005; \$1M) | Pacific Islands - HD SECTOR REVIEW (P079666; FY06)           | Early Grade Reading Assess in Pacific Region (P118877; FY13)      |
|  | PI- Delivery strategies for youth (P120712; FY12)            | Pacific Early Education Advisory Services (PEEAS) (P127936; FY15) |
|  | PI -Pacific Hardship and Vulnerability Study (P144446; FY14) | AusAID Education Partnership (P127935; FY15)                      |
|  | PI - Social Protection in the Pacific (P133619; FY15)        | TO-Health Financing (P109085; FY09)                               |
|  | PI-Pacific Migration Study (P092789; FY07)                   | Pacific—Gender and Disability in the Pacific (P093733; FY06)      |

## Pillar 2: Enhancing Competitiveness

### STRENGTHENING THE FINANCIAL SECTOR

The Tonga CAS did not include any objectives under Pillar 2.1.

Instruments used by the Bank Group to make progress on the above objectives/outcomes are detailed below.

| Lending Operations | Analytic Work | Nonlending Technical Assistance                               |
|--------------------|---------------|---|
|                    |               | Pacific Islands - Financial Sector Dev't (P092788; FY06; \$M) |

### STRENGTHENING THE LEGAL AND REGULATORY FRAMEWORK, SECTOR LINKAGES, AND VALUE CHAINS FOR PRIVATE BUSINESS

Under Pillar 2.2, the Bank Group sought to make progress on the objectives/outcomes detailed below.

| Objectives/Outcomes Sought   | Milestones   |
|--|--|
| Improved business environment, as reflected in Doing Business indicators         | Ability to use personal property as collateral for access to finance is improved.  |
| Reduced cost of connectivity translating into reduced business transaction costs | Investment approvals process is simplified and made more transparent, including licensing systems for business operations. |
| Reduced number of procedures for obtaining a business license                    | Establishment of a credit bureau to improve access to finance.   |

Instruments used by the Bank Group to make progress on the above objectives/outcomes are detailed below.

| <b>Lending Operations</b>   | <b>Analytic Work</b>   | <b>Nonlending Technical Assistance</b>                   |
|---|--|--|
| PI - Inst. Cap. Build. for Labor Export (P109457; FY08; \$0.625M) | Remittance Costs (P109095; FY10)   | Pacific Islands Regional Fisheries (P109101; FY11)       |
|   | Monitoring and Evaluation (P109069; FY11; \$M) -The development impact of a best practice seasonal worker policy | Regulatory and Inst. Reform for PSD (P092034; FY05)      |
|   |  | Regulatory and Inst. Reform for PSD (P098216; FY06)      |
|   |  | 4P-Regulatory & Inst. Reform for PSDP II (P102963; FY09) |
|   |  | PIC Regulatory Simplification and Reform (P104949; FY10) |
|   |  | Inst. strengthening for Labor Migration (P130478; FY15)  |
|   |  | Trade Facilitation for Pacific Islands (P110501; FY08)   |
|   |  | Trade Facilitation Strategy Labor Exp. (P109094; FY12)   |

#### **IMPROVING INFRASTRUCTURE SERVICE DELIVERY**

Under Pillar 2.3, the Bank Group sought to make progress on the objectives/outcomes detailed below.

| <b>Objectives/Outcomes Sought</b>  | <b>Milestones</b>   |
|--|---|
| Internet use to increase from 15% to 40% of the population.  | Fiber optic cable linking Tonga with trans-Pacific cables.  |
| Wholesale Connectivity (bandwidth) costs to be reduced from \$3,500 megabits per second per month to \$800 Mbps/month or lower, flowing through to reduced retail internet and telecoms costs. |   |
| Regulatory environment that allows competition with equal access by all market players to buy international bandwidth on a fair and transparent basis at the cable landing station.            |   |
| Improve petroleum supply chain to reduce price and volatility of energy supply.  | Open electricity generation market to new private investment, with 4 new private investments by 2013.   |
| Increase efficiency of grid power system, including reducing technical and nontechnical losses from 17.5% on Tongatapu grid.   |   |
| Increase renewable energy for grid power to 20% by 2014.   | <ul style="list-style-type: none"> <li>•1 MW on-grid solar PV generation capacity to be introduced.</li> <li>•Landfill gas IPP implemented.</li> <li>•Proof of concept coconut oil investment initiated.</li> </ul> |

## APPENDIX C

### WORLD BANK GROUP OPERATIONAL PROGRAM IN TONGA FY05–15

| Objectives/Outcomes Sought   | Milestones  |
|--|---|
| Consolidate MOT as unified transport sector policy, planning and regulatory ministry       |   |
| Improve civil aviation and maritime sector compliance with international safety standards. | ICAO compliance levels to improve from 48-56% to 80%.                         |
| Strengthened domestic private sector road maintenance capacity.                            | 75 km of roads designed, supervised and maintained by local Tongan companies. |

Instruments used by the Bank Group to make progress under Pillar 2.3 are detailed below.

| Lending Operations  | Analytic Work   | Nonlending Technical Assistance                          |
|---|---|--|
| PI-GEF-Sustainable Energy Finance (P098423; FY07; \$9.48M)      | 4P-PI Infrastructure Strategy (P069677; FY06)             | Pacific Islands Offshore Mining (P112571; FY11)          |
| Pacific Aviation Safety Office Reform (P145057; FY14; \$2.15M)  | PI-Pacific Risk Management and Adaptation (P089536; FY06) | Pacific Petroleum Supply TA (P117025; FY12)              |
| Pacific Reg ICT Regulatory Dev. Project (P148238; FY15; \$4.5M) | Pacific Infrastructure Diagnostics AAA (P110315; FY10)    | P4: Options Assessment on ICT for Jobs (P146664; FY15)   |
| Tonga Energy Develop. Policy Operation (P121877; 2011; \$5M)    | Regional Ports and Shipping (P143662; FY15)               | TO-TAL Preparatory Assistance (P095826; FY06; \$1.8M)    |
| Institutional and Regulatory Framework (P131250; 2012; \$2.9M)  | TO-Transport Sector Review (P092610; FY05)                | TONGA Renewable Energy Development (P116305; FY11; \$5M) |
| TO-Transport Sector Consolidation (P096931; 2009; \$5.44M)      |   |  |
| Pacific Regional Connectivity Program (P113184; 2012; \$17.2M)  |   |  |
| Pacific Aviation Investment - Tonga (P128939; 2012; \$27.21M)   |   |  |
| IDF Grant-Proj Mgmt and Green PR-MOT-TO (P125086; 2011; \$0.2M) |   |  |

# Appendix D: Assessment of the World Bank Program in Samoa

This appendix is an adjunct to the main report. It is not intended as a free-standing CPE on the World Bank in Samoa. It provides additional underpinning and evidence for the overall story of the Bank's relevance and effectiveness in the PICs provided in the main report.

## Samoa's Development Challenges

Samoa is a lower middle-income country with relatively good development indicators. In 2014, GDP per capita was \$4,172 with a human development ranking of 105 out of 188 countries. Life expectancy is 73 and the literacy rate is 99 percent. Samoa has met MDGs for improved infant, child and maternal mortality rates, and almost all births are attended by skilled health physicians. The proportion of the population living in 'extreme poverty' is about 5 percent. Samoa also scores well on governance and doing business indicators. In 2013 it had the highest CPIA rating of all IDA-only countries. Although the Samoan parliament is democratically elected, only the 'nobles' (a class that constitutes about 10 percent of the population) can run for office.

Until 2009 Samoa was the most rapidly growing of the PICs, but growth has been much lower in the past five or six years as a consequence of the global crisis and natural disasters. Growth averaged 4.3 percent annually between 1998 and 2008. The main contributions to growth came from the commerce, transportation, and communication sectors, driven by tourism and remittances. The contribution of agriculture and fisheries to GDP declined consistently during the period going from 19 to 10 percent. Growth was severely impacted however, first by the spike in international food and fuel prices, then by the global financial crisis, and by the Tsunami of September 2009 and Tropical Cyclone Evan in December 2012. GDP declined by 5 percent in 2009 and growth has averaged less than 1 percent in the subsequent five years. The 2015 IMF Article IV noted that these two natural disasters added 15 percent of GDP to Samoa's external debt.<sup>1</sup>

## The Bank's Strategy in Samoa

In March 2012, the Bank issued its CPS for Samoa, covering the period from 2012 to 2016. In the Bank's view Samoa illustrated the constraints "facing even well performing small island states. Strong policy setting for almost two decades, have resulted in MDG

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<sup>1</sup> IMF 2015 Article IV, box 1.

## APPENDIX D

### ASSESSMENT OF THE WORLD BANK PROGRAM IN SAMOA

outcomes and economic performance well above the average of comparable island countries. Yet Samoa's small size, limited natural resources, narrowly based economy, distance to markets, and vulnerability to exogenous shocks, impose speed limits on growth and have led to a high degree of volatility in recent economic performance." The key themes here were to (i) rebuild macroeconomic resilience and encourage inclusive growth; (ii) generate opportunities from global and regional integration, and (iii) strengthen resilience against natural disasters and climate change. This was essentially just a re-statement of the regional framework, with the resilience theme separated between macroresilience and environmental resilience. The emphasis on the macro reflected concerns about debt sustainability.

### The Bank's Operational Program in Samoa

Samoa had the largest program among the PICs. The Bank covered a broad range of activities, including Economic Policy (mostly through the DPOs), transport and ICT, Disaster Relief and Reconstruction, agriculture, and health. The Samoa program included 18 commitments for a total of \$185 million.<sup>2</sup> The DPO instrument has been especially important in Samoa. The Bank funded three DPOs during the evaluation period; the first followed the 2009 Tsunami, and the second followed Tropical Cyclone Evan in June 2013. The first DPO, amounting to \$20 million sought to support the government's efforts to counter the impacts of the 2009 tsunami and the global economic crisis and facilitate medium term recovery. The operation covered four policy areas that included; economic recovery from the impacts of the tsunami and the global economic crisis, protecting the vulnerable, public financial management reform, and public enterprise reform to strengthen infrastructure service delivery. The second DPO, amounting to \$25 million, which tapped Crisis Response Window resources, had two broad areas of focus: building disaster resilience and strengthening public expenditure management. The prior actions were coordinated with the other donors providing budget support, especially ANZ and the ADB. The third DPO in an amount of \$7.5 million was designated as the First Fiscal and Economic Reform Operation, with the objectives of first strengthening PFM in the areas of debt, procurement and revenue, and second creating the foundations for more robust growth through strengthening the payments system, tourism policy and private sector development opportunities.

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<sup>2</sup> The classification of projects by sector in the PICs is even more difficult than usual, since a number of activities are listed as regional even though they involved activities in specific islands, and also the pervasiveness of environmental issues and funding leads to activities being classified under that heading. This includes for example sustainable fisheries development.



## Bank Support for Building Resilience in Samoa

### ENHANCING FISCAL SUSTAINABILITY IN SAMOA

In Samoa, strengthening PFM was a particular focus of the policy matrix agreed upon in 2009 as a foundation for budget support. Over the period, Bank delivered substantial capacity building efforts in PFM including updating and documenting basic processes, training civil servants to adopt new systems and improve skills. Bank analytic work provided useful inputs to feed into the government's PFM plans. The 2006 PEFA identified weaknesses that were addressed in the first stage (2008–10) of the Public Financial Management Reform Program (PFMRP) which focused on strengthening systems to achieve fiscal discipline. Some of these key concerns were the late finalization of public accounts and the nondisclosure of much development spending done through extra-budgetary funds. The second PEFA assessment carried out in 2010 found some improvement in policy based budgeting and medium term financial forecasting but still weaknesses in procedures, with the potential to undermine aggregate fiscal discipline. These were taken into consideration in the second phase of the PFMRP (2011–13) which aimed at improving resource allocation and consolidating systems to improve financial discipline. The 2012 progress report showed significant improvement in most areas, including better revenue forecasting, and the development of a national payment policy to ensure timely processing of payments.

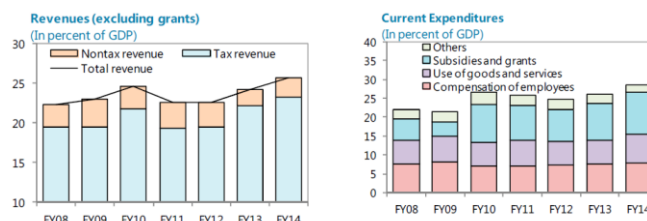
#### *Improving Revenue and Public Expenditure Efficiency*

Recent improvement in revenue administration has led to increased revenue (net of grants). (See figure D.1.) The government has also recently made efforts to contain personnel expenditures within their medium term target of 45 percent of current expenditure. Capital expenditures have remained above historical levels to support growth. As noted in the main report, a significant component of these are investments to rebuild the airport terminal financed by the Chinese Export-Import Bank (about 6 percent of GDP) expected to be disbursed evenly over three years.

Figure D.1. Fiscal Balance, Revenue and Current Expenditure in Samoa

|                                     | 2008/09             | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|-------------------------------------|---------------------|---------|---------|---------|---------|---------|
|                                     | (In percent of GDP) |         |         |         |         |         |
| Revenue (net of grants)             | 23.0                | 24.6    | 22.6    | 22.6    | 24.2    | 25.7    |
| Expenditure (net of grants)         | 26.6                | 30.4    | 27.9    | 29.7    | 28.0    | 31.0    |
| Capital expenditure (net of grants) | 4.3                 | 4.6     | 8.2     | 7.6     | 4.4     | 6.8     |
| Current expenditure (net of grants) | 21.6                | 25.8    | 19.7    | 22.1    | 23.5    | 24.3    |
| Overall balance (net of grants)     | -3.6                | -5.8    | -5.3    | -7.1    | -3.8    | -5.3    |

Sources: Data provided by the Samoan authorities and Fund staff estimates.



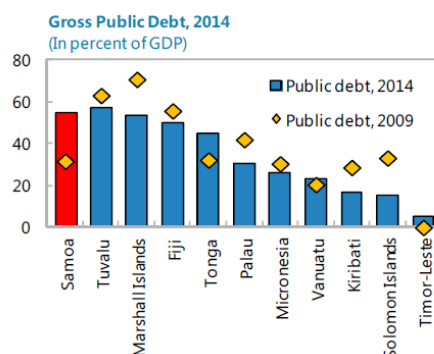
Source: IMF 2015 Article IV Report.

In 2013, the Samoan government requested a PER to get a better understanding of how their budget was evolving and to strengthen the analytic basis for the management of public expenditure. The PER focused in particular on the wage bill and the two largest expenditure sectors health and education. The PER called for containing the growth of public sector wage bill, curtailing transfers to SOEs, and improving value for money across public sector expenditure including through improved procurement processes and reduced non priority recurrent expenditure. Sector-level analyses have also been helpful e.g., in Samoa the Bank looked at expenditures in the Health sector and found that resources were not well targeted, e.g., too much spending on qualified nurses taking on functions which could have been performed equally well by auxiliary health workers.

### Improving Debt Management

Public debt had increased as a result of the government's response to the series of major external shocks that struck the country over the evaluation period which led to a revision of the overall debt sustainability rating with Samoa falling from a low to moderate level of debt distress. Figure D.2 indicates that public debt became among the highest in the pacific, in large part due to the response to the two natural disasters.

**Figure D.2. Gross Public Debt in Samoa and other PICs**



Source: IMF 2015 Article IV.

The Bank has provided substantial technical assistance on debt management in Samoa. A Debt Management Performance Assessment was carried out together with the IMF in 2010 with two follow up TA missions in October 2012 and March 2014. The 2010 DSA started to note a shift from moderate to high risk of debt distress. The Bank, together with PFTAC, provided help to the government of Samoa to prepare customized DSA tools<sup>3</sup> and put together a debt management reform plan proposal focusing on institutional arrangements, debt policy, cash and operational risk management. The 2013 DPO included a prior action on the approval and publication of an updated medium-term debt strategy<sup>4</sup> and the publication of quarterly debt report and the adoption of formal procedures for contracting loans and issuing government guarantees.

Progress on debt sustainability was undercut by the decision to borrow for the reconstruction of the Apia terminal building. Samoa revised its medium-term debt management strategy in 2013 to provide a credible framework for returning external debt to sustainable levels and took measures to make the procurement process more transparent. As part of the agreement under the 2014 DPO the government undertook to follow the proper process to consider and approve new loans, and to prepare the relevant analysis as an input to that process. The government did not comply with these commitments when in 2014 the Prime Minister decided to approve a sole source

<sup>3</sup> The Bank has helped Samoa and Vanuatu prepare a simplified Debt Sustainability Analysis, basically a sophisticated EXCEL sheet, which the small two or three person debt offices in their Ministries of Finance can maintain and use to test the implications of proposals to take on new debt for debt servicing requirements and sustainability.

<sup>4</sup> The debt management target included (i) only enter new foreign currency loans that are highly concessional with a grant element of at least 35 percent and (ii) only consider projects which can prove a positive economic return at least sufficient to meet the interest and repayment costs.

## APPENDIX D ASSESSMENT OF THE WORLD BANK PROGRAM IN SAMOA

contract with a Chinese construction company for a new terminal building at the airport. The funding from the Chinese Exim Bank was on concessional terms but these fell short of the agreed results indicator for measuring compliance with the commitments included in the DPO. As a consequence of this failure to meet its commitments the Bank delayed the effectiveness of the DPO for six months until evidence was provided that an economic evaluation of the project had been carried out, and that the internal review had followed Samoa's own procedures.

The most recent 2015 DSA indicates that Samoa has moved back from a high to a moderate risk of debt distress (Source 2015 IMF article IV). However, the overall risk to public debt sustainability is higher when including the contingent liabilities from Public Financial Institutions (PFIs) and SOEs (of 24 percent of GDP). The IMF has recommended that the government target a lower long term public debt target of 40 percent of GDP rather than the government stated goal of 50 percent by 2020 given the vulnerabilities faced by the country. In pursuing their ongoing fiscal consolidation, the government will need to better manage fiscal risk arising from SOE.

### *Improving PFM*

**With regard to PFM systems, the main focus of the Bank has been to support reforms to improve procurement.** In 2006, the Bank published an operational procurement review report which highlighted the limited number of government officials with procurement experience. Thereafter, the bank provided an IDF grant to support procurement reforms and capacity building efforts. The 2013 DPO included the adoption of measures to make procurement information publically available. In 2014, a review of procurement spending undertaken in conjunction with the Methodology for Assessing Procurement System (MAPS) report, found significant evidence of sequences of multiple small value contracts for similar items within and across line ministries, which undermined value for money. This reflected poor procurement planning and coordination in the absence of guidelines for framework arrangements. The 2014 DPO therefore included issuance of new treasury instructions on procurement, a new set of procurement guidelines and templates for minor work and services to improve the quality of expenditure. Other DPO recommendations to enhance PFM systems included: the finalization of pending audits (DPO 2010) and the implementation of national payment policy to speed-up payment processing and better track arrears (DPO 2013), the introduction of an electronics payment system (DPO 2014). Needless to say, the procurement arrangements that were used for the Apia terminal were inconsistent with the government's own guidelines and the DPO agreements.

## Overall Assessment

The outcomes of Bank support for Samoa’s efforts to strengthen macro resilience have been mixed and are rated Moderately Unsatisfactory. On the positive side, PEFA ratings have improved considerably between 2010 and the present. Comprehensive revenue policy and administrative reforms over the evaluation period seem to have paid dividends in terms of an increased tax to GDP share. Expenditure has been relatively tightly prioritized around the social sectors and infrastructure. Cash management system and the process for preparing public accounts have improved. On the other hand, the government initially failed to comply with commitments that were undertaken as part of the DPO for a First Fiscal and Economic Reform Operation approved in mid-2014 to assess the economic viability of projects undertaken with borrowing, and for a transparent procurement process.

The first DPOs supported the government in response to the Tsunami and cyclone. As a consequence their credibility depended on delivering the resources quickly. And they proved useful to help the government’s efforts to counter the impact of these shocks, notably to recover the infrastructure and housing after the tsunami. However, this made it very difficult to include any conditionality that was likely to be difficult for the government to reach agreement on or to deliver in a short period of time. Given the need for a quick response and the priority of supporting economic recovery, it would have been obviously difficult and not timely to use the DPO mechanism to tackle some of the more difficult issues. In particular the rapid expansion of the recurrent budgets for health and education, driven by higher salaries for health care workers and an increase in the numbers employed in the education sector. High priority was attached to getting these budgets under control, yet this would have required time to work through and a crisis-response DPO was obviously not the appropriate instrument for this.

**Table D.1. Samoa: Achievement of CAS Outcomes for Fiscal Sustainability**

| CAS Outcomes Expected (FY11–14)  | Achievement  |
|--|--|
| Fiscal consolidation and rebuilding of reserves  | Partially achieved. While there was a substantial strengthening of the fiscal situation during the period, this has been undercut by the recent borrowing. |
| Strengthened public financial management   | Partially achieved. While PFM has been strengthened from a technical perspective it remains vulnerable to political interventions.                         |
| Improved efficiency and effectiveness of service delivery to strengthen health financing and address education quality | Partially achieved. While the progress on health is satisfactory, there is little evidence of enhanced education quality.                                  |

**BUILDING ENVIRONMENTAL RESILIENCE IN SAMOA**

In Samoa, the Bank's interventions on disaster resilience have been carried out primarily through the road sector. The focus on road transport makes sense: the road network is the most substantial and costly public infrastructure in the country and suffers major damage from disasters, and restoring connectivity is critical for reducing the economic losses of disasters. The Bank became engaged in infrastructure projects in the road sector in the late 1990s, and supported a range of investments and reforms focused on adopting an outsourcing model of maintenance and construction, discussed further under the infrastructure pillar below. Disaster risk management has been mainstreamed into road and infrastructure operations, with many projects financing road upgrades/maintenance activities and also post-disaster reconstruction works (especially bridges), risk reduction works (primarily coastal protection), and institutional support. But there have been other interventions outside of the road sector. Some disaster response and resilience building has been carried out through the agriculture sector (see box D.1). A recent environment project supports disaster adaptation measures in coastal communities. And PPCR support aims to help government to assess investment opportunities for climate resilience and prioritize decisions.

**Box D.1. Not Very Cyclone Responsive**

In Samoa, Cyclone Evan hit the agriculture sector hard, with severe or moderate effects on 75 percent of agricultural area on the main island, with losses estimated at 30 percent of agricultural GDP. The Bank aimed to help the government provide emergency support to affected farmers and fishermen, who typically did not receive direct government support after natural disasters. The project design used a voucher system facilitated through cellphones, whereby farmers would receive funds that could only be used to purchase goods on an approved list of farm inputs from approved stores. But payments to farmers were slow, in part because of the time needed to set up the technical system with the phone company. Few farmers received vouchers in the first year after the storm, and 40% of farmers still had not received vouchers 18 months after the storm. Government officials and Bank staff argue that some of these delays are due to one-off problems in setting up the system, and that if another disaster strikes soon that a similar system could be used more quickly. But this will require an institutional mechanism for maintaining technology, staffing, and databases. ICT-based disaster relief systems have been effective elsewhere (such as in Kenya and Pakistan) once established, but it is not yet clear if they can be maintained adequately in low capacity small state contexts.

Should a voucher system be used in future? Farmers interviewed by IEG (in the presence of government officials) stated that they preferred the voucher system to direct provision of goods or to cash payments, arguing that in-kind support might not meet their needs, but cash payments might not be spent on productive investments. But questions can also be raised about the cost-effectiveness of the voucher. Many farmers were not directly replacing storm

losses especially given delays but still faced strong incentives to spend the full voucher and so potentially to purchase items with modest economic returns. In future this type of pilot could benefit from an accompanying impact evaluation that included value for money elements, which could then inform the design of operations in many countries.

Disaster-related infrastructure investments in Samoa have generally performed well, but there are gaps between the cost of financing infrastructure that has high climate resilience and funding availability. Issues also present in other infrastructure projects (delays, capacity limits, procurement challenges, and land issues) have been challenges. Protective investments have likely reduced disaster vulnerability, especially through improved drainage. Improved maintenance support has led to a more resilient road network – government officials argue that post-disaster response and clearance has improved. However, investment in resilience has been hampered by the availability of funds. For example, available funds for upgrading the important West Coast road will not cover the cost of a full road reconstruction; rather it can support basic measures such as raising pavement and improving drainage in the highest priority areas. Truly climate-proofing the road would require moving the route inland (see box D.2). An important bridge was severely damaged in Cyclone Evan and needs to be replaced; a single span bridge would be more resilient and government officials pushed for such a design, but available project funds may not be enough to cover construction costs, which would require international expertise and equipment. Projects are also not always based on sophisticated analysis; the Bank has assisted in estimating costs of climate proofing, but could do more to demonstrate and establish cost-effectiveness.

The design of coastal protection systems involves competing pressures of economic, environmental and social values and cost. Most of the coastal protection supported by the Bank and other donors has been seawalls, though soft protective measures have been supported in some pilots. Seawalls provide effective coastal protection,<sup>5</sup> but they also destroy beaches, with loss of amenity value, ecological disruption, and arguably impacts on long term tourism potential. There are other structural alternatives<sup>6</sup> that offer coastal protection with fewer side effects but that come at higher cost, require a greater setback, or are only feasible in some areas. There are understandable reasons for the focus on seawalls. Communities have decided that seawalls are what it means to

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<sup>5</sup> However, some experts suggest that works have not always well designed to meet the specific local risk, which varies depending on coastal morphology.

<sup>6</sup> Other hard structures include bulkheads, revetments and groins; hybrid approaches might mix vegetative planting with rock sills or breakwaters, and soft approaches might concentrate on vegetation and dunes. But technical investigation of options would be needed to assess feasibility for local conditions.

## APPENDIX D ASSESSMENT OF THE WORLD BANK PROGRAM IN SAMOA

have coastal protection, so political leaders focus on supporting this. Some experts suggested that there had been the possibility in past to convince communities of other options, but that so many seawalls had now been constructed that it would be difficult; during the 2000s there was a tipping point that shifted norms. Government efforts to encourage preventative resettlement have had little success. There is a high cultural value on land, especially flat coastal land, so there are pressures to protect all land rather than retreat. The Bank has a role to play in sharing successful experiences of alternative measures from other countries to inform local decision-making.

The Bank's policy engagement and support for institutional capacity building for DRM in Samoa has had more impact than in other countries. Bank investment lending operations have supported a wide range of capacity building measures. According to government officials, the disaster management office is now a well-functioning institution that plays a role in resilience initiatives at a national level, beyond its previous functions of disaster preparedness and response coordination (which have also been boosted by projects through communications equipment and emergency planning). Coastal Infrastructure Maintenance plans supported under Bank infrastructure projects are being implemented in most (but not all) districts and are seen as a success story to be replicated elsewhere in the region and to have coverage expanded to include upland areas. Hazard maps are being used in some government planning. Warning systems are more robust than in other countries.

### Box D.2. Coastal versus Inland

Development in Samoa is focused heavily on a narrow coastal strip, making it highly vulnerable to storms and tsunamis. In many places housing and the sole road link are only meters from the coast. Sea level rise and more intense cyclones from climate change mean that coastal areas will only become more vulnerable. This poses a dilemma to planners and project designers: should support continue in areas of high vulnerability but where the economic activity is, or should efforts be made to encourage movement inland, even at high cost? The Bank has confronted this challenge in two projects in particular: one that aims to upgrade the critical West Coast Road between the international airport and the main city, and another that supported post-tsunami reconstruction.

In the case of the West Coast road, the road will remain highly vulnerable as long as it lies on the coastal route. But creating an inland highway might cost a quarter of GDP. Bank-sponsored studies in 2003 and 2010 favored the inland option, and a 2010 government study indicated a general level of support and commitment for the road project from villages along the proposed route, but highlighted concerns about social impacts and resettlement. But other assessments carried out under Bank infrastructure projects highlighted the high costs of the inland proposal, involving complex land and resettlement issues, time-consuming access negotiations and likely high compensation costs. In the end, Samoa decided to proceed with the coastal rehabilitation that would reduce road closures and flooding by improving



drainage, and to commence studies that would allow them to revisit the inland route option in 20 years. An open, and difficult, question is whether an inland route would catalyze a new, alternative spatial pattern of development, reducing the economy’s exposure to hazards – but imposing differential costs and benefits on coastal and inland landholders.

A devastating tsunami occurred in 2009, and the most seriously affected part of the country was an area on the south-east of the main island with significant coastal settlement. The Bank supported a reconstruction project that constructed at significant cost a high quality inland road roughly a kilometer inland, along with numerous access roads linking the inland road to the old coastal road. The idea was to shift settlement inland, and indeed in the years immediately after the tsunami, many households chose to re-locate to areas adjacent to the new road or access road. Efforts were made to move some services inland, such as a school, and bus provision. But within a few years, many people have returned to the coast. Fishing is a livelihood for many, and many community facilities such as churches and schools remained on the coast. As memory of the tsunami fades it is likely that this process will continue – though some extended families now have a home on the coast and a home inland, which serves as a form of risk hedging. The lesson is that preventative resettlement is extremely difficult, and communities have many economic and social priorities other than disaster vulnerability minimization. If the West Coast road reconstruction had spent the hundreds of millions of dollars needed on the inland route, would results have been any different?

The outcomes of Bank support for environmental resilience in Samoa are rated moderately satisfactory (see table D.2). The CPS had two milestones. The first was access to the regional risk pooling scheme. This was achieved: Samoa is one of the three pilot members of the PCRAFI (along with Tonga and Vanuatu, who both have received payouts while Samoa has not yet). The second was the preparation of an integrated national climate change adaptation strategy. The evaluation was unable to find any trace of this. If prepared it has not had any impact on subsequent programs. These milestones bear almost no relation to the CPS outcomes defined below which relate mainly to the completion of the West Coast road project. Mangrove planting has not been a significant part of the approach adopted, which relies mainly on sea walls. The road project is behind schedule and unlikely to be completed in the time-frame of the CPS. This of course reflects the formulation of the CPS indicators and objectives. Looked at over the period as a whole the outcomes are more encouraging with much greater attention to the need for environmental resilience in Samoa’s infrastructure program and enhanced capacity to plan for and manage disaster risk.

**Table D.2. SAMOA: Achievement of CPS Outcomes for Environmental Resilience**

| CPS Outcomes Expected (FY12–16)  | Achievement  |
|--|--|
| 16 districts completed high priority coastal protection initiatives (such as mangrove planting) by 2016. | Partially achieved. While substantial construction of sea walls has taken place, there has been little use of other forms of coastal protection such as mangrove planting. |

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Completion of 5 km inland coastal road to provide access to villagers in tsunami areas that decided to relocate.

Partially achieved. While the inland roads have been constructed, few villages have re-located. These roads have opened some access to agri-cultural land, but villagers still make their homes on the coast.

Climate proofing and improved drainage for 30 km West Coast road by end 2016.

In progress. Project is behind schedule and completion by end-2016 is unlikely.

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### IMPROVING SOCIAL RESILIENCE IN SAMOA

#### *Health*

The Bank's Health Management Support Project which closed in 2005 was the beginning of the government health reforms. The initial goal was to refurbish and improve rural health facilities. But it also involved redefining the functions of those facilities. In the words of the then CEO of the MoH: "For this we had to know what we were working toward. The Bank supported the setting up of a policy unit and the development of a strategic plan. At first this was very threatening. The reforms had the ultimate aim of dividing the sector between the providers and the regulators. The Bank provided the funding needed to implement the reforms. There was frustration on the part of the Bank at the slow pace, but in 2006 the separation took place." Between 2005 and 2007, work took place to prepare a Health SWAP supported by a number of development partners. A strategic plan for the sector was prepared for 2008 to 2018 to provide a framework for the support under the SWAP. The Bank had a major input into the legislative reform which established the National Health Service to provide health care. Another important contribution of the Bank was to help build procurement capacity. The Bank also contributed to ensuring that new facilities that were built were resilient to natural disasters. The program would have finished on time but has been extended to allow for enhancing facilities such as the expansion of the pharmaceuticals warehouse. Among the achievements of the SWAP have been the speeding up of legislative reform and regulation. For example, an anti-smoking campaign had been proposed in 1996, but was only approved in 2008 as a consequence of agreements under the SWAP.

The Bank has focused its efforts on health in Samoa on institutional strengthening. Prior to the Bank project, Samoa had no health procurement guidelines. The Bank helped put them in place. There was some resistance on the part of the Ministry and a failure to recognize the need to build up capacity to handle procurement. The Bank also supported the split of the planning, management and operational functions of the sector between the Ministry and the Health Services, as well as enhanced health sector planning, financing, waste management, and some rehabilitation of hospital facilities.

The SWAP modality has played an important role in harmonizing DPs. An independent review of the SWAP pointed to the lack of hand-over between the TTLs which resulted in shifting goalposts and some confusion about procurement.

Samoa has a growing problem of NCDs which the Bank is helping the authorities to address. The Bank's role has brought much more focus on healthy lifestyles. The donors have established a Health Promotion Fund to play a pro-active role on NCDs. Under the SWAP, a particularly important and innovative program was initiated to diagnose and treat diabetes at an early stage before it has inflicted major damage and costly treatments including amputations are required. This consists of the recruitment and training of auxiliary health workers who can test for and make a preliminary diagnosis of diabetes, and prescribe medications. Doctors come once a week to follow up on this. These auxiliary workers also have the opportunity to qualify as nurses through a pathway developed by the Australian Pacific Training Center. The focus of the auxiliary workers efforts is on education of individuals and communities and glucose tests. In addition, Village Health Fairs have played a useful role and the formation of Diabetes Associations.

The Bank is also playing a role in health financing in Samoa. The Bank helped build the capacity for National Health Accounts prepared in conjunction with an MTEF for the sector which provided the basis for donor support to cover out of pocket expenses for health services. The Bank has worked very closely on this with donor other agencies in the health sector in Samoa. The government has asked the Bank to provide additional technical assistance in this area, including support for a study on NCDs.

### ***Education***

While education has not been a significant focus of Bank support for Samoa, there have been selective interventions. The DPOs supported the waiver of education fees in Samoa after the global crisis, to try to ensure that children were not taken out of school as a result of the inability of their family to pay the fees. In addition the Bank has provided technical assistance for early childhood education and supported the Early Grade Reading Assessment program (EGRA) in Samoa. The Bank is now implementing the early childhood education project in Samoa (see appendix G for more details).

### ***Gender***

Samoa has made substantial progress in expanding women's access to economic opportunity. The Bank and IFC have systematically included requirements in projects concerning the proportion of female beneficiaries. An important continuing problem in Samoa is that, while women are well represented among owners of micro-enterprises, the evidence is that very few of them graduate into ownership of SMEs. The view is that

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this reflects lack of access to finance, but also the inadequacy of networks and support systems for women entrepreneurs.

Important gender gaps relate to representation of women in Parliaments and civil services and the pervasiveness of domestic violence. The problem is with Parliament where the high representation of traditional leaders who are mostly men, brings down the share of women overall. Only 'nobles' are eligible for election to the Samoan parliament and 90 percent of these are men. In Samoa violence against women is seen as the most significant gender issue. A 2004 study put the incidence at 30–40 percent of women having been abused in the previous five years and this facilitated responses by government and NGOs. Samoa was a signatory to the Convention on Elimination of all forms of Discrimination against Women in 1992.

The Bank has attempted to ensure that infrastructure projects factor gender issues into their design. In Samoa, the West Coast Road project is a good practice example of gender mainstreaming. The Bank required consultations with women along the route of the road and numerous changes were made to the project including provision for sidewalks and pedestrian crossings, locations of bus-stops and shelters.

### **Bank Support for Improving Competitiveness**

#### **THE FINANCIAL SECTOR**

Access to finance is still very limited in the PICs. In 2013, only 19 percent of Samoans had bank accounts. Micro-enterprises and SMEs identify access to finance and access to markets as key constraints. For their part, financial institutions identify lack of collateral and information asymmetry as key limitations they face in expanding lending to SMEs. Getting credit remains difficult, with limited publicly available credit information, and insolvency resolution can be time consuming and costly. Lack of legal title to customary land, which accounts for about 80 percent of all land in Samoa, and an inability to transfer ownership, also impedes access to finance.

In 2010, IFC and then AusAID developed the Pacific Microfinance Initiative (PMI) to promote innovative ventures and to broaden access to basic financial services of underserved people in the Pacific Region. The modality of the PMI was to provide performance based grants (PBGs) through financial institutions to entrepreneurs on a matching basis. The initial experience seems to have been mixed, with one or two successful activities where PMI was working with a relatively robust institution, but overall difficulty in building a pipeline of viable projects.

One of the successes of PMI has been a program to support women's groups in Samoa and Tonga. The South Pacific Business Development (SPBD) Foundation is a regional

microfinance network primarily focused on improved financial access for female micro-entrepreneurs. SPBD has operations in Samoa, Tonga and Fiji. SPBD provides small unsecured loans of up to \$400 to groups of rural women. The women meet weekly and are given training, ongoing guidance and motivation to help them start and grow small income generating endeavors. SPBD also offers saving, credit insurance and life insurance products. PMI provided just under \$1 million in support of SPBD’s program in Tonga and Samoa. By 2013 when the project was completed, SPBD had reached 6,482 borrowers in Samoa. The lesson derived from this success is the importance of a well-functioning intermediary. It does not resolve the issue of how PMI should operate when such an intermediary is not present.

IFC has been instrumental in supporting banking development and building the capacity of the banks to lend. IFC has provided support to the Bank South Pacific (BSP), the largest local bank in Papua New Guinea, with branches in the Solomon Islands, Fiji, Tonga and Samoa. IFCs 2010 investment in the BSP has led to a major expansion. IFC owns 9.5 percent of BSP. This is now the only bank able to compete with ANZ Bank in the region. IFC has steered BSP toward an increased focus on small business. Partly as a consequence of this, BSP has now reached 200,000 formerly unbanked people. IFC has also helped to establish a new Credit Bureau in Samoa which will be operational in early 2016. This should facilitate enhanced lending to the lower two thirds of the population. In time, the credit bureau should reduce the cost of credit overall by lowering risks.

The impact of Bank support in enhancing the payments system is reflected in the Bank program in Samoa. Some early success of the Bank’s efforts in reducing the cost of sending remittances was very timely in the context of the 2009 tsunami when remittances to Samoa increased. In 2010, the Bank carried out analytic work to assess Samoa’s payment remittance and securities settlement system and this provided the basis for subsequent Bank support. The 2014 DPO supported enactment of a National Payments System Act in order to facilitate and regulate electronic payments and emerging innovative payment instruments.

The Samoan CPS targeted a reduction in the cost of remittances (see table D.3) which was achieved over the CPS period.

**Table D.3. Samoa: Achievement of CPS Outcomes for Enhancing Payments Systems**

| CPS Outcomes Expected (FY12–16)  | Achievement   |
|--|---|
| Reduction in remittance costs from current unweighted average of 16% for all schemes, with a policy and payments system in place to support greater use of mobile money. | Achieved. The average cost of remittances in the PICs has been reduced from 16 percent in 2010 to 11.5 percent in 2014. |

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**PUBLIC-PRIVATE PARTNERSHIPS**

An important part of the Bank/IFC program in Samoa has been support for a framework for public-private partnerships (PPPs) and an attempt to get some initial operations off the ground. Samoa has set up a PPP framework and a unit. A Bank DPO in Samoa (the first Fiscal and Economic Reform Operation in August 2014) included as a prior action approval by the Cabinet of a new PPP policy framework to facilitate increased participation of the private sector in the state-owned enterprise sector, and IFC has completed a scoping exercise with the government to identify potential PPP transactions. A report on this was produced jointly by the Bank and IFC and submitted to the government in early 2015. IFC is also currently implementing a solid waste management PPP transaction and advising the government on the future of its joint venture arrangement with Virgin Samoa.

The CPS outcome in this area has not yet been met however. (see table D.4).

**Table D.4. Samoa: Achievement of CPS Outcomes for Enhancing PPPs**

| <b>CPS Outcomes Expected (FY12–16)</b>   | <b>Achievement</b>                                 |
|--|--|
| Concessions tendered for new private investment in energy generation following liberalization and framework for independent power producers. | At the time of writing this has not been achieved. |

**INFRASTRUCTURE**

***Aviation***

Air connectivity is essential both for tourism and for migrant labor. In 2011 when the Bank began a major expansion of its program there was a real risk of suspension of jet operations due to inadequate operating conditions in the region. This would have had devastating consequences. Runways were deteriorating, navigational aids and air traffic systems were not working adequately, and many of the fire trucks were not operational. Some of the infrastructure date back to World War II.

Aviation has become an important part of the Bank program in the PICs. The Bank first carried out an assessment of the needs. There were three conditions for countries to receive support under the program. The first was agreement to meet obligations under the regional safety oversight program<sup>7</sup> (in accordance with international obligations); second to separate operations from regulation; and third to implement a \$5 safety and security levy on all international departing passengers to fund membership of the regional organization (PASO). The Bank is providing \$180 million with cofinancing

<sup>7</sup>This refers to adequate regulatory audits and inspections.

from Australia, and parallel financing from New Zealand for Kiribati. The program mainly finances infrastructure related to runway rehabilitation, terminals, and equipment such as firefighting equipment and navigational aids. The Bank is also supporting risk mitigation in the aviation sector with the development of an Insurance Asset Reserve Fund and the designing of remedial actions in the event of a natural disaster. The Bank Aviation project in Samoa was approved in March 2014. As explained above, in November 2014 the Prime Minister indicated that he wanted to take a \$55 million loan from the Chinese EXIM bank for a new airport terminal. There was no economic analysis of this, it did not meet Samoa's own procurement requirements and it contravened the agreed borrowing cost indicator included in the DPO. In the Bank's technical view the project is over-scaled and runs a high risk of being a white elephant. The financial analysis carried out by the Samoa Air Authority indicates that the terminal is not financially viable. The EXIM bank loan is 7.5 percent of GNP. The Bank has re-designed the aprons from the runway and fuel hydrant infrastructure to align with the proposed terminal and a joint integrated environmental and social management plan has been developed. Another component of Bank support for the aviation sector in Samoa is the role that IFC has played through evaluating a proposed joint venture with Virgin in which the government of Samoa owns an equity stake.

### **Roads**

The Bank's road projects in Samoa were instrumental in downsizing the Public Works Department (PWD) and making outsourcing the default mechanism for road maintenance. In the words of one senior official: "SIAM I and SIAM II have changed the country. There was a huge bureaucracy in the PWD which had 800 staff. 78 percent of the PWD budget went on staff. The Bank came in and began a long process of helping to restructure the PWD. Now Samoa has a PWD with 60 staff and only 15-16 percent of the budget goes for staff." The project also resulted in the complete separation of policy and regulation from service provision in all transport modes, with the additional outsourcing of services in order to develop the private sector as an engine of economic growth.

The Bank's major ongoing transport engagement is its support for the West Coast Road Project financed through a \$15 million grant from the Pilot Program for Climate Resilience. The grant was intended to finance the rehabilitation and 'climate proofing' of the entire main West Coast road from the airport to the capital of Apia. The project was slow to get off the ground however. Initially the project was supposed to fund the full rehabilitation of the road, with EIB supporting the aviation component of the project. When EIB funding did not come through, the Bank asked the Australian government to fund the aviation component. The upshot of this is that there is now

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insufficient funding to do the full road and decisions are needed on what sections to prioritize.

***Telecoms***

In Samoa, in the words of a former senior official: “We lagged both global and regional reforms because of a lack of willingness to take the step of liberalizing the market.” The 2013 Post and Telecoms project in Samoa played an extremely important role. In the words of a senior official in the government of Tonga at that time: “The project was at our instigation but came at a time when the Bank was promoting technology across the region. The relationship was good and we received a lot of TA from the Bank. At a Bank Annual Meeting in Washington one of the Bank managers took the PM and the Finance CEO to visit the Bank’s trading room. This helped provide the PM with a vision of what can happen when technology and free markets were brought together. The Bank played an important role in securing the cancellation of the exclusive mobile contract of the state-owned Samoa Telecoms.”

As a result of Bank support, in 2006 Samoa was one of the first PICs to open its telecoms market to encourage competition and allow new private sector operators. The result has been to dramatically lower costs and improve coverage with mobile phone usage increasing in a few years from 20 to close to 100 percent of the population. The Bank group played a key role by providing extensive support to develop policy and strengthen regulatory agencies, as well as transaction advisory services for the sale of SamoaTel to a private investor in 2011. An IFC investment of \$10.5 million in Samoa encouraged total new investments of over \$40 million. On June 19, 2015, the World Bank approved a grant of \$16 Million for the *Samoa Connectivity Project*. The Project forms part of the World Bank’s *Pacific Regional Connectivity Program* and will connect Samoa via a 1,300km cable that will link the country’s largest islands, Upolu and Savai’i, to the Southern Cross Cable Network in Suva, Fiji.

The Samoa CPS included two milestones toward the outcomes for ICT (see table D.5). As indicated this is on track for achievement however, probably not within the time-frame envisaged in the CPS. The outcomes that were defined in the CPS required the fiber optic cable to be in place for their achievement.



Table D.5. Samoa: Achievement of CPS Outcomes for ICT

| CPS Outcomes Expected (FY12–16)   | Achievement       |
|---|-------------------|
| Fiber optic cable linking Samoa with trans-Pacific cables.  | Not yet achieved. |
| Regulatory environment allows competition with equal access by all retail market players to buy international bandwidth on a fair and transparent basis | Achieved          |

### **Energy**

ADB has historically led on energy sector issues in Samoa and has helped the government to develop a roadmap. While Bank engagement has been limited, IFC has worked with the government and ADB to explore options to encourage new private generation investment such as for proposed hydropower investments in Sava'ai Island.

### **SUPPORT FOR KEY SECTORS WITH GROWTH POTENTIAL: TOURISM AND AGRICULTURE**

The Bank has used its DPOs in Samoa to provide support to the tourism sector. The first DPO after the tsunami was helpful in contributing to an awareness of the need to support the tourism sector in the aftermath of natural disasters. Under the DPO, an agreement was reached that the Central Bank of Samoa would provide a credit line of SAT 5 million, with a five year term, an interest rate of 3 percent, and grace period of twelve months, to the Development Bank of Samoa for on-lending for tsunami reconstruction projects in the tourism sector. Nineteen projects (of a total estimated 54 operators impacted by the tsunami) have been supported across eleven villages, with loans being disbursed between April 2010 and March 2011. As most projects are still within the grace period, information does not yet exist to assess the repayment performance of individual projects. Neither the Development Bank of Samoa nor the Samoan Tourism Authority foresee any problems in operators meeting repayments. While some informal fale (open-sided beach accommodations for tourists) operators have found interest rates and compliance requirements under the scheme prohibitive, and reconstruction of small-scale fale operations has lagged in comparison to more commercial operations, the authorities generally consider the scheme to have been a success. The Samoan Tourism Authority currently estimates that 90 percent of tourism infrastructure affected by the tsunami has now been reconstructed, and reports no capacity constraints across the sector. In addition to the post-tsunami program, a prior agreement for the first Fiscal and Economic Reform DPO in mid-2014 included a modification by the government of its tourism policy to allow for enhanced tourism promotion and market access arrangements.

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In 1990, IFC carried out a diagnostic of impediments to the development of the tourism industry in five Pacific countries where tourism is an important economic activity. In Samoa, several activities have been undertaken, based on the findings of the IFC diagnostic and with the support of New Zealand AID. These include; establishing a formal tourism sector Public-Private Dialogue (PPD) process via the Samoa Tourism Forum, a new draft law completed by the Samoa Tourism Authority and Public Sector Reform Facility to formalize its role in tourism promotion, and establishing workplace training programs in the tourism sector.

More recently, IFC is playing an important role in exploring various options for promoting tourism in the region as a whole. In 2012 IFC launched the Pacific Regional Tourism Initiative (PRTI), with three focus countries – Samoa, Tonga, and Vanuatu. The initiative aimed at mobilizing \$15 million in new investments in tourism infrastructure as well as \$30 million in new tourism investment to support up to 4,000 new tourist arrivals across the three pilot countries over three years.<sup>8</sup>

The related outcome targeted in the Samoa CPS has not yet been met (see table D.6).

**Table D.6. Samoa: Achievement of CPS Outcomes for Supporting Tourism**

| <b>CPS Outcomes Expected (FY12–16)</b>   | <b>Achievement</b> |
|--|--------------------|
| IFC tourism investments to support 4,000 new arrivals across 3 pilot countries by 2016 [Samoa specific indicators will be developed as this initiative progresses and will be included in the CPS Progress Report. | Not yet achieved.  |

***Agriculture***

The Bank has two projects in Samoa providing direct support for farmers and fishermen. The first of these, the Samoa Agricultural Competitiveness Enhancement Project (SACEP) was financed by a combination of IDA credits and grant resources from the Global Food Crisis Response Program (GFRP) and was designed to support greater livestock and fruit and vegetable production by subsistence and semi-commercial farmers. Support is in the forms of matching grants, business development planning and operation, and technical advice to help improve production and marketing practices. In addition to the main focus on semi-commercial farmers, some training is to be provided for subsistence farmers (but no direct inputs/grants). The farmers apply for participation in a training program, and a group of them are selected after the training to participate in the project. Some officials expressed concern about

<sup>8</sup> Project Supervision Report for the Pacific Tourism Project FY15 Q4.

the focus on commercial farmers rather than a broader outreach to subsistence farmers. The key is however, to develop viable models of commercial farming linked to value chains that can be replicated in the future. The second project, the Samoa Agriculture and Fisheries Cyclone Response Project was approved in FY14, in the wake of Tropical Cyclone Evan. This project was discussed above in the environmental resilience section. The project was financed by a grant of \$5 million from the IDA Crisis Response Window (CRW) and was designed to provide recovery assistance to cyclone affected farmers and fishermen through vouchers and grants with the aim of restoring their lost production capacity. The project also sought to enhance preparedness of the agricultural sector to better respond to future disasters.

The SACEP project has a major focus on upgrading livestock and meat processing in Samoa. There has been substantial destocking in Samoa and herds have declined from 50,000 down to 30,000. Many farmers seem to keep cattle mainly as a means of meeting the social obligations linked to funerals in Samoa, when cattle are slaughtered and given as gifts to church groups.<sup>9</sup> The program is focused mainly on import of breeding cattle and work with local institutions to propagate breeds. Farmers get grants for pasturing and there is an assessment of the changes that are being made.<sup>10</sup> Samoa did not have any abattoirs. The project has provided funding and the mobile abattoirs will arrive shortly. A major issue is the lack of middlemen. It will take time to develop the links needed for value chains.

The project has also covered most vegetable varieties. The next task will be to validate the trials and build supply chains. There are on-farm investments through matching grants. Typically farmers invest in improved water harvesting and drip irrigation, in shade and storage houses, and fencing. Rock removal is also an important feature of the project in Samoa where rocks are a major issue for farm production. Lack of secure tenure is an issue here as well. The key however, as with livestock and meat processing is the need for linkages with the companies that currently import raw and processed foods and to contract reliable supplies to the domestic and particularly the tourism

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<sup>9</sup> A government official told the mission that they were trying to encourage farmers to give live animals to the local pastors rather than slaughter them, in the hope that the pastors themselves would become significant cattle farmers.

<sup>10</sup> The evaluation team was informed that 40 percent of matching grants under the project go to women, but could not verify this and while a number of project beneficiaries were visited, none were women. It is possible that in some cases wives are being put down as nominal beneficiaries in order to secure access to funding, although, if this is the case, they would be required to attend the training that is a pre-condition of support under the project.

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markets in Samoa. If this can be done, the project will provide an important model for future development of the agriculture sector in the PICs.<sup>11</sup>

The Samoa CPS included a number of outcomes and milestones related to the project (see table D.7). The outcomes, for example, major increases in agricultural output, were extremely optimistic seem far out of reach for the end of FY16. The milestones however, are a more useful set of measurable targets that seem within range at present.

**Table D.7. Samoa: Achievement of CPS Outcomes (Milestones) for Supporting Agriculture**

| <b>CPS Outcomes Expected (FY12–16)</b>  | <b>Achievement</b>  |
|---|---|
| Matching grant scheme to support up to 1,000 farmers by 2016 to upgrade livestock and fruit and vegetable production. | Matching grant support reached 290 farmers by March 2016.   |
| New breeding stock imported by end 2014 to strengthen nucleus breeding program  | Achieved. Breeding stock has been imported  |
| Field slaughter service established by 2015   | The field slaughter service is not yet operational, but is being contracted for.  |
| Identification and introduction of new fruit and vegetable varieties by end 2014.                                     | The identification and introduction of new varieties is on track. A number of new varieties have been identified and are on sale in government nurseries.   |
| Strengthened agricultural extension services  | It is difficult to assess whether the agricultural extension services have been strengthened, but there was evidence among the beneficiaries that the mission met with, that the extension service is following up with them on a fairly regular basis. |

At the time of writing matching grant support has only reached 290 farmers. While the milestone is unlikely to be reached in the time-frame, the project authorities are moving to recruit farmers for the next round and to organize the training which is a key part of the program. All the indicators in the results framework are project outputs<sup>12</sup> rather than outcomes and the key element needed to match those two – marketing arrangements – have not as yet been put in place.

<sup>11</sup> Current investment opportunities exist in the poultry sector, beef and mutton branding, fruits and vegetable packaging, and a range of agro-processing ventures. There is room for IFC to tap into these opportunities, particularly with the larger agro-entrepreneurs. The Bank and IFC have agreed on the need for IFC technical assistance in quantifying the demand for food in the retail outlets within the tourism linked hospitality industry.

<sup>12</sup> As per the March 2015 MTR, the new target for farmers benefiting from matching grant (as per project restructuring currently underway to extend closing date to March 2019) has been revised down substantially to 600 given the lower-than-expected engagement of smaller-scale producers. Yet, the total value of matching grants will still meet the target.

## Overall Assessment for Samoa Program

In Samoa the outcomes over the evaluation period as a whole are assessed as satisfactory (see table D.8). If the assessment was limited to the years covered by the CPS, the rating would only have been Moderately Satisfactory. However, in the earlier years of the evaluation period when the Bank's engagement was relatively high by comparison to some other PICs, there were a number of signal achievements in areas such as health, transport, and posts and telecoms. As shown in the table below, the Bank Group's engagement has been across a wide range of programs in Samoa, yet the budget has allowed for sufficient depth and continuity of Bank involvement to generate positive results in most of the areas covered. This broad coverage has not come at the expense of strategic focus. There is a very clear difference between the core of the Bank's efforts and areas where the Bank provided support in response to government or donor requests, or the availability of Bank trust fund resources. It is important also to recall the context -these were difficult years for Samoa with the impact of the global crisis and a series of natural disasters slowing the growth rate and increasing hardship among the population. In the light of this, the positive results achieved are encouraging.

**Table D.8. Achievement of Results in Samoa**

| Objective  | Rating | Comments  |
|--|--------|---|
| Pillar 1: Building Resilience                          |        |   |
| 1. Building Economic Resilience                        | MS     |   |
| More efficient public expenditures                     | S      | Outsourcing of health service delivery and road maintenance           |
| Sustainable debt management.                           | MU     | Samoa achievements undercut by decision to borrow for air terminal    |
| Enhanced PFM   | MS     | Limited goals and focus on simple approaches                          |
| Selected revenue increases                             | S      | Focused on tobacco and sugar  |
| 2. Building Environmental Resilience                   | MS     |   |
| Disaster Risk Management and Climate Change Adaptation | MS     |   |
| 3. Building Social Resilience                          | S      |   |
| Increased labor migration                              | HS     | Major beneficiary of RSE scheme                                       |
| Better health outcomes                                 | S      | Enhanced management and greater emphasis on NCDs                      |
| Better education outcomes                              | NR     | Contribution only to 'niches' such as EGRA and PEARL                  |
| Gender Equality  | S      | Gender effectively mainstreamed in Bank operations                    |
| Pillar 2: Improving Competitiveness                    |        |   |
| 1. Building Stronger Financial Sector                  | NR     | Not strategic but effective support for women's groups, payments etc. |
| 2. Enhancing legal and regulatory frameworks           | NR     | Not strategic but enhanced private involvement in infrastructure      |
| 3. Improving Infrastructure                            | S      |   |

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| <b>Objective</b>                 | <b>Rating</b> | <b>Comments</b>   |
|----------------------------------|---------------|---|
| Enhanced aviation                | S             | Effective Bank leadership, Satisfactory progress of ongoing project (approved in 2014)      |
| Road rehab. and resilience       | S             | Major contribution through outsourcing and resilience, but slow progress on West Coast Road |
| Telecoms connectivity            | S             | Opening sector and investment in enhanced cable connections                                 |
| Energy access and man.           | NR            | Limited Bank role in Samoa where ADB was in the lead  |
| d. Supporting Productive sectors | NR            |   |
| Fisheries management             | NR            | Mainly through regional programs  |
| Tourism development              | NR            | IFC efforts are at an early stage   |
| Agricultural productivity        | NR            | Recent engagement. Bank project will take considerable time to show results                 |
| <b>OVERALL</b>                   | <b>S</b>      |   |

Note: H = high; HS = highly satisfactory; MS = moderately satisfactory; NR = nonrated.

# Appendix E. World Bank Group Operational Program in Samoa FY05–15

## Detailed Portfolio Analysis

Over the FY05–15 period, the World Bank Group committed a total of \$216 million of mostly IDA credits to Samoa. Thirty two new operations amounting to commitments of about \$219 million were approved during FY05–15, with IDA credits accounting for 70 percent of total commitments (see table E.1). IFC investments during the period amounted to about \$19 million (8 percent) while trust fund grants to Samoa operations totaled \$31 million (14 percent). In addition to the national IDA allocation, Samoa also benefited from the regional IDA allocation designated for regional projects as well as from \$12 million for four IDA grants to regional bodies acting as implementing agencies for World Bank projects.<sup>1,2</sup> During the period reviewed, 45 percent of the Bank administrative budget was spent on project supervision, 21 percent on lending and 21 percent on the delivery of AAA (see table E.5).

**Table E.1. World Bank Group Financing Commitments to Samoa, FY05–15**

|  | Number of commitments | Commitment Amount (US\$, \$millions) | Commitment amount as % of total commitments |
|--|-----------------------|--------------------------------------|---|
| IDA credits for Samoa operations           | 13                    | 154.6                                | 70  |
| Trust fund grants to Samoa                 | 8                     | 31.2                                 | 14  |
| IFC investments                            | 3                     | 18.6                                 | 8   |
| IDA grants to regional projects            | 4                     | 11.7                                 | 5   |
| Trust fund grants to regional institutions | 4                     | 3.3                                  | 2   |
| <b>Total</b>                               | <b>32</b>             | <b>219.3</b>                         | <b>100</b>                                  |

Source: World Bank Business Intelligence database.

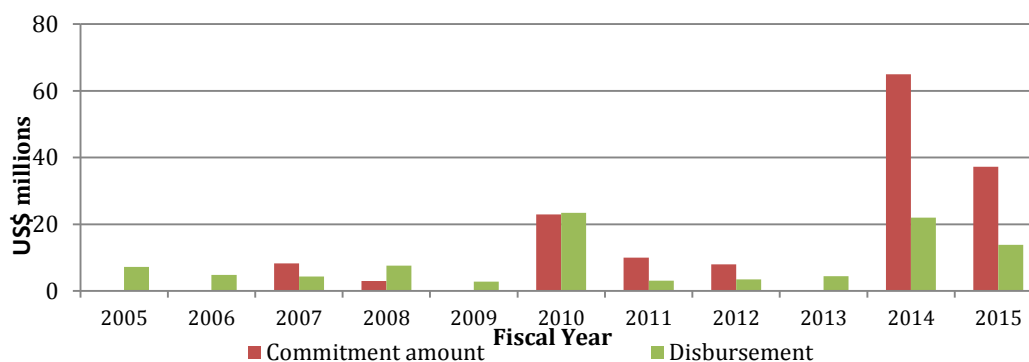
<sup>1</sup> The regional bodies and associated World Bank projects included the University of the South Pacific (Pacific Regional ICT Regulatory Development Project), Pacific Aviation Safety Office (Pacific Aviation Safety Office Reform project), and the Pacific Islands Forum Secretariat (Pacific Resilience Program).

<sup>2</sup> The regional IDA allocation is used to finance two-thirds of a country's share of the costs of a regional project, with the remaining one-third contribution from the country's IDA allocations. There is however a 20 percent ceiling placed on country contributions to regional projects.

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IDA commitments to Samoa fluctuated over the review period but have risen dramatically in recent years. IDA lending to Samoa occurred in three distinct periods between which were years of zero IDA commitments.<sup>3</sup> During the first two years of the evaluation period, there were no IDA commitments made to Samoa. Lending to Samoa resumed in 2007 and averaged about \$6 million over the FY07–08 period. Over the FY10–12 period, the Bank approved a \$20 million Economic Recovery support operation and a \$10 million Post Tsunami Reconstruction project to support the government of Samoa’s efforts to counter the impacts of a series of crises (food and fuel crisis, global economic crisis and a tsunami). Average annual IDA commitments during this period amounted to about \$14 million. The FY14–15 period was characterized by a sharp increase in the average annual IDA commitments on account of the large number of commitments approved in the two years<sup>4</sup> (see figure E.1).

**Figure E.1. IDA Commitments and Disbursements to Samoa, FY05–15**



Source: World Bank Business Intelligence database.

The approved operations were largely investment projects and were concentrated in the transport and ICT sector. The lending operations approved during the period occurred primarily through investment loans which comprised 73 percent of the value and 77 percent of the number of IDA commitments.<sup>5</sup> The sectoral composition of IDA lending operations was concentrated in the transport sector, with commitments classified under the transport and ICT global practice accounting for more than half of total lending (see figure E.2). Overall, five key thematic areas accounted for the bulk of IDA commitments to Samoa – transport and ICT, macroeconomics and fiscal management, social, urban,

<sup>3</sup> There were no IDA commitments approved in FY09 and FY13.

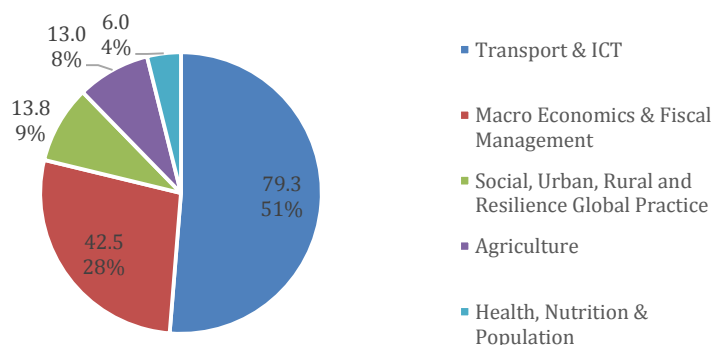
<sup>4</sup> Seven new commitments totaling \$ 102 million were approved in FY14 and 15.

<sup>5</sup> Three DPLs totaling \$42.5 million were approved in 2010, 2014, and 2015.



rural and resilience (under which virtually all disaster risk management operations are classified), agriculture, and health nutrition and population.

**Figure E.2. IDA Commitments to Samoa by Global Practice, FY05–15**



Source: World Bank Business Intelligence database.

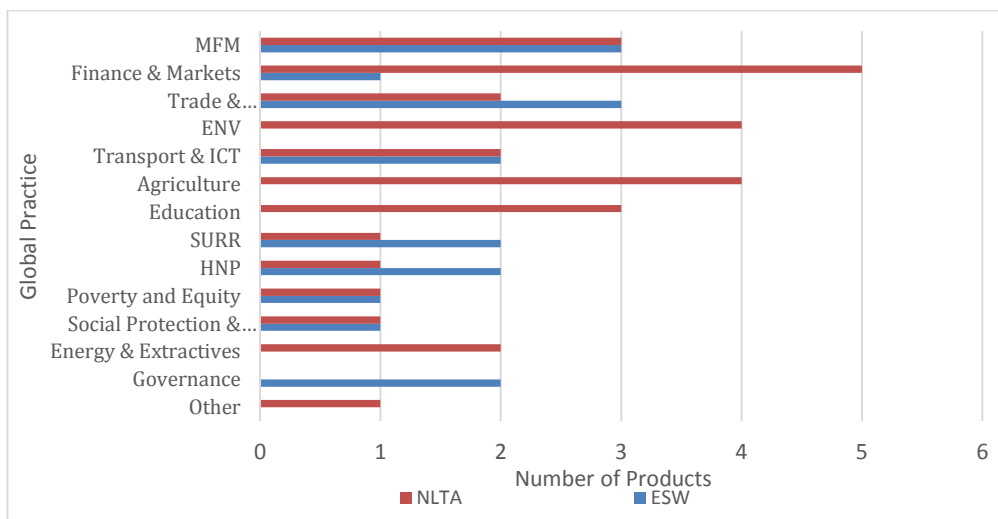
Bank analytic and advisory activities (AAA) informed key areas of Bank Group support and also contributed to building capacity. The Bank delivered a total of nine AAA products focused specifically on Samoa and 38 products whose focus also spanned other Pacific islands. The total cost of delivering these products amounted to about \$20 million in Bank (administrative) budget and trust fund financing (see table E.7). The bulk of AAA was delivered in the form of nonlending technical assistance (NLTA) which accounted for 64 percent of the number and 73 percent of the total cost of AAA delivery. The sectoral composition of the AAA delivered showed more variation than the IDA lending although five sectors accounted for more than half of the number of AAA products<sup>6</sup> (see figure E.3). Financial resources from Bank administered trust funds were vital to the delivery of AAA support, particularly NLTA for which trust funds financed about 85 percent of the cost of delivery. Bank analytic products were instrumental in building the knowledge base in strategic areas such as financial sector development, debt, natural hazard risks, health, and infrastructure. Of particular note were the Bank's Pacific 2020 and Pacific futures reports which examined the long-term prospects for the Pacific Islands and sought to identify feasible development paths and opportunities for the Pacific Islands. Other key AAA delivered during the period included reports on: public expenditure management, parametric insurance, migration and remittances, and regional ports and shipping. The Bank also provided hands-on

<sup>6</sup> Macroeconomics and Fiscal Management, finance and markets, trade and competitiveness, environment and transport and ICT global practices together accounted for 53 percent of the number of AAA products.

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capacity-building support in several areas, ranging from the articulation of a debt management reform plan to providing guidance on how to mainstream DRM into recovery and development plans.

**Figure E.3. AAA activities to Samoa by Global Practice, FY05–15**



Source: World Bank Business Intelligence database.

Note: ESW = economic and sector work; NLTA = nonlending technical assistance.

Advisory services support was the predominant form of IFC support to Samoa during the evaluation period. IFC investments in Samoa were sparse and limited to two investments in the telecoms sector. The two investments, both in Digicel Samoa, amounted to \$18.5 million and enabled the operator to enter the liberalized Samoa telecom sector and helped to increase the quality and availability of telecommunications services in Samoa. Advisory services on the other hand, were more abundant, and were broadly concentrated in the areas of improving access to finance, sustainable business advisory, and Public Private Partnership (PPP) transactions advisory. In the area of access to finance, IFC technical assistance activities sought to increase access to finance for underserved populations and for tourism related activities. To this end, IFC provided training to various stakeholders in the tourism sector and advisory service support to a microfinance institution. As part of its PPP advisory services, IFC served as the lead advisor for a public-private partnership, which established a new national airline, Virgin Samoa (formerly Polynesian Blue), and restructured the existing flagship carrier. By 2009, 243,000 people received improved airline service, and consumers saved \$57.7 million in reduced airfares between 2005 and 2009.<sup>7</sup> Under the trade and

<sup>7</sup> IFC was mandated to conduct a review of Samoan aviation, analyze the performance of Polynesian Airlines, review options available to the government, and recommend an approach

competitiveness business line, IFC provided technical assistance to the Supreme Court of Samoa and the Ministry of Justice and Courts Administration (MJCA) to help establish a cost-effective and sustainable alternative for commercial dispute resolution in Samoa, as a complement to the formal court system. There were no MIGA projects during the evaluation period.

The performance of completed projects in the Samoa was higher than the World Bank average, albeit with some risks to development outcomes. IEG assessments of the 5 Bank-supported operations that exit the portfolio during the evaluation period showed better development outcome ratings (100 percent rated as moderately satisfactory) than the average for the East Asia and Pacific Region Region (76 percent), and the Bank as a whole (73 percent). However, a significant risk to development outcome was found one of the 5 instances where risk was assessed. The \$21 million net commitment for the Second Infrastructure Asset management project represented 38 percent of the value of all projects assessed for risk to development outcome. The significant risk to development outcomes was assigned on the basis of two main factors; (i) Samoa's vulnerability to natural hazards was deemed as posing a high risk to the infrastructure improved under the project, and (ii) the insufficient budget allocated for road network maintenance rendered the sustainability of the transport and coastal infrastructure at risk.

The riskiness of the Bank's portfolio under implementation was effectively zero for all but one year of the evaluation period. During the two periods FY05–12 and FY14–15, none of the projects or commitments in the Samoa portfolio were deemed to be at risk. This portfolio riskiness contrasted favorably with an average of 14 percent of the number of projects and 10 percent of commitment volumes at risk in East Asia Pacific, and a world average of 20 percent of the number of projects and 16 percent of commitment volumes at risk over the same period. In FY13, one project, the Samoa Health Sector management program support project was considered to be at risk. The assessed risks to development outcome related mainly to the inadequacy of the results framework to achieve the desired development outcomes and the high likelihood of procurement delays given the significant number of activities to be undertaken.

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that would achieve the government's objectives. After recommending that the government implement a public-private partnership with an international aviation investor, IFC was asked to serve as lead advisor. IFC assisted in marketing the opportunity to potential investors, structuring the joint-venture agreement, evaluating business plans, negotiating contracts, and achieving financial closure.

**Table E.2. Number and Total Commitment Amount (US\$ millions) of commitments to Samoa, FY05–15**

| Global Practice                                     | 2005     |            | 2007     |            | 2008     |            | 2010     |             | 2011     |             | 2012     |            | 2013     |             | 2014     |             | 2015     |             | Total     |              |
|---|----------|------------|----------|------------|----------|------------|----------|-------------|----------|-------------|----------|------------|----------|-------------|----------|-------------|----------|-------------|-----------|--------------|
|   | No       | US\$ Amt   | No       | US\$ Amt   | No       | US\$ Amt   | No       | US\$ Amt    | No       | US\$ Amt    | No       | US\$ Amt   | No       | US\$ Amt    | No       | US\$ Amt    | No       | US\$ Amt    | No        | US\$ Amt     |
| Agriculture   |          |            |          |            |          |            |          |             |          |             | 1        | 8.0        |          |             | 1        | 5.0         |          |             | 2         | 13.0         |
| Energy and Extractives                              |          |            |          |            |          |            |          |             |          |             |          |            |          |             |          |             |          |             | 0         | 0.0          |
| Environment and Natural Resources                   |          |            |          |            |          |            |          |             | 1        | 0.5         |          |            |          |             | 1        | 14.6        |          |             | 2         | 15.1         |
| Governance  | 1        | 0.2        |          |            |          |            |          |             |          |             |          |            |          |             |          |             |          |             | 1         | 0.2          |
| Health, Nutrition, and Population                   |          |            |          |            | 1        | 3.0        | 1        | 3.0         |          |             |          |            |          |             |          |             |          |             | 2         | 6.0          |
| Macro Economics and Fiscal Management               |          |            |          |            |          |            | 1        | 20.0        |          |             |          |            |          |             | 1        | 15.0        | 1        | 7.5         | 3         | 42.5         |
| Poverty and Equity                                  |          |            |          |            |          |            |          |             |          |             |          |            |          |             |          |             |          |             | 0         | 0.0          |
| Social, Urban, Rural and Resilience Global Practice |          |            |          |            |          |            |          |             |          |             | 1        | 0.2        |          |             |          |             | 1        | 13.8        | 2         | 14.0         |
| Transport and ICT                                   |          |            | 1        | 8.3        |          |            |          |             | 1        | 10          |          |            | 1        | 14.8        | 2        | 45.0        | 1        | 16.0        | 6         | 94.1         |
| <b>Total</b>  | <b>1</b> | <b>0.2</b> | <b>1</b> | <b>8.3</b> | <b>1</b> | <b>3.0</b> | <b>2</b> | <b>23.0</b> | <b>2</b> | <b>10.5</b> | <b>2</b> | <b>8.2</b> | <b>1</b> | <b>14.8</b> | <b>5</b> | <b>79.6</b> | <b>3</b> | <b>37.3</b> | <b>18</b> | <b>184.9</b> |

Source: Source: World Bank Business Intelligence as of January, 2016

Note: Data include supplements and trust fund grants but does not include Pacific Islands regional commitments.

**Table E.3. Project Ratings for Samoa and Comparators Exit FY05–15**

| Country/Region | Total Evaluated  |        | Outcome (Moderately Satisfactory or Better) |     | Risks To Development Outcomes (Moderate or Lower) |     | Institutional Development Impact (Substantial or High) |     | Sustainability (Likely or Highly Likely) |     |
|----------------|------------------|--------|---|-----|---|-----|--|-----|--|-----|
|                | (US\$, millions) | Number | (US\$, millions)                            | %   | (US\$, millions)                                  | %   | (US\$, millions)                                       | %   | (US\$, millions)                         | %   |
| Cabo Verde     | 188              | 13     | 162   | 85  | 112   | 71  | 20   | 69  | —  | —   |
| Tonga          | 40               | 7      | 39  | 98  | 28  | 71  | —  | —   | —  | —   |
| OECS states    | 189              | 35     | 159   | 84  | 92  | 62  | 9  | 23  | 42                                       | 100 |
| Mauritius      | 348              | 11     | 348   | 100 | 299   | 86  | 1  | 100 | 1  | 100 |
| Samoa          | 55               | 5      | 55  | 100 | 34  | 62  | —  | —   | —  | —   |
| Seychelles     | 18               | 2      | 18  | 100 | 18  | 100 | —  | —   | —  | —   |
| EAP Region     | 41,343           | 438    | 34,132                                      | 83  | 29,189  | 81  | 4,040  | 73  | 4,829                                    | 93  |

| Country/Region   | Total Evaluated  |        | Outcome (Moderately Satisfactory or Better) |    | Risks To Development Outcomes (Moderate or Lower) |    | Institutional Development Impact (Substantial or High) |    | Sustainability (Likely or Highly Likely) |    |
|------------------|------------------|--------|---|----|---|----|--|----|--|----|
|                  | (US\$, millions) | Number | (US\$, millions)                            | %  | (US\$, millions)                                  | %  | (US\$, millions)                                       | %  | (US\$, millions)                         | %  |
| World Bank total | 225,440          | 2826   | 185,484                                     | 83 | 132,418   | 65 | 12,688   | 61 | 17,214                                   | 88 |

Source: Source: World Bank Business Intelligence Database as of Jan 2016.

Note: US\$, millions = net commitment amount; number = number of projects assigned IEG ratings; % = proportion of projects assigned the ratings indicated; For each category and country, the denominator used to calculate the percentage is the total number of projects assigned an IEG rating for the category. EAP = East Asia and Pacific Region.

**Table E.4. IEG Project Ratings for Samoa, Exit FY05–15**

| Exit FY | Proj ID | Project Name                               | Approval FY | Net Commitment Amount (US\$, millions) | IEG Outcome rating | IEG Risk to Development Objective Rating | IEG Bank Quality At Entry rating | IEG Bank Supervision | IEG Overall Bank Performance | Sector Board                      |
|---------|---------|--|-------------|--|--------------------|--|----------------------------------|----------------------|------------------------------|-----------------------------------|
| 2007    | P064926 | WS-Health Sector Management Project        | 2001        | 5.6                                    | MS                 | MODERATE                                 | MS                               | MS                   | MS                           | Health, Nutrition, and Population |
| 2008    | P088246 | WS-CYCLONE ERP                             | 2004        | 4.6                                    | MS                 | MODERATE                                 | MS                               | S                    | MS                           | Transport                         |
| 2010    | P118636 | Economic Crisis Recovery Support Credit    | 2010        | 19.5                                   | MS                 | NEGLIGIBLE TO LOW                        | S                                | S                    | S                            | Economic Policy                   |
| 2011    | P075739 | Samoa - Telecommunications and Post Reform | 2003        | 4.0                                    | MS                 | MODERATE                                 | MU                               | MS                   | MS                           | GICT                              |
| 2013    | P075523 | WS-INFRA ASSET MGMT APL2                   | 2004        | 21.1                                   | MS                 | SIGNIFICANT                              | MS                               | MS                   | MS                           | Transport                         |

Source: World Bank database as of August, 2015. Risk to development objective is rated for projects from FY07 onward.

Note: FY = fiscal year; GICT = Global Information and Communications Technology; IEG = Independent Evaluation Group; MS = moderately satisfactory; MU = moderately unsatisfactory; S = satisfactory; U = unsatisfactory.

**Table E.5. Bank Budget by Cost Structure Category, FY05–15 (in US\$ thousands and percent)**

| Sector Board    | Total | Project Supervision | Lending | Analytic and Advisory Support | Country Program Support |
|-----------------|-------|---------------------|---------|-------------------------------|-------------------------|
| US\$, thousands |       |                     |         |                               |                         |

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| <b>Sector Board</b>                              | <b>Total</b>  | <b>Project Supervision</b> | <b>Lending</b> | <b>Analytic and Advisory Support</b> | <b>Country Program Support</b> |
|--|---------------|----------------------------|----------------|--------------------------------------|--------------------------------|
| Agriculture and Rural Development                | 1,392         | 868                        | 520            | 5                                    | ..                             |
| Capital Markets Practice                         | 47            | ..                         | ..             | 47                                   | ..                             |
| Competitive Industries Practice                  | 472           | ..                         | ..             | 472                                  | ..                             |
| Economic Policy                                  | 356           | 63                         | 86             | 207                                  | ..                             |
| Education  | 1,890         | 1,261                      | 513            | 116                                  | ..                             |
| Energy and Mining                                | 3,349         | 2,075                      | 1,053          | 221                                  | ..                             |
| Environment                                      | 39            | ..                         | ..             | 39                                   | ..                             |
| Financial and Private Sector Development (I)     | 452           | ..                         | ..             | 452                                  | ..                             |
| Financial Inclusion Practice                     | 23            | ..                         | ..             | 23                                   | ..                             |
| Global Information and Communications Technology | 437           | ..                         | 364            | 73                                   | ..                             |
| Health, Nutrition, and Population                | 2,156         | 1,572                      | 532            | 52                                   | ..                             |
| Investment Climate Practice                      | 421           | 100                        | 322            | ..                                   | ..                             |
| Poverty Reduction                                | 227           | ..                         | ..             | 227                                  | ..                             |
| Procurement                                      | 4             | ..                         | ..             | 4                                    | ..                             |
| Public Sector Governance                         | 681           | 1                          | ..             | 680                                  | ..                             |
| Social Development                               | 505           | 320                        | ..             | 184                                  | ..                             |
| Social Protection                                | 1,306         | 778                        | 231            | 297                                  | ..                             |
| Transport  | 272           | 89                         | 20             | 164                                  | ..                             |
| Urban Development                                | 2,365         | 1,687                      | 669            | 9                                    | ..                             |
| Not assigned                                     | 5,158         | 783                        | 221            | 1,250                                | 2,905                          |
| <b>Total</b>                                     | <b>21,552</b> | <b>9,595</b>               | <b>4,530</b>   | <b>4,522</b>                         | <b>2,905</b>                   |
| <b>Cost structure (percent)</b>                  |               |                            |                |                                      |                                |
| Agriculture and Rural Development                | 100           | 62                         | 37             | 0                                    | 0                              |
| Capital Markets Practice                         | 100           | 0                          | 0              | 100                                  | 0                              |
| Competitive Industries Practice                  | 100           | 0                          | 0              | 100                                  | 0                              |
| Economic Policy                                  | 100           | 18                         | 24             | 58                                   | 0                              |

| Sector Board                                     | Total | Project Supervision | Lending | Analytic and Advisory Support | Country Program Support |
|--|-------|---------------------|---------|-------------------------------|-------------------------|
| Education  | 100   | 67                  | 27      | 6                             | 0                       |
| Energy and Mining                                | 100   | 62                  | 31      | 7                             | 0                       |
| Environment                                      | 100   | 0                   | 0       | 100                           | 0                       |
| Financial and Private Sector Development (I)     | 100   | 0                   | 0       | 100                           | 0                       |
| Financial Inclusion Practice                     | 100   | 0                   | 0       | 100                           | 0                       |
| Global Information and Communications Technology | 100   | 0                   | 83      | 17                            | 0                       |
| Health, Nutrition, and Population                | 100   | 73                  | 25      | 2                             | 0                       |
| Investment Climate Practice                      | 100   | 24                  | 76      | 0                             | 0                       |
| Poverty Reduction                                | 100   | 0                   | 0       | 100                           | 0                       |
| Procurement                                      | 100   | 0                   | 0       | 100                           | 0                       |
| Public Sector Governance                         | 100   | 0                   | 0       | 100                           | 0                       |
| Social Development                               | 100   | 63                  | 0       | 37                            | 0                       |
| Social Protection                                | 100   | 60                  | 18      | 23                            | 0                       |
| Transport  | 100   | 33                  | 7       | 60                            | 0                       |
| Urban Development                                | 100   | 71                  | 28      | 0                             | 0                       |
| Not assigned                                     | 100   | 15                  | 4       | 24                            | 56                      |
| Total  | 100   | 45                  | 21      | 21                            | 13                      |

**Table E.6. Samoa Economic and Social Indicators, 2005–2014**

| Series Name                                    | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Growth and inflation</b>                    |       |       |       |       |       |       |       |       |       |       |
| GDP growth (annual %)                          | 4.2   | 2.0   | 6.3   | 1.0   | -4.8  | 0.5   | 5.7   | 0.4   | -1.9  | 1.2   |
| GDP per capita growth (annual %)               | 3.5   | 1.3   | 5.6   | 0.3   | -5.5  | -0.2  | 4.9   | -0.3  | -2.7  | 0.4   |
| GNI per capita, PPP (current international \$) | 4,500 | 4,620 | 5,030 | 5,130 | 4,960 | 5,140 | 5,470 | 5,490 | 5,450 | 5,610 |
| GNI per capita, Atlas method (current US\$)    | 2,370 | 2,560 | 2,850 | 3,050 | 3,020 | 3,230 | 3,590 | 3,860 | 3,960 | 4,060 |
| Inflation, consumer prices (annual %)          | 1.9   | 3.7   | 5.6   | 11.6  | 6.3   | 0.8   | 5.2   | 2.0   | 0.6   | -0.4  |
| <b>Composition of GDP</b>                      |       |       |       |       |       |       |       |       |       |       |

**APPENDIX E**  
**WORLD BANK GROUP OPERATIONAL PROGRAM IN SAMOA FY05–15**

| <b>Series Name</b>  | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Agriculture, value added (% of GDP)                                   | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          |
| Industry, value added (% of GDP)                                      | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          |
| Services, etc., value added (% of GDP)                                | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          |
| <b>External Accounts</b>  |             |             |             |             |             |             |             |             |             |             |
| Exports of goods and services (% of GDP)                              | 28.4        | 28.9        | 29.7        | 28.9        | 30.2        | 29.2        | 28.7        | 27.7        | 30.3        | 28.2        |
| Imports of goods and services (% of GDP)                              | 49.4        | 52.6        | 54.9        | 48.0        | 51.8        | 53.1        | 48.7        | 51.7        | 50.5        | 52.5        |
| Current account balance (% of GDP)                                    | -10.2       | -15.2       | -8.0        | -9.3        | -2.2        | -6.6        | -8.6        | -3.8        | -5.8        | ..          |
| External debt stocks (% of GNI)                                       | 38.3        | 35.1        | 35.3        | 35.8        | 45.6        | 51.1        | 50.1        | 55.1        | 58.6        | 58.1        |
| Present value of external debt (% of GNI)                             | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | 40.9        |
| Total debt service (% of GNI)   | 1.3         | 1.5         | 1.3         | 1.4         | 1.5         | 1.7         | 1.6         | 1.7         | 2.0         | 2.5         |
| Other macroeconomic indicators  |             |             |             |             |             |             |             |             |             |             |
| Gross fixed capital formation, private sector (% of GDP)              | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          |
| Gross savings (% of GDP)  | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          |
| <b>Fiscal accounts</b>  |             |             |             |             |             |             |             |             |             |             |
| Cash surplus/deficit (% of GDP)                                       | ..          | ..          | ..          | ..          | ..          | -0.01       | -0.01       | -0.01       | ..          | ..          |
| General government final consumption expenditure (% of GDP)           | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          |
| Gross national expenditure (% of GDP)                                 | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          |
| Revenue, excluding grants (% of GDP)                                  | ..          | ..          | ..          | ..          | ..          | 0.02        | 0.02        | 0.02        | ..          | ..          |
| <b>Social indicators</b>  |             |             |             |             |             |             |             |             |             |             |
| Health expenditure, public (% of GDP)                                 | 4.0         | 4.4         | 5.1         | 4.3         | 4.9         | 5.6         | 6.0         | 5.9         | 6.7         | ..          |
| Out-of-pocket health expenditure (% of private expenditure on health) | 68.5        | 62.5        | 63.7        | 62.4        | 62.6        | 62.6        | 62.6        | 62.6        | 62.6        | ..          |
| Immunization, DPT (% of children ages 12-23 months)                   | 64.0        | 56.0        | 71.0        | 46.0        | 72.0        | 87.0        | 91.0        | 92.0        | 95.0        | 91.0        |
| Improved sanitation facilities (% of population with access)          | 92.0        | 91.9        | 91.8        | 91.8        | 91.7        | 91.7        | 91.6        | 91.6        | 91.5        | 91.5        |
| Improved water source (% of population with access)                   | 95.5        | 95.9        | 96.3        | 96.8        | 97.2        | 97.6        | 98.1        | 98.5        | 99.0        | 99.0        |
| Life expectancy at birth, total (years)                               | 71.0        | 71.3        | 71.6        | 71.8        | 72.1        | 72.4        | 72.7        | 73.0        | 73.3        | ..          |
| Mortality rate, infant (per 1,000 live births)                        | 16.5        | 16.4        | 16.2        | 16.1        | 17.0        | 16.0        | 16.0        | 15.8        | 15.6        | 15.4        |
| Gross enrolment ratio, pre-primary, both sexes (%)                    | ..          | ..          | 46.6        | 41.6        | 41.4        | 35.5        | 38.9        | 33.9        | ..          | ..          |
| Gross enrolment ratio, primary, both sexes (%)                        | 109.4       | 108.6       | 107.9       | ..          | 106.4       | 110.8       | 106.5       | 105.2       | ..          | ..          |
| Gross enrolment ratio, secondary, both sexes (%)                      | 83.0        | 83.7        | 83.9        | ..          | 86.1        | 87.7        | 86.4        | 85.7        | ..          | ..          |
| Gross enrolment ratio, tertiary, both sexes (%)                       | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          | ..          |



**APPENDIX E**  
**WORLD BANK GROUP OPERATIONAL PROGRAM IN SAMOA FY 05–15**

| Series Name   | 2005    | 2006    | 2007    | 2008    | 2009    | 2010    | 2011    | 2012    | 2013    | 2014    |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Population, total   | 179,928 | 181,072 | 182,238 | 183,440 | 184,700 | 186,029 | 187,434 | 188,901 | 190,390 | 191,845 |
| Population growth (annual %)  | 0.6     | 0.6     | 0.6     | 0.7     | 0.7     | 0.7     | 0.8     | 0.8     | 0.8     | 0.8     |
| Urban population (% of total)                                       | 21.2    | 21.0    | 20.8    | 20.5    | 20.3    | 20.1    | 19.9    | 19.6    | 19.4    | 19.3    |
| Population, female (% of total)                                     | 48.2    | 48.3    | 48.3    | 48.4    | 48.4    | 48.4    | 48.4    | 48.4    | 48.4    | 48.4    |
| Poverty headcount ratio at national poverty lines (% of population) | ..      | ..      | ..      | 26.9    | ..      | ..      | ..      | ..      | ..      | ..      |
| Fixed telephone subscriptions (per 100 people)                      | 10.8    | ..      | ..      | ..      | ..      | 4.3     | ..      | 4.4     | 4.4     | 6.1     |
| Unemployment, total (% of total labor force) (national estimate)    | ..      | 1.3     | ..      | ..      | ..      | ..      | 5.7     | 8.7     | ..      | ..      |

**Table E.7. Samoa—List of World Bank AAA, FY05–15**

| Proj ID (AAA) | Project Name                         | World Bank Global Practice                          | Country | Fiscal year of delivery | Product Line | AAA Cost (BB) Delivered (US\$T) | AAA Cost (TF) Delivered (US\$T) | Total Cost Delivered (US\$T) |
|---------------|--------------------------------------|---|---------|-------------------------|--------------|---------------------------------|---------------------------------|------------------------------|
| P079585       | Samoa-Operational Procurement Review | Governance  | Samoa   | FY05                    | EW           | 52.6                            | 0.0                             | 52.6                         |
| P082197       | WS-health review                     | Health, Nutrition, and Population                   | Samoa   | FY05                    | TA           | 0.0                             | 15.8                            | 15.8                         |
| P116319       | Parametric Insurance Study           | Agriculture   | Samoa   | FY11                    | TA           | 0.0                             | 62.2                            | 62.2                         |
| P120701       | Samoa Agriculture Sector Strategy    | Agriculture   | Samoa   | FY11                    | TA           | 0.0                             | 322.1                           | 322.1                        |
| P144365       | Samoa PER                            | Macro Economics and Fiscal Management               | Samoa   | FY14                    | EW           | 0.0                             | 136.6                           | 136.6                        |
| P144463       | Samoa Post-Disaster Needs Assessment | Social, Urban, Rural and Resilience Global Practice | Samoa   | FY14                    | TA           | 0.0                             | 161.4                           | 161.4                        |
| P151168       | Samoa FSAP                           | Finance and Markets                                 | Samoa   | FY15                    | EW           | 231.1                           | 0.0                             | 231.1                        |
| P133607       | Reform Plan SAMOA                    | Macro Economics and Fiscal Management               | Samoa   | FY15                    | TA           | 0.0                             | 82.2                            | 82.2                         |
| P149869       | Samoa DeM Reform Plan Follow-up      | Macro Economics and Fiscal Management               | Samoa   | FY15                    | TA           | 0.0                             | 58.7                            | 58.7                         |

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WORLD BANK GROUP OPERATIONAL PROGRAM IN SAMOA FY05–15

| Proj ID (AAA)                                      | Project Name                              | World Bank Global Practice                          | Country         | Fiscal year of delivery | Product Line | AAA Cost (BB) Delivered (US\$T) | AAA Cost (TF) Delivered (US\$T) | Total Cost Delivered (US\$T) |
|--|---|---|-----------------|-------------------------|--------------|---------------------------------|---------------------------------|------------------------------|
| Total cost of delivering Samoa specific activities |   |   |                 |                         |              | 283.6                           | 838.9                           | 1,122.5                      |
| P092034  | Regulatory and Inst. Reform for PSD       | Finance and Markets                                 | Pacific Islands | FY05                    | TA           | 111.5                           | 139.2                           | 250.6                        |
| P069677  | 4P-PI Infrastructure Strategy             | Social, Urban, Rural and Resilience Global Practice | Pacific Islands | FY06                    | EW           | 39.3                            | 0.0                             | 39.3                         |
| P079666  | 4P-RER 2004/HD SECTOR REVIEW-Pacific Isl  | Health, Nutrition, and Population                   | Pacific Islands | FY06                    | EW           | 494.9                           | 599.2                           | 1094.1                       |
| P089536  | PI-Pacific Risk Management and Adaptation | Social, Urban, Rural and Resilience Global Practice | Pacific Islands | FY06                    | EW           | 107.3                           | 173.8                           | 281.1                        |
| P098009  | PI- Pacific 2020                          | Macro Economics and Fiscal Management               | Pacific Islands | FY06                    | EW           | 88.1                            | 50.8                            | 138.9                        |
| P092788  | Pacific Islands - Financial Sector Devt   | Finance and Markets                                 | Pacific Islands | FY06                    | TA           | 7.0                             | 3.7                             | 10.7                         |
| P093733  | 4P-GENDER & DISABILITY in PACIFIC         | Poverty and Equity                                  | Pacific Islands | FY06                    | TA           | 0.0                             | 63.4                            | 63.4                         |
| P098216  | Regulatory and Inst. Reform for PSD       | Finance and Markets                                 | Pacific Islands | FY06                    | TA           | 63.0                            | 0.0                             | 63.0                         |
| P092789  | PI-Pacific Migration Study                | Trade and Competitiveness                           | Pacific Islands | FY07                    | EW           | 211.7                           | 434.0                           | 645.8                        |
| P095031  | Pacific M&E of Conserv. Action Strategy   | Environment and Natural Resources                   | Pacific Islands | FY08                    | TA           | 0.0                             | 35.0                            | 35.0                         |
| P110501  | Trade Facilitation for Pacific Islands    | Trade and Competitiveness                           | Pacific Islands | FY08                    | TA           | 0.4                             | 89.8                            | 90.2                         |
| P102963  | 4P-Regulatory & Inst. Reform for PSDP II  | Finance and Markets                                 | Pacific Islands | FY09                    | TA           | 5.0                             | 185.1                           | 190.2                        |

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WORLD BANK GROUP OPERATIONAL PROGRAM IN SAMOA FY 05–15

| Proj ID (AAA) | Project Name                             | World Bank Global Practice            | Country         | Fiscal year of delivery | Product Line | AAA Cost (BB) Delivered (US\$T) | AAA Cost (TF) Delivered (US\$T) | Total Cost Delivered (US\$T) |
|---------------|--|---------------------------------------|-----------------|-------------------------|--------------|---------------------------------|---------------------------------|------------------------------|
| P110131       | PACIFIC CATASTROPHE RISK POOL FEAS STUDY | Environment and Natural Resources     | Pacific Islands | FY09                    | TA           | 238.1                           | 780.2                           | 1018.2                       |
| P109095       | Remittance Costs                         | Trade and Competitiveness             | Pacific Islands | FY10                    | EW           | 90.9                            | 93.3                            | 184.2                        |
| P110315       | Pacific Infrastructure Diagnostics AAA   | Transport and ICT                     | Pacific Islands | FY10                    | EW           | 0.0                             | 305.7                           | 305.7                        |
| P118674       | Program Development in Northern Pacific  | Macro Economics and Fiscal Management | Pacific Islands | FY10                    | EW           | 65.8                            | 24.4                            | 90.2                         |
| P104949       | PIC Regulatory Simplification and Reform | Finance and Markets                   | Pacific Islands | FY10                    | TA           | 17.9                            | 161.4                           | 179.3                        |
| P112080       | SUSTAINABLE MGT Thru RED. DISASTER RISK  | Environment and Natural Resources     | Pacific Islands | FY10                    | TA           | 27.7                            | 502.6                           | 530.3                        |
| P109069       | Monitoring and Evaluation                | Trade and Competitiveness             | Pacific Islands | FY11                    | EW           | 826.2                           | 220.0                           | 1046.2                       |
| P109101       | Pacific Islands Regional Fisheries       | Agriculture                           | Pacific Islands | FY11                    | TA           | 204.2                           | 467.3                           | 671.5                        |
| P112571       | Pacific Islands Offshore Mining          | Energy and Extractives                | Pacific Islands | FY11                    | TA           | 93.9                            | 0.0                             | 93.9                         |
| P120712       | Delivery strategies for youth            | Health, Nutrition, and Population     | Pacific Islands | FY12                    | EW           | 0.0                             | 21.7                            | 21.7                         |
| P109094       | Trade Facilitation Strategy Labour Exp.  | Trade and Competitiveness             | Pacific Islands | FY12                    | TA           | 691.2                           | 158.7                           | 849.8                        |
| P117025       | Pacific Petroleum Supply TA              | Energy and Extractives                | Pacific Islands | FY12                    | TA           | 34.6                            | 742.4                           | 777.0                        |

APPENDIX E

WORLD BANK GROUP OPERATIONAL PROGRAM IN SAMOA FY05–15

| Proj ID (AAA) | Project Name                             | World Bank Global Practice            | Country         | Fiscal year of delivery | Product Line | AAA Cost (BB) Delivered (US\$T) | AAA Cost (TF) Delivered (US\$T) | Total Cost Delivered (US\$T) |
|---------------|--|---------------------------------------|-----------------|-------------------------|--------------|---------------------------------|---------------------------------|------------------------------|
| P122344       | PACIFIC CAT RISK FINANCING TA - PHASE II | Environment and Natural Resources     | Pacific Islands | FY12                    | TA           | 28.2                            | 1577.5                          | 1605.7                       |
| P125720       | 4P-Catastro Risk Assess.Geonode Innov TA | Agriculture                           | Pacific Islands | FY12                    | TA           | 77.5                            | 0.0                             | 77.5                         |
| P118877       | Early Grade Reading Assess in Pac Region | Education                             | Pacific Islands | FY13                    | TA           | 8.2                             | 1013.2                          | 1021.4                       |
| P131402       | PFM Design under Capacity Constraints    | Governance                            | Pacific Islands | FY14                    | EW           | 0.0                             | 102.9                           | 102.9                        |
| P144446       | Pacific Hardship and Vulnerability Study | Poverty and Equity                    | Pacific Islands | FY14                    | EW           | 0.0                             | 220.3                           | 220.3                        |
| P117120       | Pacific Futures                          | Macro Economics and Fiscal Management | Pacific Islands | FY14                    | TA           | 128.3                           | 106.0                           | 234.2                        |
| P122736       | FSM and RMI Telecoms Assessment          | Transport and ICT                     | Pacific Islands | FY14                    | TA           | 81.3                            | 106.7                           | 188.0                        |
| P126058       | PRAXIS Discussion Series                 | Other                                 | Pacific Islands | FY14                    | TA           | 115.2                           | 0.0                             | 115.2                        |
| P133619       | Social Protection in the Pacific         | Social Protection and Labor           | Pacific Islands | FY15                    | EW           | 127.1                           | 321.7                           | 448.8                        |
| P143662       | Regional Ports and Shipping              | Transport and ICT                     | Pacific Islands | FY15                    | EW           | 171.9                           | 27.4                            | 199.4                        |
| P127935       | NF-Educ Global Practices (Fixed 1/Var 2) | Education                             | Pacific Islands | FY15                    | TA           | 0.0                             | 1980.6                          | 1980.6                       |
| P127936       | NF-EAP Education TA                      | Education                             | Pacific Islands | FY15                    | TA           | 18.5                            | 2225.9                          | 2244.3                       |

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WORLD BANK GROUP OPERATIONAL PROGRAM IN SAMOA FY 05–15

| Proj ID (AAA)   | Project Name                            | World Bank Global Practice  | Country         | Fiscal year of delivery | Product Line | AAA Cost (BB) Delivered (US\$T) | AAA Cost (TF) Delivered (US\$T) | Total Cost Delivered (US\$T) |
|---|---|-----------------------------|-----------------|-------------------------|--------------|---------------------------------|---------------------------------|------------------------------|
| P130478   | Inst. strengthening for Labor Migration | Social Protection and Labor | Pacific Islands | FY15                    | TA           | 95.4                            | 1294.9                          | 1390.4                       |
| P146664   | P4: Options Assessment on ICT for Jobs  | Transport and ICT           | Pacific Islands | FY15                    | TA           | 58.1                            | 0.0                             | 58.1                         |
| Total cost of delivering Pacific island-wide activities |   |                             |                 |                         |              | 4,328.3                         | 14,228.7                        | 18,557.1                     |
| Overall Total cost                                      |   |                             |                 |                         |              | 4,895.6                         | 15,906.5                        | 20,802.2                     |

## World Bank Group Program in Samoa Organized Along the Evaluation Pillars

### Pillar 1: Strengthening Resilience

#### STRENGTHENING FISCAL AND DEBT SUSTAINABILITY AND PUBLIC SECTOR PERFORMANCE

Under Pillar 1.1, the Bank Group sought to help make progress on the objectives/outcomes detailed below.

| Objectives/Outcomes Sought                      | Milestones   |
|---|--|
| Fiscal consolidation and rebuilding of reserves | Detailed outcome indicators around the broad themes listed as well as specific milestones will be developed as part of a coordinated policy matrix underpinning a DPO series starting in FY13, and will be included in the CPS Progress Report |
| Strengthened public financial management        |  |

Instruments used by the Bank Group to help make progress on the above objectives/outcomes are detailed below.

| Lending Operations  | Analytic Work  | Nonlending Technical Assistance                             |
|---|--|---|
| Samoa_Procurement Reforms and Capacity Development_IDF- (P090086; FY05; \$0.2M) | Samoa-Operational Procurement Review (P079585; FY05; \$M)    | Reform Plan Samoa (P133607; FY15;)                          |
| Economic Crisis Recovery Support Credit (P118636; FY10; \$20M)                  | PFM Design under Capacity Constraints (P131402; FY14; \$M)   | Samoa Debt Management Reform Plan Follow-up (P149869; FY15) |
| First Fiscal and Economic Reform Operation(P149770; FY15; \$7.5M)               | Samoa PER (P144365; FY14; \$M)                               | Pacific Futures (P117120; FY14; \$M)                        |
| Samoa Development Policy Operation (P144377; FY14; \$15M)                       | PI- Pacific 2020 (P098009; FY06; \$M)                        | PRAXIS Discussion Series (P126058; FY14; \$M)               |
| IDF Pacific Regl Audit Initiative (PRIA) (P120343; FY10; \$0.5497M)             | Program Development in Northern Pacific (P118674; FY10; \$M) |   |
|   | Monitoring and Evaluation (P109069; FY11; \$M)               |   |

## STRENGTHENING ENVIRONMENTAL AND DISASTER RISK MANAGEMENT AND CLIMATE CHANGE

| <b>Under Pillar 1.2, the Bank Group sought to make progress on the objectives/outcomes detailed below. Objectives/Outcomes sought</b> | <b>Milestones</b>  |
|---|--|
| 16 districts completed high priority coastal protection initiatives (such as mangrove planting) by 2016.                              | <ul style="list-style-type: none"> <li>•Integrated National Climate Change Adaptation Strategy developed by end 2014.</li> <li>•Samoa able to access regional risk pooling and catastrophe insurance schemes, to be introduced by end 2014.</li> </ul> |
| Climate proofing and improved drainage for 30 km West Coast road by end 2016  |  |

Instruments used by the Bank Group to make progress on the above objectives/ outcomes are detailed below.

| <b>Lending Operations</b>   | <b>Analytic Work</b> | <b>Nonlending Technical Assistance</b>                             |
|---|----------------------|--|
| Agriculture and Fisheries Cyclone Response (P145938; FY14; \$5M)      |                      | Samoa Parametric Insurance Study (P116319; FY11)                   |
| Samoa - PPCR (P124807; FY11; \$0.5M)                                  |                      | Pacific-Catastro Risk Assess. Geonode Innov TA (P125720; FY12)     |
| Enhancing Climate Resilience of Coastal (P126596; FY14; \$14.6M)      |                      | Pacific M&E of Conserv. Action Strategy (P095031; FY08)            |
| Pacific Island Regional Oceans Program (P131655; FY15; \$3.97M)       |                      | Pacific Catastrophe Risk Pool Feasibility Study (P110131; FY09)    |
| Pacific Islands Regional Oceanscape Prog (P153429; FY15; \$2.191781M) |                      | Pacific Sustainable Mgt Thru Reduced Disaster Risk (P112080; FY10) |
| Pacific Resilience Program - Samoa (P154839; FY15; \$13.793M)         |                      | PI- Pacific CAT Risk Financing TA - Phase II (P122344; FY12)       |
| PACIFIC RESILIENCE PROGRAM - SPC (P147839; FY15; \$3.68M)             |                      | Samoa Post-Disaster Needs Assessment (P144463; FY14)               |
| Pacific Cat Risk Insurance Pilot (P152570; FY15; \$1M)                |                      |  |
| PACIFIC RESILIENCE PROGRAM - PIFS (P155542; FY15; \$1.32M)            |                      |  |
| PACIFIC RESILIENCE PROGRAM - PIFS (P156335; FY15; \$0.9M)             |                      |  |
| Agriculture and Fisheries Cyclone Response (P145938; FY14; \$5M)      |                      |  |

## ENHANCING HUMAN CAPITAL AND SOCIAL RESILIENCE

Under Pillar 1.3, the Bank Group sought to make progress on the objectives/ outcomes detailed below.

## APPENDIX E

### WORLD BANK GROUP OPERATIONAL PROGRAM IN SAMOA FY05–15

| Objectives/Outcomes Sought  | Milestones   |
|---|--|
| Improved efficiency and effectiveness of service delivery to strengthen health financing and address education quality. | Detailed outcome indicators around the broad themes listed as well as specific milestones will be developed as part of a coordinated policy matrix underpinning a DPO series starting in FY13, and will be included in the CPS Progress Report |

Instruments used by the Bank Group to make progress on the above objectives/outcomes are detailed below.

| Lending Operations  | Analytic Work  | Nonlending Technical Assistance                                   |
|---|--|---|
| Samoa-2ND Health Sector MGMT Program Support Project (P086313; FY08; \$3M)    | Pacific Islands - HD SECTOR REVIEW (P079666; FY06)           | Early Grade Reading Assess in Pacific Region (P118877; FY13)      |
| Samoa- Health Sector MGMT Program Support Project AF II (P120832; FY10; \$3M) | PI- Delivery strategies for youth (P120712; FY12)            | Pacific Early Education Advisory Services (PEEAS) (P127936; FY15) |
|   | PI -Pacific Hardship and Vulnerability Study (P144446; FY14) | Aus-AID Education Partnership (P127935; FY15)                     |
|   | PI - Social Protection in the Pacific (P133619; FY15)        | Samoa -Health review (P082197; FY05)                              |
|   | PI-Pacific Migration Study (P092789; FY07)                   | Pacific—Gender and Disability in the Pacific (P093733; FY06)      |

## Pillar 2: Enhancing Competitiveness

### STRENGTHENING THE DOMESTIC FINANCIAL SECTOR

There were no CPS objectives articulated under Pillar 2.1.

Instruments used by the Bank Group under Pillar 2.1 are detailed below.

| Lending Operations | Analytic Work                   | Nonlending Technical Assistance                              |
|--------------------|---------------------------------|--|
|                    | Samoa FSAP (P151168; FY15; \$M) | Pacific Islands - Financial Sector Devt (P092788; FY06; \$M) |

### STRENGTHENING THE LEGAL AND REGULATORY FRAMEWORK, SECTOR LINKAGES, AND VALUE CHAINS FOR PRIVATE BUSINESS

Under Pillar 2.2, the Bank Group sought to make progress on the objectives/outcomes, detailed below.



| Objectives/Outcomes Sought  | Milestones   |
|---|--|
| Improved competitiveness, including improvements on Doing Business indicators.  | Detailed outcome indicators around the broad themes listed as well as specific milestones will be developed as part of a coordinated policy matrix underpinning a DPO series starting in FY13, and will be included in the CPS Progress Report |
| IFC tourism investments to support 4,000 new arrivals across 3 pilot countries by 2016 [Samoa specific indicators will be developed as this initiative progresses and will be included in the CPS Progress Report]      | Samoa to gain share of IFC's Pacific Tourism Initiative which aims to encourage \$30m in new private sector tourism investments and \$15m in new tourism infrastructure investments across 3 pilot countries.                                  |
| Doubling of average yields by 2017 for carrots (baseline 1,250 kg/acre), tomatoes (baseline 2,000 kg/acre), bok choy (baseline 3,850 kg/acre), eggplant (baseline 5,850 kg/acre), bell peppers (baseline 1,250 kg/acre) | Identification and introduction of new fruit and vegetable varieties by end 2014   |
| Share of locally produced fruit and vegetables sold by domestic channels increased from 5% to 25%   |  |
| Increase in share of locally produced beef sold by domestic channels from 40% to 55%  | <ul style="list-style-type: none"> <li>▣ New breeding stock imported by end 2014 to strengthen nucleus breeding program</li> <li>▣ Field slaughter service established by 2015</li> </ul>  |
| Measure the participation of women in the SACEP, in both the matching grants program and activities targeting subsistence farmers   | ▣ Matching grant scheme to support up to 1,000 farmers by 2016 to upgrade livestock and fruit and vegetable production.  |
| Increase in Samoan workers participating in temporary labor migration schemes in Australia and New Zealand, with higher returns per worker as efficiency increases.   | ▣ World Bank to support government oversight and management of Samoan workers in RSE scheme and new Australian SWP.  |
| Reduction in remittance costs from current unweighted average of 16% for all schemes, with a policy and payments system in place to support greater use of mobile money   | <ul style="list-style-type: none"> <li>▣ Legislative revisions to strengthen National Payments System and investments to increase efficiency of retail payment systems infrastructure.</li> <li>▣ Establishment of a credit bureau</li> </ul>  |

Instruments used by the Bank Group to make progress on the above objectives/ outcomes are detailed below.

| Lending Operations   | Analytic Work  | Nonlending Technical Assistance                    |
|--|--|--|
| Samoa Agriculture Competitiveness Enhancement (P115351; FY12; \$13M) | Remittance Costs (P109095; FY10)   | Samoa Agriculture Sector Strategy (P120701; FY11)  |
| PI - Inst. Cap. Build. for Labor Export (P109457; FY08; \$0.625M)    | Monitoring and Evaluation (P109069; FY11; \$M) -The development impact of a best practice seasonal worker policy | Pacific Islands Regional Fisheries (P109101; FY11) |

**APPENDIX E**  
**WORLD BANK GROUP OPERATIONAL PROGRAM IN SAMOA FY05–15**

|  |  |
|--|--|
|  | Regulatory and Inst. Reform for PSD (P092034; FY05)      |
|  | Regulatory and Inst. Reform for PSD (P098216; FY06)      |
|  | 4P-Regulatory & Inst. Reform for PSDP II (P102963; FY09) |
|  | PIC Regulatory Simplification and Reform (P104949; FY10) |
|  | Inst. strengthening for Labor Migration (P130478; FY15)  |
|  | Trade Facilitation for Pacific Islands (P110501; FY08)   |
|  | Trade Facilitation Strategy Labor Exp. (P109094; FY12)   |

**IMPROVING INFRASTRUCTURE SERVICE DELIVERY**

Under Pillar 2.3, the Bank Group sought to make progress on the objectives/outcomes detailed below.

| <b>Objectives/Outcomes Sought</b>  | <b>Milestones</b>   |
|--|---|
| Concessions tendered for new private investment in energy generation following liberalization and framework for independent power producers.   |   |
| Infrastructure to enable anticipated increase in demand from 30 megabits per second per month in to projected 400 Mbps/month in 2015, with wholesale bandwidth costs to be reduced from over \$1,000 Mbps/month to \$500 Mbps/month or lower, flowing through to reduced retail internet and telecoms costs. | Fiber optic cable linking Samoa with trans-Pacific cables<br>Regulatory environment allows competition with equal access by all retail market players to buy international bandwidth on a fair and transparent basis. |
| Completion of 5 km inland coastal road to provide access to villagers in tsunami areas that decided to relocate  | •Integrated National Climate Change Adaptation Strategy developed by end 2014.  |
| Climate proofing and improved drainage for 30 km West Coast road by end 2016   | •Samoa able to access regional risk pooling and catastrophe insurance schemes, to be introduced by end 2014.  |

Instruments used by the Bank Group to make progress under Pillar 2.3 are detailed below.

| <b>Lending Operations</b>                                     | <b>Analytic Work</b>                                     | <b>Nonlending Technical Assistance</b>          |
|---|--|---|
| PI-GEF-Sustainable Energy Finance (P098423; FY07; \$9.48M)    | 4P-PI Infrastructure Strategy (P069677; FY06)            | Pacific Islands Offshore Mining (P112571; FY11) |
| Samoa City Develop. Strategy Progr. (P128756; FY12; \$0.237M) | PI-Pacific Risk Management and Adaptatio (P089536; FY06) | Pacific Petroleum Supply TA (P117025; FY12)     |

**APPENDIX E**  
**WORLD BANK GROUP OPERATIONAL PROGRAM IN SAMOA FY 05–15**

|  |   |   |
|--|---|---|
| Samoa-Suppl. Infra Asset Mgmt<br>Additional Fi (P091025; FY07;<br>\$8.27M) | Pacific Infrastructure Diagnostics<br>AAA (P110315; FY10) | P4: Options Assessment on ICT for<br>Jobs (P146664; FY15) |
| Samoa Post Tsunami<br>Reconstruction (P120594; FY11;<br>\$10M)             | Regional Ports and Shipping<br>(P143662; FY15)            |   |
| Samoa Pac Reg Connect Phase<br>III: Samoa (P128904; FY15;<br>\$16M)        |   |   |
| Samoa Aviation Investment<br>Project (P143408; FY14; \$25M)                |   |   |
| Enhanced Road Access Project<br>(P145545; FY14; \$20M)                     |   |   |
| Pacific Aviation Safety Office<br>Reform (P145057; FY14; \$2.15M)          |   |   |
| Pacific Reg ICT Regulatory Dev.<br>Project (P148238; FY15; \$4.5M)         |   |   |

# Appendix F. Pacific Islands Tables

Table F.1. Pacific Islands—List of World Bank Approved Projects, FY05–15

| Proj ID     | Project Name                             | Approval Fiscal year | Agreement Type | Project Status | Total Project Commitment (US\$ millions) | IDA/IBRD Commitment Amount (US\$ millions) | Trust Fund Commitment Amount (US\$ millions) | Revised Closing Date | Global Practice        | Country  | Len Instr Type |
|-------------|--|----------------------|----------------|----------------|--|--|--|----------------------|------------------------|----------|----------------|
| P11584<br>4 | FJ: Institut Monitoring Tele Reforms     | 2009                 | IDF            | Closed         | 0.4                                      | 0.0  | 0.4  | 02/25/2014           | Transport and ICT      | Fiji     | #              |
| P12184<br>3 | Integrated Flood Mgt - Nadi Basin Pilot  | 2011                 | RETF           | Closed         | 0.8                                      | 0.0  | 0.8  | 06/30/2015           | ENR                    | Fiji     | Investment     |
| P15002<br>8 | Transport Infrastructure Investment Proj | 2015                 | IBRD           | Active         | 50.0                                     | 50.0                                       | 0.0  | 06/30/2020           | Transport and ICT      | Fiji     | Investment     |
| P08932<br>6 | KI-GEF-Adaptation Prog. Ph II-Pilot Imp  | 2006                 | GEF            | Closed         | 1.8                                      | 0.0  | 1.8  | 06/30/2011           | SURR                   | Kiribati | Investment     |
| P11855<br>2 | Kiribati Food Crisis Response Operation  | 2011                 | RETF           | Closed         | 2.0                                      | 0.0  | 2.0  | 12/31/2012           | Agriculture            | Kiribati | Investment     |
| P12215<br>1 | Kiribati Road Rehabilitation Project     | 2011                 | IDA            | Active         | 20.0                                     | 20.0                                       | 0.0  | 06/30/2018           | Transport and ICT      | Kiribati | Investment     |
| P11261<br>5 | Kiribati:GEF Adaptation Phase III (LDCF) | 2012                 | GEF            | Active         | 3.0                                      | 0.0  | 3.0  | 02/28/2018           | SURR                   | Kiribati | Investment     |
| P12893<br>8 | Pacific Aviation Investment - Kiribati   | 2012                 | IDA            | Active         | 22.9                                     | 22.9                                       | 0.0  | 12/31/2016           | Transport and ICT      | Kiribati | Investment     |
| P12187<br>8 | KI-GEF-Grid Connected Solar PV Pwr Plant | 2013                 | GEFM           | Active         | 1.0                                      | 0.0  | 1.0  | 12/31/2016           | Energy and Extractives | Kiribati | Investment     |

**APPENDIX F**  
**PACIFIC ISLANDS TABLES**

| Proj ID | Project Name                            | Approval Fiscal year | Agreement Type | Project Status | Total Project Commitment (US\$ millions) | IDA/IBRD Commitment Amount (US\$ millions) | Trust Fund Commitment Amount (US\$ millions) | Revised Closing Date | Global Practice        | Country                         | Len Instr Type |
|---------|---|----------------------|----------------|----------------|--|--|--|----------------------|------------------------|---------------------------------|----------------|
| P126324 | KI: Telecomms and ICT Development       | 2013                 | IDA            | Active         | 1.0                                      | 1.0  | 0.0  | 06/30/2017           | Transport and ICT      | Kiribati                        | Investment     |
| P143773 | Improving services for victims of GBV   | 2013                 | IDF            | Active         | 0.4                                      | 0.0  | 0.4  | 05/29/2016           | SURR                   | Kiribati                        | #              |
| P144602 | Kiribati Economic Reform Operation      | 2014                 | IDA            | Closed         | 5.2                                      | 5.2  | 0.0  | 06/30/2014           | MFM                    | Kiribati                        | Adjustment     |
| P149888 | Second Economic Reform DPO              | 2015                 | IDA            | Closed         | 3.0                                      | 3.0  | 0.0  | 06/30/2015           | MFM                    | Kiribati                        | Adjustment     |
| P154012 | Kiribati Road Rehabilitation Project AF | 2015                 | IDA            | Active         | 6.0                                      | 6.0  | 0.0  | #                    | Transport and ICT      | Kiribati                        | Investment     |
| P128013 | First ICT Sector Development Operation  | 2013                 | IDA            | Closed         | 3.0                                      | 3.0  | 0.0  | 12/31/2013           | Transport and ICT      | Marshall Islands                | Adjustment     |
| P132119 | MH: ICT TA Project                      | 2014                 | RETF           | Active         | 1.4                                      | 0.0  | 1.4  | 08/31/2016           | Transport and ICT      | Marshall Islands                | Investment     |
| P151760 | PROP for Marshall Islands               | 2015                 | IDA            | Active         | 6.8                                      | 6.8  | 0.0  | 09/30/2020           | ENR                    | Marshall Islands                | Investment     |
| P152934 | PROP for Marshall Islands               | 2015                 | GEFM           | Active         | 1.8                                      | 0.0  | 1.8  | 09/30/2020           | ENR                    | Marshall Islands                | Investment     |
| P155257 | Pacific Resilience Program - RMI        | 2015                 | IDA            | Active         | 1.5                                      | 1.5  | 0.0  | 11/30/2020           | SURR                   | Marshall Islands                | Investment     |
| P148560 | Energy Sector Development               | 2014                 | IDA            | Active         | 14.4                                     | 14.4                                       | 0.0  | 07/31/2018           | Energy and Extractives | Micronesia, Federated States of | Investment     |
| P130592 | Palau-FSM Connectivity Project          | 2015                 | IDA            | Active         | 47.5                                     | 47.5                                       | 0.0  | 01/31/2020           | Transport and ICT      | Micronesia, Federated States of | Investment     |

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**PACIFIC ISLANDS TABLES**

| Proj ID | Project Name                             | Approval Fiscal year | Agreement Type | Project Status | Total Project Commitment (US\$ millions) | IDA/IBRD Commitment Amount (US\$ millions) | Trust Fund Commitment Amount (US\$ millions) | Revised Closing Date | Global Practice        | Country                         | Len Instr Type |
|---------|--|----------------------|----------------|----------------|--|--|--|----------------------|------------------------|---------------------------------|----------------|
| P151754 | PROP for Federated States of Micronesia  | 2015                 | IDA            | Active         | 5.5                                      | 5.5  | 0.0  | 09/30/2020           | ENR                    | Micronesia, Federated States of | Investment     |
| P098423 | Pac Isl-GEF-Sustainable Energy Finance   | 2007                 | GEF            | Active         | 9.5                                      | 0.0  | 9.5  | 12/31/2017           | Energy and Extractives | Pacific Islands                 | Investment     |
| P109457 | PI - Inst. Cap. Build. for Labor Export  | 2008                 | IDF            | Closed         | 0.6                                      | 0.0  | 0.6  | 11/08/2010           | Poverty and Equity     | Pacific Islands                 | #              |
| P116643 | Pacific Survey Program                   | 2010                 | RETF           | Closed         | 0.4                                      | 0.0  | 0.4  | 10/31/2012           | MFM                    | Pacific Islands                 | Investment     |
| P120343 | IDF Pacific Regl Audit Initiative (PRIA) | 2010                 | IDF            | Closed         | 0.5                                      | 0.0  | 0.5  | 07/05/2013           | Governance             | Pacific Islands                 | #              |
| P128725 | CA - Pacific Urban Knowledge Management  | 2012                 | RETF           | Closed         | 0.3                                      | 0.0  | 0.3  | 06/30/2015           | SURR                   | Pacific Islands                 | Investment     |
| P133255 | Pacific Catastrophe Risk Insurance Pilot | 2013                 | RETF           | Closed         | 3.0                                      | 0.0  | 3.0  | 01/31/2016           | SURR                   | Pacific Islands                 | Investment     |
| P132449 | Pacific Catastrophe Risk - Phase 3 SOPAC | 2014                 | RETF           | Active         | 1.2                                      | 0.0  | 1.2  | 08/31/2016           | SURR                   | Pacific Islands                 | Investment     |
| P132686 | FSM and PW Telecoms and ICT TA Project   | 2014                 | RETF           | Active         | 0.5                                      | 0.0  | 0.5  | 08/31/2016           | Transport and ICT      | Pacific Islands                 | Investment     |
| P144210 | Economic Assessment of Disasters         | 2014                 | RETF           | Active         | 0.6                                      | 0.0  | 0.6  | #                    | SURR                   | Pacific Islands                 | Investment     |
| P145057 | Pacific Aviation Safety Office Reform    | 2014                 | IDA            | Active         | 2.2                                      | 2.2  | 0.0  | 12/31/2018           | Transport and ICT      | Pacific Islands                 | Investment     |

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**PACIFIC ISLANDS TABLES**

| Proj ID | Project Name                             | Approval Fiscal year | Agreement Type | Project Status | Total Project Commitment (US\$ millions) | IDA/IBRD Commitment Amount (US\$ millions) | Trust Fund Commitment Amount (US\$ millions) | Revised Closing Date | Global Practice        | Country         | Len Instr Type |
|---------|--|----------------------|----------------|----------------|--|--|--|----------------------|------------------------|-----------------|----------------|
| P131655 | Pacific Island Regional Oceans Program   | 2015                 | IDA            | Active         | 4.0                                      | 4.0  | 0.0  | 09/30/2020           | ENR                    | Pacific Islands | Investment     |
| P147839 | PACIFIC RESILIENCE PROGRAM - SPC         | 2015                 | IDA            | Active         | 3.7                                      | 3.7  | 0.0  | 11/30/2020           | SURR                   | Pacific Islands | Investment     |
| P148238 | Pacific Reg ICT Regulatory Dev. Project  | 2015                 | IDA            | Active         | 4.5                                      | 4.5  | 0.0  | 07/31/2019           | Transport and ICT      | Pacific Islands | Investment     |
| P152570 | Pacific Cat Risk Insurance Pilot         | 2015                 | RETF           | Active         | 1.0                                      | 0.0  | 1.0  | #                    | SURR                   | Pacific Islands | Investment     |
| P153429 | Pacific Islands Regional Oceanscape Prog | 2015                 | GEF            | Active         | 2.2                                      | 0.0  | 2.2  | 09/30/2020           | ENR                    | Pacific Islands | Investment     |
| P155542 | PACIFIC RESILIENCE PROGRAM - PIFS        | 2015                 | IDA            | Active         | 1.3                                      | 1.3  | 0.0  | 11/30/2020           | SURR                   | Pacific Islands | Investment     |
| P156335 | PACIFIC RESILIENCE PROGRAM - PIFS        | 2015                 | GEFM           | Active         | 0.9                                      | 0.0  | 0.9  | #                    | SURR                   | Pacific Islands | Investment     |
| P103034 | Palau Oil and Gas                        | 2007                 | RETF           | Closed         | 0.2                                      | 0.0  | 0.2  | 09/30/2010           | Energy and Extractives | Palau           | Investment     |
| P090086 | Samoa- IDF- Reforms and Capacity Devt.   | 2005                 | IDF            | Closed         | 0.2                                      | 0.0  | 0.2  | 10/05/2008           | Governance             | Samoa           | #              |
| P091025 | WS-Suppl Infra Asset Mgmt Additional Fi  | 2007                 | IDA            | Closed         | 8.3                                      | 8.3  | 0.0  | #                    | Transport and ICT      | Samoa           | Investment     |
| P086313 | WS-2ND HEALTH                            | 2008                 | IDA            | Closed         | 3.0                                      | 3.0  | 0.0  | 12/18/2015           | Health, Nutrition, and | Samoa           | Investment     |

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|-------------|---|----------------------|----------------|----------------|--|--|--|----------------------|--|---------|----------------|
|             | SECTOR MGMT<br>PROG SPT PRJ                       |                      |                |                |  |  |  |                      | Populatio<br>n                                 |         |                |
| P11863<br>6 | Economic Crisis<br>Recovery<br>Support Credit     | 2010                 | IDA            | Closed         | 20.0                                     | 20.0                                       | 0.0  | 12/31/2010           | MFM  | Samoa   | Adjustment     |
| P12083<br>2 | WS-2ND Health<br>Add'l Financing                  | 2010                 | IDA            | Closed         | 3.0                                      | 3.0  | 0.0  | #                    | Health,<br>Nutrition,<br>and<br>Populatio<br>n | Samoa   | Investment     |
| P12059<br>4 | Samoa Post<br>Tsunami<br>Reconstruction           | 2011                 | IDA            | Closed         | 10.0                                     | 10.0                                       | 0.0  | 08/31/2015           | Transport<br>and ICT                           | Samoa   | Investment     |
| P12480<br>7 | Samoa - PPCR                                      | 2011                 | RETF           | Active         | 0.5                                      | 0.0  | 0.5  | #                    | ENR  | Samoa   | Investment     |
| P11535<br>1 | Samoa<br>Agriculture<br>Competitiveness<br>Enhanc | 2012                 | IDA            | Active         | 13.0                                     | 8.0  | 5.0  | 03/28/2017           | Agricultur<br>e                                | Samoa   | Investment     |
| P12875<br>6 | CA -Samoa City<br>Develop.<br>Strategy Progr.     | 2012                 | RETF           | Closed         | 0.2                                      | 0.0  | 0.2  | 06/30/2015           | SURR   | Samoa   | Investment     |
| P12650<br>4 | Enhancing<br>Climate<br>Resilience-West<br>Cst Rd | 2013                 | RETF           | Active         | 14.8                                     | 0.0  | 14.8   | 08/31/2018           | Transport<br>and ICT                           | Samoa   | Investment     |
| P12659<br>6 | Enhancing<br>Climate<br>Resilience of<br>Coastal  | 2014                 | RETF           | Active         | 14.6                                     | 0.0  | 14.6   | 12/31/2018           | ENR  | Samoa   | Investment     |
| P14340<br>8 | Samoa Aviation<br>Investment<br>Project           | 2014                 | IDA            | Active         | 25.0                                     | 25.0                                       | 0.0  | 06/30/2019           | Transport<br>and ICT                           | Samoa   | Investment     |
| P14437<br>7 | Samoa<br>Development<br>Policy Operation          | 2014                 | IDA            | Closed         | 15.0                                     | 15.0                                       | 0.0  | 03/31/2015           | MFM  | Samoa   | Adjustment     |



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| Proj ID | Project Name                               | Approval Fiscal year | Agreement Type | Project Status | Total Project Commitment (US\$ millions) | IDA/IBRD Commitment Amount (US\$ millions) | Trust Fund Commitment Amount (US\$ millions) | Revised Closing Date | Global Practice        | Country | Len Instr Type |
|---------|--|----------------------|----------------|----------------|--|--|--|----------------------|------------------------|---------|----------------|
| P145545 | Enhanced Road Access Project               | 2014                 | IDA            | Active         | 20.0                                     | 20.0                                       | 0.0  | 04/30/2019           | Transport and ICT      | Samoa   | Investment     |
| P145938 | Agriculture and Fisheries Cyclone Response | 2014                 | IDA            | Active         | 5.0                                      | 5.0  | 0.0  | 06/30/2016           | Agriculture            | Samoa   | Investment     |
| P128904 | WS: Pac Reg Connect Phase III: Samoa       | 2015                 | IDA            | Active         | 16.0                                     | 16.0                                       | 0.0  | 07/31/2020           | Transport and ICT      | Samoa   | Investment     |
| P149770 | First Fiscal and Economic Reform Operation | 2015                 | IDA            | Closed         | 7.5                                      | 7.5  | 0.0  | 09/30/2015           | MFM                    | Samoa   | Adjustment     |
| P154839 | Pacific Resilience Program - Samoa         | 2015                 | IDA            | Active         | 13.8                                     | 13.8                                       | 0.0  | 11/30/2020           | SURR                   | Samoa   | Investment     |
| P079657 | TO-Tonga Education Support Project         | 2005                 | IDA            | Closed         | 1.0                                      | 1.0  | 0.0  | 06/30/2011           | Education              | Tonga   | Investment     |
| P096931 | TO-Transport Sector Consolidation          | 2009                 | IDA            | Active         | 5.4                                      | 5.4  | 0.0  | 06/30/2018           | Transport and ICT      | Tonga   | Investment     |
| P120595 | Tonga Post Tsunami Reconstruction          | 2011                 | IDA            | Closed         | 5.0                                      | 5.0  | 0.0  | 12/31/2013           | SURR                   | Tonga   | Investment     |
| P121877 | Tonga Energy Develop. Policy Operation     | 2011                 | IDA            | Closed         | 5.0                                      | 5.0  | 0.0  | 06/30/2011           | Energy and Extractives | Tonga   | Adjustment     |
| P125086 | IDF Grant-Proj Mgmt and Green PR-MOT-TO    | 2011                 | IDF            | Closed         | 0.2                                      | 0.0  | 0.2  | 07/27/2014           | Transport and ICT      | Tonga   | #              |
| P113184 | Pacific Regional Connectivity Program      | 2012                 | IDA            | Active         | 17.2                                     | 17.2                                       | 0.0  | 08/23/2016           | Transport and ICT      | Tonga   | Investment     |

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|---------|--|----------------------|----------------|----------------|--|--|--|----------------------|------------------------|---------|----------------|
| P126453 | Economic Recovery Operation              | 2012                 | IDA            | Closed         | 9.0                                      | 9.0  | 0.0  | 06/30/2012           | MFM                    | Tonga   | Adjustment     |
| P128939 | Pacific Aviation Investment - Tonga      | 2012                 | IDA            | Active         | 27.2                                     | 27.2                                       | 0.0  | 12/31/2016           | Transport and ICT      | Tonga   | Investment     |
| P131250 | Institutional and Regulatory Framework   | 2012                 | RETF           | Active         | 2.9                                      | 0.0  | 2.9  | 12/31/2016           | Energy and Extractives | Tonga   | Investment     |
| P130824 | Economic Recovery Operation II           | 2013                 | IDA            | Closed         | 1.8                                      | 1.8  | 0.0  | 06/30/2013           | MFM                    | Tonga   | Adjustment     |
| P144601 | First Economic Reform Support Operation  | 2014                 | IDA            | Closed         | 5.0                                      | 5.0  | 0.0  | 06/30/2014           | MFM                    | Tonga   | Adjustment     |
| P150113 | Tonga Cyclone Reconstruction             | 2014                 | IDA            | Active         | 12.0                                     | 12.0                                       | 0.0  | 06/30/2018           | SURR                   | Tonga   | Investment     |
| P149963 | Second Economic Reform Support Operation | 2015                 | IDA            | Closed         | 5.0                                      | 5.0  | 0.0  | 12/31/2015           | MFM                    | Tonga   | Adjustment     |
| P154840 | Pacific Resilience Program - Tonga       | 2015                 | IDA            | Active         | 10.5                                     | 10.5                                       | 0.0  | 11/30/2020           | SURR                   | Tonga   | Investment     |
| P156334 | Pacific Resilience Program - Tonga       | 2015                 | GEF            | Active         | 4.6                                      | 0.0  | 4.6  | 11/30/2020           | SURR                   | Tonga   | Investment     |
| P128940 | Pacific Aviation Investment - Tuvalu     | 2012                 | IDA            | Active         | 11.9                                     | 11.9                                       | 0.0  | 12/31/2016           | Transport and ICT      | Tuvalu  | Investment     |
| P145310 | Tuvalu Aviation Investment Project - AF  | 2014                 | IDA            | Active         | 6.1                                      | 6.1  | 0.0  | #                    | Transport and ICT      | Tuvalu  | Investment     |

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|---------|---|----------------------|----------------|----------------|--|--|--|----------------------|------------------------|---------|----------------|
| P145488 | Tuvalu Development Policy Operation     | 2014                 | IDA            | Closed         | 3.0                                      | 3.0  | 0.0  | 06/30/2014           | MFM                    | Tuvalu  | Adjustment     |
| P144573 | Energy Sector Development Project       | 2015                 | IDA            | Active         | 7.0                                      | 7.0  | 0.0  | 03/31/2019           | Energy and Extractives | Tuvalu  | Investment     |
| P150194 | Second Development Policy Operation     | 2015                 | IDA            | Active         | 1.5                                      | 1.5  | 0.0  | 12/31/2016           | MFM                    | Tuvalu  | Adjustment     |
| P151780 | PROP for Tuvalu                         | 2015                 | IDA            | Active         | 7.0                                      | 7.0  | 0.0  | 09/30/2020           | ENR                    | Tuvalu  | Investment     |
| P152925 | PROP For Tuvalu                         | 2015                 | GEFM           | Active         | 1.8                                      | 0.0  | 1.8  | 09/30/2020           | ENR                    | Tuvalu  | Investment     |
| P103873 | Utility Regulatory Authority            | 2007                 | RETF           | Closed         | 0.9                                      | 0.0  | 0.9  | 10/31/2013           | Finance and Markets    | Vanuatu | Investment     |
| P118895 | VU: Telecommunications and ICT TA       | 2010                 | RETF           | Active         | 2.8                                      | 0.0  | 2.8  | 06/30/2016           | Transport and ICT      | Vanuatu | Investment     |
| P112611 | Increasing Resilience to Climate Change | 2013                 | GEF            | Active         | 5.6                                      | 0.0  | 5.6  | 12/31/2018           | ENR                    | Vanuatu | Investment     |
| P129376 | Mainstreaming Disaster Risk Reduction   | 2013                 | RETF           | Active         | 2.7                                      | 0.0  | 2.7  | 12/31/2016           | SURR                   | Vanuatu | Investment     |
| P143465 | VU: Telecommunications and ICT TA       | 2013                 | RETF           | Active         | 2.7                                      | 0.0  | 2.7  | #                    | Transport and ICT      | Vanuatu | Investment     |
| P145311 | Energy Sector Development Project       | 2013                 | RETF           | Active         | 2.5                                      | 0.0  | 2.5  | 06/30/2016           | Energy and Extractives | Vanuatu | Investment     |
| P133701 | GPOBA Improved                          | 2014                 | RETF           | Active         | 4.0                                      | 0.0  | 4.0  | 06/30/2018           | Energy and             | Vanuatu | Investment     |

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| Proj ID      | Project Name                        | Approval Fiscal year | Agreement Type | Project Status | Total Project Commitment (US\$ millions) | IDA/IBRD Commitment Amount (US\$ millions) | Trust Fund Commitment Amount (US\$ millions) | Revised Closing Date | Global Practice        | Country | Len Instr Type |
|--------------|-------------------------------------|----------------------|----------------|----------------|--|--|--|----------------------|------------------------|---------|----------------|
|              | Electricity Access                  |                      |                |                |  |  |  |                      | Extractives            |         |                |
| P150908      | Rural Electrification Project       | 2015                 | RETF           | Active         | 4.7                                      | 0.0  | 4.7  | 12/31/2019           | Energy and Extractives | Vanuatu | Investment     |
| P154149      | Vanuatu Aviation Investment Project | 2015                 | IDA            | Active         | 59.5                                     | 59.5                                       | 0.0  | 12/31/2019           | Transport and ICT      | Vanuatu | Investment     |
| P155256      | Pacific Resilience Program          | 2015                 | IDA            | Active         | 1.5                                      | 1.5  | 0.0  | 11/30/2020           | SURR                   | Vanuatu | Investment     |
| <b>Total</b> |                                     |                      |                |                | <b>663.0</b>                             | <b>558.5</b>                               | <b>104.5</b>                                 |                      |                        |         |                |

Source: World Bank database as of March, 2016 (includes supplements).

Note: IDA = International Development Association; IEG = Independent Evaluation Group; RETF = recipient-executed trust fund; S = satisfactory; SURR = Social, Urban, Rural, and Resilience Global Practice; MFM = Macroeconomics and Fiscal Management; ENR = Environment and Natural Resources.

**Table F.2. Number and Total Commitment Amount of IDA/IBRD Commitments, FY05–15, (US\$, millions)**

| World Bank Global Practice                          | 2011     |             | 2012     |             | 2013     |            | 2014     |             | 2015      |              | Total     |              |
|---|----------|-------------|----------|-------------|----------|------------|----------|-------------|-----------|--------------|-----------|--------------|
|   | No.      | Amt.        | No.      | Amt.        | No.      | Amt.       | No.      | Amt.        | No.       | Amt.         | No.       | Amt.         |
| Energy and Extractives                              |          |             |          |             |          |            | 1        | 14.4        | 1         | 7.0          | 2         | 21.4         |
| Environment and Natural Resources                   |          |             |          |             |          |            |          |             | 4         | 23.2         | 4         | 23.2         |
| Macro Economics and Fiscal Management               |          |             |          |             |          |            | 2        | 8.2         | 2         | 4.5          | 4         | 12.7         |
| Social, Urban, Rural and Resilience Global Practice |          |             |          |             |          |            |          |             | 4         | 8.0          | 4         | 8.0          |
| Transport and ICT                                   | 1        | 20.0        | 2        | 34.8        | 2        | 4.0        | 2        | 8.2         | 5         | 167.5        | 12        | 234.5        |
| <b>Total</b>  | <b>1</b> | <b>20.0</b> | <b>2</b> | <b>34.8</b> | <b>2</b> | <b>4.0</b> | <b>5</b> | <b>30.8</b> | <b>16</b> | <b>210.2</b> | <b>26</b> | <b>299.8</b> |

Source: World Bank database as of January 06, 2016 (includes supplements).

Note: Does not include commitments for Samoa and Tonga. IBRD = International Bank for Reconstruction and Development; IDA = International Development Association.

**Table F.3. IEG Project Ratings for Pacific Islands, Exit FY06–15**

| Exit FY | Project ID | Project name                               | Net Commitment Amount (US\$, millions) | Country  | Approval FY | IEG Outcome | IEG Risk to DO Rating | IEG Bank Quality at Entry | IEG Bank Supervision |
|---------|------------|--|--|----------|-------------|-------------|-----------------------|---------------------------|----------------------|
| 2007    | P064926    | WS-Health Sector Management Project        | 5.6                                    | Samoa    | 2001        | MS          | Moderate              | MS                        | MS                   |
| 2007    | P075171    | Cyclone Emergency Recovery and Management  | 6.1                                    | Tonga    | 2002        | S           | Moderate              | S                         | S                    |
| 2008    | P088246    | Cyclone Emergency Recovery Project         | 4.6                                    | Samoa    | 2004        | MS          | Moderate              | MS                        | S                    |
| 2010    | P075230    | Health Sector Support Project              | 12.0                                   | Tonga    | 2004        | MS          | Moderate              | MS                        | S                    |
| 2010    | P118636    | Economic Crisis Recovery Support Credit    | 19.5                                   | Samoa    | 2010        | MS          | Negligible to low     | S                         | S                    |
| 2011    | P075739    | Samoa - Telecommunications and Post Reform | 4.0                                    | Samoa    | 2003        | MS          | Moderate              | MU                        | MS                   |
| 2011    | P079657    | TO-Tonga Education Support Project         | 1.0                                    | Tonga    | 2005        | U           | Significant           | U                         | MS                   |
| 2011    | P089326    | KI-GEF-Adaptation Prog. Ph II-Pilot Imp    | 0.0                                    | Kiribati | 2006        | MU          | Moderate              | MU                        | MU                   |
| 2011    | P121877    | Tonga Energy Develop. Policy Operation     | 5.2                                    | Tonga    | 2011        | S           | Negligible to low     | MS                        | S                    |
| 2012    | P126453    | Economic Recovery Operation                | 8.9                                    | Tonga    | 2012        | MS          | Significant           | MS                        | MS                   |
| 2013    | P075523    | WS-INFRA ASSET MGMT APL2                   | 21.1                                   | Samoa    | 2004        | MS          | Significant           | MS                        | MS                   |
| 2013    | P130824    | Economic Recovery Operation II             | 1.8                                    | Tonga    | 2013        | MS          | Significant           | MS                        | MS                   |
| 2014    | P120595    | Tonga Post Tsunami Reconstruction          | 5.1                                    | Tonga    | 2011        | MS          | Moderate              | MS                        | MS                   |

Source: World Bank database as of July 15, 2015.

Note: Risk to development objective is rated for projects from FY07 onward. Note: FY = fiscal year; IEG = Independent Evaluation Group; MS = moderately satisfactory; MU = moderately unsatisfactory; S = satisfactory; U = unsatisfactory.

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**Table F.4. Bank Budget by Cost Structure Category, FY05–15 (in US\$ thousands and percent)**

| <b>World Bank Global Practice</b>                    | <b>Total</b>  | <b>Project Supervision</b> | <b>Lending</b> | <b>Programmatic Approach</b> | <b>AAA</b>   | <b>Country Program Support</b> | <b>Client Training</b> |
|--|---------------|----------------------------|----------------|------------------------------|--------------|--------------------------------|------------------------|
| Agriculture  | 448           | 23                         | 12             | 87                           | 326          |                                |                        |
| Education  | 469           | 382                        | 60             | 0                            | 27           |                                |                        |
| Energy and Extractives                               | 99            |                            | 60             | 0                            | 39           |                                |                        |
| Environment and Natural Resources                    | 2,494         | 775                        | 1,574          |                              | 145          |                                |                        |
| Finance and Markets                                  | 899           | 124                        | 448            |                              | 327          |                                |                        |
| Governance   | 851           |                            | 38             |                              | 813          |                                |                        |
| Health, Nutrition, and Population                    | 848           | 462                        |                | 35                           | 301          |                                | 50                     |
| Macro Economics and Fiscal Management                | 391           |                            |                |                              | 391          |                                |                        |
| Not assigned   | 2,246         | 4                          | 110            |                              | 2,132        |                                |                        |
| Other  | 5,503         | 2,225                      | 821            |                              | 1,433        | 1,025                          |                        |
| Poverty and Equity                                   | 748           |                            |                |                              | 267          | 482                            |                        |
| Social Protection and Labor                          | 3             |                            |                |                              | 3            |                                |                        |
| Social, Urban, Rural, and Resilience Global Practice | 1,013         |                            | 19             |                              | 994          |                                |                        |
| Trade and Competitiveness                            | 2,266         | 584                        | 967            | 15                           | 354          | 346                            |                        |
| Transport and ICT                                    | 1,962         |                            | 26             |                              | 1,936        |                                |                        |
| <b>Total</b>   | <b>20,240</b> | <b>4,579</b>               | <b>4,134</b>   | <b>136</b>                   | <b>9,489</b> | <b>1,852</b>                   | <b>50</b>              |
| Agriculture  | 100           | 5                          | 3              | 19                           | 73           | 0                              | 0                      |
| Education  | 100           | 82                         | 13             | 0                            | 6            | 0                              | 0                      |
| Energy and Extractives                               | 100           | 0                          | 61             | 0                            | 40           | 0                              | 0                      |
| Environment and Natural Resources                    | 100           | 31                         | 63             | 0                            | 6            | 0                              | 0                      |
| Finance and Markets                                  | 100           | 14                         | 50             | 0                            | 36           | 0                              | 0                      |
| Governance   | 100           | 0                          | 4              | 0                            | 96           | 0                              | 0                      |
| Health, Nutrition, and Population                    | 100           | 54                         | 0              | 4                            | 36           | 0                              | 6                      |
| Macro Economics and Fiscal Management                | 100           | 0                          | 0              | 0                            | 100          | 0                              | 0                      |
| Not assigned   | 100           | 0                          | 5              | 0                            | 95           | 0                              | 0                      |
| Other  | 100           | 40                         | 15             | 0                            | 26           | 19                             | 0                      |

| World Bank Global Practice                           | Total | Project Supervision | Lending | Programmatic Approach | AAA | Country Program Support | Client Training |
|--|-------|---------------------|---------|-----------------------|-----|-------------------------|-----------------|
| Poverty and Equity                                   | 100   | 0                   | 0       | 0                     | 36  | 64                      | 0               |
| Social Protection and Labor                          | 100   | 0                   | 0       | 0                     | 100 | 0                       | 0               |
| Social, Urban, Rural, and Resilience Global Practice | 100   | 0                   | 2       | 0                     | 98  | 0                       | 0               |
| Trade and Competitiveness                            | 100   | 26                  | 43      | 1                     | 16  | 15                      | 0               |
| Transport and ICT                                    | 100   | 0                   | 1       | 0                     | 99  | 0                       | 0               |
| Total  | 100   | 23                  | 20      | 1                     | 47  | 9                       | 0               |

Source: World Bank Business Intelligence database as of January 08, 2016

Note: Does not include amounts for Tonga and Samoa. Includes financing from both Bank Budget and other World Bank managed financing programs. AAA = analytic and advisory activities; ICT = information and communication technology.

**Table F.5. Total Net Disbursements of Official Development Assistance and Official Aid, 2005–2014 (US\$, millions)**

| Donor          | Fiji  | Kiribati | Marshall Islands | Micronesia | Palau | Samoa | Tonga | Tuvalu | Vanuatu | Pacific Islands Total | Percentage of Total Disbursed |
|----------------|-------|----------|------------------|------------|-------|-------|-------|--------|---------|-----------------------|-------------------------------|
| DAC countries  |       |          |                  |            |       |       |       |        |         |                       |                               |
| United States  | 16.0  | 2.8      | 510.4            | 967.9      | 170.7 | 10.4  | 10.2  | 0.1    | 85.8    | 1774.2                | 31.4                          |
| Australia      | 323.6 | 177.6    | 24.7             | 26.6       | 19.8  | 254.7 | 189.5 | 65.1   | 422.0   | 1503.6                | 26.6                          |
| Japan          | 126.3 | 95.4     | 72.3             | 118.7      | 88.4  | 141.0 | 113.1 | 63.6   | 99.0    | 917.8                 | 16.3                          |
| New Zealand    | 47.5  | 66.1     | 0.7              | 1.4        | 0.2   | 126.3 | 110.1 | 34.7   | 127.3   | 514.3                 | 9.1                           |
| France         | 8.0   | 0.0      | 0.0              | 0.0        | 0.0   | 0.3   | -0.1  | 0.1    | 52.8    | 61.1                  | 1.1                           |
| Korea          | 11.2  | 2.6      | 0.8              | 0.5        | 0.5   | 1.8   | 1.4   | 1.0    | 0.4     | 20.1                  | 0.4                           |
| Canada         | 1.8   | 1.2      | 0.5              | 0.6        | 0.6   | 1.7   | 1.1   | 1.2    | 5.2     | 13.9                  | 0.2                           |
| United Kingdom | 7.6   | 0.4      | 0.0              | 0.0        | 0.1   | 1.3   | 0.8   | 0.1    | 0.6     | 10.9                  | 0.2                           |
| Germany        | 7.7   | 0.3      | 0.1              | 0.2        | 1.0   | 0.9   | -3.3  | 0.0    | 0.5     | 7.5                   | 0.1                           |
| Italy          | 0.1   | 0.3      | 0.1              | 0.0        | 0.0   | 0.1   | 0.1   | 0.0    | 0.1     | 0.7                   | 0.0                           |
| Spain          | 0.0   | 0.0      | 0.0              | 0.0        | 0.3   | 0.1   | 0.1   | 0.0    | 0.2     | 0.7                   | 0.0                           |
| Luxembourg     | 0.0   | 0.0      | 0.0              | 0.3        | 0.0   | 0.1   | 0.0   | 0.0    | 0.1     | 0.6                   | 0.0                           |

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| Donor                          | Fiji  | Kiribati | Marshall Islands | Micronesia | Palau | Samoa | Tonga | Tuvalu | Vanuatu | Pacific Islands Total | Percentage of Total Disbursed |
|--------------------------------|-------|----------|------------------|------------|-------|-------|-------|--------|---------|-----------------------|-------------------------------|
| Greece                         | 0.1   | 0.1      | 0.1              | 0.1        | 0.1   | 0.1   | 0.0   | 0.1    | 0.1     | 0.5                   | 0.0                           |
| Sweden                         | 0.1   | 0.0      | 0.0              | 0.0        | 0.0   | 0.1   | 0.0   | 0.0    | 0.2     | 0.4                   | 0.0                           |
| Switzerland                    | 0.0   | 0.0      | 0.0              | 0.2        | 0.0   | 0.1   | 0.0   | 0.1    | 0.0     | 0.4                   | 0.0                           |
| Norway                         | 0.2   | 0.0      | 0.2              | 0.0        | 0.0   | 0.0   | 0.0   | 0.0    | 0.0     | 0.3                   | 0.0                           |
| Ireland                        | 0.1   | 0.0      | 0.0              | 0.0        | 0.0   | 0.2   | 0.0   | 0.0    | 0.0     | 0.3                   | 0.0                           |
| Denmark                        | 0.0   | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.2   | 0.0    | 0.0     | 0.2                   | 0.0                           |
| Finland                        | 0.1   | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.0   | 0.1    | 0.0     | 0.2                   | 0.0                           |
| Iceland                        | 0.0   | 0.0      | 0.1              | 0.0        | 0.0   | 0.0   | 0.0   | 0.0    | 0.0     | 0.1                   | 0.0                           |
| Czech Republic                 | 0.0   | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.0   | 0.0    | 0.0     | 0.1                   | 0.0                           |
| Austria                        | 0.0   | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.0   | 0.0    | 0.0     | 0.0                   | 0.0                           |
| Slovenia                       | 0.0   | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.0   | 0.0    | 0.0     | 0.0                   | 0.0                           |
| Portugal                       | 0.0   | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.0   | 0.0    | 0.0     | 0.0                   | 0.0                           |
| Slovak Republic                | 0.0   | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.0   | 0.0    | 0.0     | 0.0                   | 0.0                           |
| Belgium                        | 0.0   | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.0   | 0.0    | 0.0     | 0.0                   | 0.0                           |
| Poland                         | 0.0   | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.0   | 0.0    | 0.0     | 0.0                   | 0.0                           |
| Netherlands                    | -0.8  | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.0   | 0.0    | 0.0     | -0.8                  | 0.0                           |
| DAC countries, total           | 549.4 | 346.9    | 609.9            | 1116.5     | 281.8 | 538.9 | 423.3 | 166.1  | 794.2   | 4827.0                | 85.5                          |
| <b>Multilateral agencies</b>   |       |          |                  |            |       |       |       |        |         |                       |                               |
| EU institutions                | 101.6 | 37.5     | 6.4              | 10.4       | 3.0   | 79.0  | 22.5  | 15.9   | 37.0    | 313.1                 | 5.5                           |
| IDA                            | 0.0   | 22.7     | 3.0              | 0.0        | 0.0   | 65.7  | 71.0  | 6.2    | -4.8    | 163.7                 | 2.9                           |
| ADB special funds              | 3.0   | 11.1     | 0.4              | 14.2       | 5.5   | 71.1  | 21.3  | 7.8    | -11.2   | 123.1                 | 2.2                           |
| GEF                            | 13.2  | 7.0      | 2.4              | 0.8        | 1.3   | 28.6  | 2.5   | 4.7    | 5.5     | 65.9                  | 1.2                           |
| UNDP                           | 16.2  | 0.5      | 0.1              | 0.1        | 0.0   | 6.0   | 0.5   | 0.4    | 0.5     | 24.5                  | 0.4                           |
| UNICEF                         | 19.4  | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.0   | 0.0    | 0.0     | 19.4                  | 0.3                           |
| WHO                            | 3.8   | 1.8      | 0.5              | 1.6        | 0.2   | 3.7   | 2.4   | 0.3    | 3.9     | 18.2                  | 0.3                           |
| IMF (concessional trust funds) | 0.0   | 0.0      | 0.0              | 0.0        | 0.0   | 17.8  | 0.0   | 0.0    | 0.0     | 17.8                  | 0.3                           |
| UNTA                           | 2.7   | 1.9      | 0.8              | 0.8        | 0.2   | 3.7   | 2.6   | 0.5    | 3.3     | 16.4                  | 0.3                           |



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| Donor                          | Fiji  | Kiribati | Marshall Islands | Micronesia | Palau | Samoa | Tonga | Tuvalu | Vanuatu | Pacific Islands Total | Percentage of Total Disbursed |
|--------------------------------|-------|----------|------------------|------------|-------|-------|-------|--------|---------|-----------------------|-------------------------------|
| Global Fund                    | 8.6   | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.0   | 0.0    | 0.0     | 8.6                   | 0.2                           |
| UNFPA                          | 8.0   | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.0   | 0.0    | 0.0     | 8.0                   | 0.1                           |
| UNAIDS                         | 5.8   | 0.0      | 0.0              | 0.0        | 0.0   | 0.3   | 0.0   | 0.0    | 0.0     | 6.1                   | 0.1                           |
| Adaptation Fund                | 0.0   | 0.0      | 0.0              | 0.0        | 0.0   | 4.5   | 0.0   | 0.0    | 0.0     | 4.5                   | 0.1                           |
| OFID                           | 0.0   | 0.0      | 0.0              | 0.0        | 0.0   | 2.9   | 0.0   | 0.0    | 0.0     | 2.9                   | 0.1                           |
| Climate Investment Funds (CIF) | 0.0   | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.8   | 0.0    | 0.0     | 0.8                   | 0.01                          |
| GAVI                           | 0.0   | 0.6      | 0.0              | 0.0        | 0.0   | 0.0   | 0.0   | 0.0    | 0.0     | 0.6                   | 0.01                          |
| IAEA                           | 0.0   | 0.0      | 0.0              | 0.0        | 0.1   | 0.0   | 0.0   | 0.0    | 0.0     | 0.1                   | 0.002                         |
| IFAD                           | 0.0   | 0.0      | 0.0              | 0.0        | 0.0   | -0.7  | -0.4  | 0.0    | 0.0     | -1.1                  | -0.02                         |
| Multilateral agencies, total   | 182.6 | 83.1     | 13.8             | 27.9       | 10.4  | 282.6 | 123.4 | 35.9   | 34.5    | 794.2                 | 14.1                          |
| <b>Non-DAC countries</b>       |       |          |                  |            |       |       |       |        |         |                       |                               |
| United Arab Emirates           | 1.1   | 0.9      | 0.0              | 0.0        | 0.0   | 4.9   | 5.2   | 1.9    | 0.9     | 14.9                  | 0.3                           |
| Turkey                         | 1.0   | 0.3      | 0.7              | 0.3        | 0.6   | 0.4   | 0.7   | 0.8    | 0.4     | 5.1                   | 0.1                           |
| Russian Federation             | 0.1   | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.0   | 3.0    | 0.0     | 3.2                   | 0.1                           |
| Thailand                       | 0.3   | 0.0      | 0.0              | 0.0        | 0.0   | 0.1   | 0.0   | 0.0    | 0.0     | 0.6                   | 0.010                         |
| Israel                         | 0.1   | 0.0      | 0.0              | 0.1        | 0.1   | 0.0   | 0.0   | 0.0    | 0.1     | 0.5                   | 0.008                         |
| Romania                        | 0.0   | 0.0      | 0.0              | 0.0        | 0.0   | 0.0   | 0.0   | 0.0    | 0.0     | 0.0                   | 0.000                         |
| Non-DAC countries, total       | 2.7   | 1.2      | 0.7              | 0.4        | 0.6   | 5.4   | 5.9   | 5.8    | 1.4     | 24.2                  | 0.4                           |
| All donors, total              | 734.7 | 431.2    | 624.5            | 1144.8     | 292.9 | 827.0 | 552.6 | 207.8  | 830.1   | 5645.4                | 100.0                         |

Source: Organization for Economic Co-operation and Development (OECD). Data extracted on January 07, 2016 from OECD Stat.

Note: ADB = Asian Development Bank; DAC = Development Assistance Committee; EU = European Union; IDA = International Development Association; GFATM = Global Fund to Fight AIDS, Tuberculosis and Malaria; IAEA = International Atomic Energy Agency; UNAIDS = Joint United Nations Programme on HIV/AIDS; UNFPA = United Nations Population Fund.

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Table F.6. Analytical and Advisory Services (AAA) Support to Pacific Islands, FY05–15

| Proj ID (AAA) | Project Name                             | Practice                    | Country         | Fiscal year | Prod Line | AAA Cost (BB) Delivered (US\$T) | AAA Cost (TF) Delivered (US\$T) | Total Cost Delivered (US\$T) |
|---------------|--|-----------------------------|-----------------|-------------|-----------|---------------------------------|---------------------------------|------------------------------|
| P092932       | Fiji Public Sector Reform TA             | Governance                  | Fiji            | FY05        | NLTA      | 55                              | 74                              | 129                          |
| P099914       | AML/CFT ASSESSMENT FIJI                  | Finance and Markets         | Fiji            | FY06        | ESW       | 109                             | 0                               | 109                          |
| P101503       | Masterplan for Biomass Utilization Fiji  | Energy and Extractives      | Fiji            | FY07        | ESW       | 0                               | 181                             | 181                          |
| P097041       | FSAP Fiji                                | Finance and Markets         | Fiji            | FY07        | ESW       | 292                             | 0                               | 292                          |
| P111281       | Fiji Pension reform (FNPF)               | Finance and Markets         | Fiji            | FY10        | NLTA      | 96                              | 75                              | 171                          |
| P110175       | FIJI - Economic Assessment               | MFM                         | Fiji            | FY10        | ESW       | 8                               | 46                              | 54                           |
| P117578       | FJ: Telecomms and ICT TA                 | Transport and ICT           | Fiji            | FY11        | NLTA      | 59                              | 0                               | 59                           |
| P115779       | Fiji - Social Protection CT TA           | Social Protection and Labor | Fiji            | FY12        | NLTA      | 730                             | 172                             | 902                          |
| P122737       | FJ ICT Policy Dialogue                   | Transport and ICT           | Fiji            | FY12        | NLTA      | 25                              | 0                               | 25                           |
| P145192       | Fiji Post Disaster Needs Assessment      | SURR                        | Fiji            | FY14        | NLTA      | 0                               | 114                             | 114                          |
| P131403       | Support to Economic Reform               | MFM                         | Kiribati        | FY13        | NLTA      | 3                               | 89                              | 92                           |
| P127619       | Kiribati Review of the Import Levy Fund  | Agriculture                 | Kiribati        | FY14        | NLTA      | 45                              | 247                             | 292                          |
| P118200       | KI: Telecommunications/ICT Development   | Transport and ICT           | Kiribati        | FY14        | NLTA      | 48                              | 170                             | 218                          |
| P122888       | KIRIBATI Telecoms Reform TA              | Transport and ICT           | Kiribati        | FY14        | NLTA      | 1                               | 490                             | 491                          |
| P092034       | Regulatory and Inst. Reform for PSD      | Finance and Markets         | Pacific Islands | FY05        | NLTA      | 111                             | 139                             | 251                          |
| P092788       | Pacific Islands - Financial Sector Devt  | Finance and Markets         | Pacific Islands | FY06        | NLTA      | 7                               | 4                               | 11                           |
| P098216       | Regulatory and Inst. Reform for PSD      | Finance and Markets         | Pacific Islands | FY06        | NLTA      | 63                              | 0                               | 63                           |
| P079666       | 4P-RER 2004/HD SECTOR REVIEW-Pacific Isl | HNP                         | Pacific Islands | FY06        | ESW       | 495                             | 599                             | 1,094                        |
| P098009       | PI- Pacific 2020                         | MFM                         | Pacific Islands | FY06        | ESW       | 88                              | 51                              | 139                          |
| P093733       | 4P-GENDER and DISABILITY in PACIFIC      | Poverty and Equity          | Pacific Islands | FY06        | NLTA      | 0                               | 63                              | 63                           |
| P069677       | 4P-PI Infrastructure Strategy            | SURR                        | Pacific Islands | FY06        | ESW       | 39                              | 0                               | 39                           |
| P089536       | PI-Pacific Risk Management and Adaptatio | SURR                        | Pacific Islands | FY06        | ESW       | 107                             | 174                             | 281                          |
| P092789       | PI-Pacific Migration Study               | Trade and Competitiveness   | Pacific Islands | FY07        | ESW       | 212                             | 434                             | 646                          |
| P095031       | Pacific M&E of Conserv. Action Strategy  | ENR                         | Pacific Islands | FY08        | NLTA      | 0                               | 35                              | 35                           |
| P110501       | Trade Facilitation for Pacific Islands   | Trade and Competitiveness   | Pacific Islands | FY08        | NLTA      | 0                               | 90                              | 90                           |
| P110131       | PACIFIC CATASTROPHE RISK POOL FEAS STUDY | ENR                         | Pacific Islands | FY09        | NLTA      | 238                             | 780                             | 1,018                        |
| P102963       | 4P-Regulatory & Inst. Reform for PSDP II | Finance and Markets         | Pacific Islands | FY09        | NLTA      | 5                               | 185                             | 190                          |

**APPENDIX F**  
**PACIFIC ISLANDS TABLES**

| Proj ID (AAA) | Project Name                              | Practice                    | Country         | Fiscal year | Prod Line | AAA Cost (BB) Delivered (US\$T) | AAA Cost (TF) Delivered (US\$T) | Total Cost Delivered (US\$T) |
|---------------|---|-----------------------------|-----------------|-------------|-----------|---------------------------------|---------------------------------|------------------------------|
| P112080       | SUSTAINABLE MGT Thru RED. DISASTER RISK   | ENR                         | Pacific Islands | FY10        | NLTA      | 28                              | 503                             | 530                          |
| P104949       | PIC Regulatory Simplification and Reform  | Finance and Markets         | Pacific Islands | FY10        | NLTA      | 18                              | 161                             | 179                          |
| P118674       | Program Development in Northern Pacific   | MFM                         | Pacific Islands | FY10        | ESW       | 66                              | 24                              | 90                           |
| P109095       | Remittance Costs                          | Trade and Competitiveness   | Pacific Islands | FY10        | ESW       | 91                              | 93                              | 184                          |
| P110315       | Pacific Infrastructure Diagnostics AAA    | Transport and ICT           | Pacific Islands | FY10        | ESW       | 0                               | 306                             | 306                          |
| P109101       | Pacific Islands Regional Fisheries        | Agriculture                 | Pacific Islands | FY11        | NLTA      | 204                             | 467                             | 671                          |
| P112571       | Pacific Islands Offshore Mining           | Energy and Extractives      | Pacific Islands | FY11        | NLTA      | 94                              | 0                               | 94                           |
| P109069       | Monitoring and Evaluation                 | Trade and Competitiveness   | Pacific Islands | FY11        | ESW       | 826                             | 220                             | 1,046                        |
| P125720       | 4P-Catastro Risk Assess. Geonode Innov TA | Agriculture                 | Pacific Islands | FY12        | NLTA      | 77                              | 0                               | 77                           |
| P117025       | Pacific Petroleum Supply TA               | Energy and Extractives      | Pacific Islands | FY12        | NLTA      | 35                              | 742                             | 777                          |
| P122344       | PACIFIC CAT RISK FINANCING TA - PHASE II  | ENR                         | Pacific Islands | FY12        | NLTA      | 28                              | 1,577                           | 1,606                        |
| P120712       | Delivery strategies for youth             | HNP                         | Pacific Islands | FY12        | ESW       | 0                               | 22                              | 22                           |
| P109094       | Trade Facilitation Strategy Labour Exp.   | Trade and Competitiveness   | Pacific Islands | FY12        | NLTA      | 691                             | 159                             | 850                          |
| P118877       | Early Grade Reading Assess in Pac Region  | Education                   | Pacific Islands | FY13        | NLTA      | 8                               | 1,013                           | 1,021                        |
| P131402       | PFM Design under Capacity Constraints     | Governance                  | Pacific Islands | FY14        | ESW       | 0                               | 103                             | 103                          |
| P117120       | Pacific Futures                           | MFM                         | Pacific Islands | FY14        | NLTA      | 128                             | 106                             | 234                          |
| P126058       | PRAXIS Discussion Series                  | Other                       | Pacific Islands | FY14        | NLTA      | 115                             | 0                               | 115                          |
| P144446       | Pacific Hardship and Vulnerability Study  | Poverty and Equity          | Pacific Islands | FY14        | ESW       | 0                               | 220                             | 220                          |
| P122736       | FSM and RMI Telecoms Assessment           | Transport and ICT           | Pacific Islands | FY14        | NLTA      | 81                              | 107                             | 188                          |
| P127936       | NF-EAP Education TA                       | Education                   | Pacific Islands | FY15        | NLTA      | 18                              | 2,301                           | 2,319                        |
| P127935       | NF-Educ Global Practices (Fixed 1/Var 2)  | Education                   | Pacific Islands | FY15        | NLTA      | 0                               | 1,981                           | 1,981                        |
| P133619       | Social Protection in the Pacific          | Social Protection and Labor | Pacific Islands | FY15        | ESW       | 127                             | 322                             | 449                          |
| P130478       | Inst. strengthening for Labor Migration   | Social Protection and Labor | Pacific Islands | FY15        | NLTA      | 95                              | 1,295                           | 1,390                        |
| P143662       | Regional Ports and Shipping               | Transport and ICT           | Pacific Islands | FY15        | ESW       | 172                             | 27                              | 200                          |
| P146664       | P4: Options Assessment on ICT for Jobs    | Transport and ICT           | Pacific Islands | FY15        | NLTA      | 58                              | 0                               | 58                           |
| P084771       | PW-Palau Oil and Gas TA                   | Energy and Extractives      | Palau           | FY07        | NLTA      | 50                              | 0                               | 50                           |
| P089868       | Economic Valuation TA - Phase II          | ENR                         | Palau           | FY09        | NLTA      | 7                               | 0                               | 7                            |
| P146205       | TV: Telecommunications and ICT TA         | Transport and ICT           | Tuvalu          | FY15        | NLTA      | 37                              | 0                               | 37                           |

**APPENDIX F**  
**PACIFIC ISLANDS TABLES**

| Proj ID (AAA) | Project Name                             | Practice               | Country | Fiscal year | Prod Line | AAA Cost (BB) Delivered (US\$T) | AAA Cost (TF) Delivered (US\$T) | Total Cost Delivered (US\$T) |
|---------------|--|------------------------|---------|-------------|-----------|---------------------------------|---------------------------------|------------------------------|
| P087875       | PPIAF: VANUATU: Regulatory Frmwk.        | Finance and Markets    | Vanuatu | FY06        | NLTA      | 0                               | 297                             | 297                          |
| P105501       | FIRST #467: Strength regulation & superv | Finance and Markets    | Vanuatu | FY08        | NLTA      | 0                               | 21                              | 21                           |
| P112804       | VU: Telecomm Regulatory Capacity Bldg    | Transport and ICT      | Vanuatu | FY09        | NLTA      | 31                              | 0                               | 31                           |
| P111359       | VU Justice for the Poor                  | Governance             | Vanuatu | FY10        | NLTA      | 176                             | 0                               | 176                          |
| P108873       | Support and Establishment of URA         | Finance and Markets    | Vanuatu | FY11        | NLTA      | 78                              | 789                             | 866                          |
| P129824       | Vanuatu - Petroleum supply and risk      | Energy and Extractives | Vanuatu | FY13        | NLTA      | 0                               | 207                             | 207                          |
| P122938       | Vanuatu Energy Roadmap TA                | Energy and Extractives | Vanuatu | FY13        | NLTA      | 0                               | 532                             | 532                          |
| P108569       | Vanuatu Rural Services Delivery          | SURR                   | Vanuatu | FY13        | ESW       | 125                             | 152                             | 277                          |
| P117734       | Vanuatu Land Sector Framework            | Governance             | Vanuatu | FY14        | NLTA      | 0                               | 930                             | 930                          |
| P117738       | Vanuatu Law and Justice Sector Strategy  | Governance             | Vanuatu | FY14        | NLTA      | 0                               | 689                             | 689                          |
| P126047       | GPOBA (W1): Improved Electricity Access  | Energy and Extractives | Vanuatu | FY15        | NLTA      | 0                               | 259                             | 259                          |
| P126572       | Port Vila International Port Reform      | Transport and ICT      | Vanuatu | FY15        | NLTA      | 455                             | 0                               | 455                          |
| Total         |  |                        |         |             |           | 6,757                           | 19,837                          | 26,595                       |

Source: World Bank database as of January, 2016.

Note: Does not include information for Tonga and Samoa. AAA = analytic and advisory services; BB = Bank Budget; ENR = Environment and Natural Resources; HNP = Health, Nutrition, and Population; IDA = International Development Association; MFM = Macroeconomics and Fiscal Management; NLTA = nonlending technical assistance; RETF = recipient-executed trust fund; S = satisfactory; SURR = Social, Urban, Rural, and Resilience Global Practice; TF = trust fund.

# Appendix G. Evaluation of World Bank Group Assistance in Building Resilience in the PICs

## Strengthening Economic Resilience

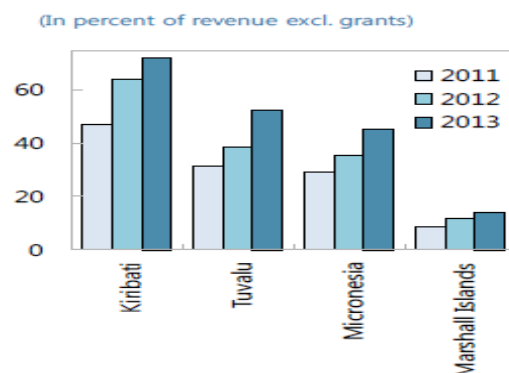
An important part of the Bank's focus in the PICs has been support for enhanced public financial management. Donors, especially ANZ, had indicated their willingness to support the delivery of key public services, but there was a need to ensure that governance that was sufficiently good to avoid major diversion or misuse of funds. The role that the Bank could play in promoting effective PFM was thus an important motivation for the setting up of the PF. The strategy documents and Bank programs indicate four broad objectives or focal areas of Bank engagement with PFM (i) raising revenues, (ii) improving public expenditure efficiency, (iii) encouraging sustainable fiscal management, and (iv) strengthening public financial management systems for enhanced transparency and accountability.

The Bank is supporting countries to increase their revenues from the sale of fisheries licenses, on which some of the islands heavily depend. Fishing license fees are a major source of revenue in several Pacific island countries (Kiribati, the Marshall Islands, Micronesia, and Tuvalu). In 2013 fee earnings ranged from 15 percent of total revenues in the Marshall Islands to 65 percent in Kiribati (see figure G.1). The key to this has been the adoption by eight PICS of the vessel day scheme (VDS) in 2007. Nauru Agreement members<sup>1</sup> jointly agreed to allocate a fixed number of transferable fishing days to each member according to the size of its Exclusive Economic Zones and historical catch. The fishing companies pay a flat fee per vessel per day. As a consequence fishing license fee revenue almost rose from about \$60 million in 2010 to \$280 million in 2014. The Bank began a more intensive dialogue on approaches to the sector and analytic work in 2009 and supported a multi-country fisheries program in 2014. The Bank sees scope for further enhancing the competitiveness of fishing arrangements and consistency through regional agreements beyond the Nauru Agreement and is providing assistance in this regard. Bank support for the fisheries sector is discussed in appendix H.

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<sup>1</sup> The 1982 Nauru Agreement signed by eight Pacific island countries sought to strengthen the bargaining power of license-issuing countries and regional control to stop illegal fishing. The original agreement regulated only the maximum number of vessels eligible for access rights in the region.

Figure G.1. Fishing License Fees Revenues



Source: IMF. Asia and Pacific Small States Monitor, April 2014.

The Bank has also encouraged improvements in revenue management and supported the increase in taxes on tobacco and sugar, with a view to the potential health benefits. The Bank's emphasis on the need to raise tobacco and sugar taxes, sometimes included in DPOs, has been appreciated by Ministries of Finance and recognized as a win-win for its positive health impacts.

The second objective of the Bank has been to support more efficient public expenditures. A major thrust of the Bank has been to persuade governments to separate the public policy, management and regulatory functions from the actual service delivery, through either outsourcing functions to the private sector (e.g., in road maintenance and telecommunications) or through the creation of separate national services in health and highways. In addition Bank analytic work on expenditure through PERs, PEMFAs or sector MTEFs contributed to better allocation of expenditures. The Bank has also provided just in time advice and analytic work in areas such as public sector pay policies and the allocation of public expenditure both across and within sectors using instruments such as the Public Expenditure and Financial Accountability (PEFA) reviews, selective Public Expenditure Reviews, and support for MTEFs at the sectoral level. Just in time support related both to requests from governments and from other donors. As an example of the latter, one donor cited the Bank's role in Kiribati, where the government was providing an expensive subsidy to copra producers. The Bank agreed to donor requests to source and to obtain a consultant to review the program. "This has led to unprecedented reforms and has had a major impact on the way the government looks at this issue. This would have been very difficult for a bilateral donor to do." The Bank has also been active in providing just in time support in Tonga and Samoa in response to requests from the Ministries of Finance (see appendix B and D on Tonga and Samoa for more details).

The third objective of the Bank was to promote sustainable fiscal management. The PICs are extremely vulnerable to external shocks, both from natural disasters and the global economic trends. The first has both a direct impact through the costs of relief and rehabilitation and an indirect impact through the decline in tourist arrivals. To help address the problems which arose from natural disasters, the Bank supported the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) which undertook a major risk analysis across the region. Following on this a pilot insurance scheme has been established with support from the government of Japan, which allows for risk pooling to provide highly liquid funds to governments in the immediate aftermath of a disaster. This is discussed further in the next section. The vicissitudes of the global economy have impacted the PICs in two ways. First, soaring food and fuel prices in 2007–08 imposed a sizeable economic burden given that these are the bulk of the PICs imports. Second, the global financial crisis led to lower demand for PIC migrant labor in ANZ and a consequent reduction in the flow of remittances, as well as a decline in tourist traffic. Another important source of fiscal instability is the lumpiness of capital investment in the PICs. Given their small size, key public investments such as those needed for major roads, airports, or hospitals, represent a very large share of GDP by comparison with larger countries. Loans to support such projects, taken out when economic conditions are favorable, must continue to be repaid when the shocks occur. The difficulties that can result from governments electing to go ahead with large politically attractive infrastructure projects that raise serious issues of long-term fiscal sustainability are illustrated by the Apia terminal in box G.1. The Bank has helped countries set-up debt units and debt monitoring systems and provided training in this area, as well as making it a feature of its dialogue e.g., in Samoa and Vanuatu.

**Box G.1. The Matter of the Apia Terminal**

There is little question of the need for major reconstruction and renovation of Apia's international airport. The Bank is currently supporting a project to reconstruct the runway and the aprons linked to the terminal facilities as well as to enhance safety and firefighting equipment. A Chinese contractor proposed to the Prime Minister to construct a large and expensive new terminal building with funding from the Chinese Exim bank. Without any analysis of the project, or cabinet consultation, the decision to proceed with this project was announced publicly. Under the DPO Samoa had agreed not to borrow loans with a grant element of less than 35 percent. The loan from China's Exim bank had a grant element of 28 percent. This would have mattered less if the project had been smaller, but the proposed project cost roughly three times what Bank technical staff judged to be needed at this point in time. Further the DPO included agreement that all borrowing would be subject to an economic appraisal of the proposed project and the calculation of a rate of return. In addition procurement on this large contract was to be sole sourced without the transparency agreed under the DPO. The proposed loan and contracting did not follow Samoa's own internal procedures.

The Bank was placed in a difficult position since the PM was not going to go back on his publicly announced support of the project. The Chinese Ministry of Foreign Affairs was sympathetic to the concerns expressed by both the Bank and senior Samoan officials, but the decision on terms was one for the Ministry of Commerce to take and they were unwilling to offer more concessional terms. Since Samoa was technically in default of the agreements of the DPO, the Bank held up declaring the DPO effective, which also held up ANZ co-financing. The Bank decided to ask the government to carry out an economic evaluation of the terminal and also insisted that an environmental impact assessment cover both the runway reconstruction and the terminal building. The economic analysis was of good quality and demonstrated that on the basis of ambitious but not totally implausible traffic projections the rate of return was marginally acceptable. Once the economic analysis had been done and the EIA agreed to, after a delay of around six months, the Bank decided to declare the First Fiscal and Economic Operation effective and other donors went along with this.

*Source:* Evaluation interviews with government officials and World Bank staff.

Fourth, the Bank has worked closely with other donors to help strengthen public financial management systems for enhanced transparency and accountability. The Bank worked with then AusAID to develop a guidance note on PFM reforms in 2012–13. Australia has been supporting the preparation of Medium-Term Expenditure Frameworks. The Bank's view is that the transaction costs involved in preparing these for the public sector as a whole may outweigh the advantages. In key sectors however, such as health and education in Samoa, they have proven useful instruments. ADB has supported Government Financial Management Information Systems (GFMIS) and these are working, but need to be upgraded. External auditing has been supported by donors through provision of technical assistance and has been an important feature of the



DPOs.<sup>2</sup> While the Bank has addressed issues of Public Procurement at the general level in most countries, it has played a more important role through strengthening capacity in the key sectors, particularly Infrastructure and Health as an adjunct to its lending in these areas. Until recently the Bank has not had a major involvement on civil service reform. The contribution has mainly been through knowledge sharing, to expose senior officials to other systems. The Bank is currently engaged however in providing technical assistance to the Public Sector Reform Commission of the government of Fiji on a number of aspects of the ongoing civil service reform that is taking place.

One area where the Bank has not been much engaged has been that of local governments and decentralized structures. This is likely to be an important issue for the PICs going forward. Even with small economies, there is a case for a second level of government that is able to take a view of the needs of a separate island or town. This should be studied to assess whether the benefits of creating some structures of this kind would outweigh their costs. The Bank should undertake analytic work on this topic or support some of the regional academic institutions to do so.

### **Building Environmental Resilience**

Disaster risk management (DRM) and climate change adaptation (CCA) have played an important role in the Bank's strategies over the last decade. DRM did not feature in the Bank's 2000–04 Regional Strategy, though the overall portfolio was small. But it formed a core part of the FY06–09 Regional Engagement Framework, which had sub-pillars on improving resilience to natural hazards, and on improving maintenance of infrastructure assets (and so aiming to reduce the need for costly reconstruction). DRM or CCA also play an important role in the Bank's country strategies for Kiribati FY11–14 CPS, the Federated States of Micronesia FY14–17, Samoa FY12–16, Tonga FY11–14, and Tuvalu FY12–15. It does not feature in the FY15–17 Fiji Country Engagement note.

The Bank's strategy over the last decade has been anchored by two key pieces of analytic work – Not If But When – Adapting to natural hazards in the Pacific Islands region in 2006 and Acting Today For Tomorrow in 2012. The 2006 study argued for a shift from disaster response toward proactive risk reduction and climate-proofing, noting as constraints a range of perverse incentives in donors and client countries, poor institutional arrangements in countries that relegated DRM to weak ministries, and an overemphasis on physical investments as compared to behavioral change and knowledge work. The 2012 study noted that fragmented project-based disaster risk reduction and climate change adaptation initiatives had not reduced underlying

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<sup>2</sup> Interlocutors noted however that even when audit reports are prepared in a timely manner there is an issue of the capacity of the Public Accounts Committees to review them

## APPENDIX G

### EVALUATION OF WORLD BANK GROUP ASSISTANCE IN BUILDING RESILIENCE IN THE PICs

vulnerability in a lasting way. It noted weak coordination between and within donor and country institutions and the need for improved access to climate and disaster data, and argued for mainstreaming of disaster risk reduction and climate change adaptation considerations in broader development planning. And it echoed again the need for DRM coordination to be housed in high level institutional bodies. In addition, the Bank has carried out post-disaster needs assessments in Samoa and Fiji after Cyclone Evan in 2012 and in Vanuatu after Cyclone Pam in 2015. These have helped countries to bring credible damage assessments to donors and so encourage support, and have helped governments and donors prioritize the most significant sectors.

The Bank has engaged in DRM using a range of instruments. The Bank has a history of engagement in disaster response reconstruction, and risk reduction in Samoa and Tonga, primarily through investment lending operations but also through Development Policy Lending in Samoa.<sup>3</sup> These operations have supported a mix of post-disaster reconstruction (aiming to build structures that will be more resilient), specific risk reduction investments, and capacity building for disaster preparedness and response capacity. The Bank has had a long running program on climate change adaptation in Kiribati, one of the first explicit climate change adaptation efforts in the Bank. But otherwise the Bank's engagements on DRM have been more recent. The Bank has played a key role in the development of the ongoing Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI), which supported a large amount of technical preparatory work and has initiated a catastrophe insurance pilot in Samoa, Tonga, Vanuatu, Marshall Islands and the Cook Islands. The Bank has established a new multi-country platform for engaging on disaster resilience, the Pacific Resilience Program (PREP), with disaster risk reduction operations in Samoa and Tonga, disaster risk financing in the Marshall Islands and Vanuatu, and well as regional components through the Pacific Island Forum Secretariat (PIFS) and SPC. The Bank hopes to extend this platform to other countries in future. Much of the portfolio is still active, and so has not yet been evaluated.

The Bank has not always had high leverage when financing risk reduction. In Tonga, the Bank financed three disaster response projects which focused on reconstruction of housing (see Appendix B). While the newly reconstructed houses are more resilient to future cyclones, the model of financing the full cost of private housing has meant that available funds cover only a small portion of the country's at-risk assets, and so the cumulative impact of Bank financing for risk reduction has been modest relative to total climate vulnerability. The most recent project finances

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<sup>3</sup> The Bank has engaged in DRM in Samoa in 2004, 2007, 2011, 2013, 2014, and 2015 and Tonga in 2002, 2011, 2014, and 2015.

housing reconstruction in remote outer islands, and has faced considerable implementation problems in part because expectations from communities exceed what can be supported with available funding. The project has also struggled with social and political challenges based on eligibility criteria for larger houses to be provided to more vulnerable households, and based on disputes over the division of benefits between house owners versus occupants. Moreover, project beneficiaries face uncertainty over future occupancy rights in newly constructed homes.

The Bank has supported financial disaster risk management through the PCRAFI. The PCRAFI is inspired by the successful Caribbean Catastrophe Risk Insurance Facility, a multi-country risk pool offering disaster insurance products to governments in the Caribbean. Pacific Island countries asked for support from the Bank to replicate the scheme in the Pacific, but it became apparent that there was no data available on which to build an insurance product. The Bank thus began with a series of investments supporting development of databases for hazard and vulnerability information. The database has helped to develop country risk profiles which inform finance ministries of their risk exposure, it has helped to inform some investment design decisions by donors, and it has allowed for the creation of insurance products. As in the Caribbean facility, the goal of insurance is not to cover a substantial portion of losses, but rather to help provide the government with urgently needed liquidity in the wake of a disaster, which they can then use to make urgently needed purchases (such as for fuel, overtime, equipment hire, and critical supplies) to facilitate the disaster response effort. Insurance products have been functioning in a pilot stage for three years. Two payouts have been made to date, to Tonga and Vanuatu, each of roughly \$2 million, and both very rapidly after the disaster. Government officials in Samoa and Tonga interviewed by IEG were enthusiastic about the system, and understood the benefits and limitations. Policy engagement and dialog with finance ministries through the PCRAFI has helped the Bank increase awareness of the need for improved DRM.

But as of September 2015 the future of the initiative remains unclear. Premiums have so far been paid by the Japan International Cooperation Agency and will be paid by IDA in future. It is not yet clear if countries would value coverage highly enough to pay their own premium.<sup>4</sup> The transaction costs of running the system are high relative to premium volume, and the limited overall ability of countries to pay means that there are upper bounds on the feasible market size. Thus it is not yet

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<sup>4</sup> Countries face two issues: the budgetary issue of finding space for premium payments, and country concerns that insurance payments may reduce the amount of disaster relief that they receive. Samoan officials suggest that Samoa would be willing to pay premiums, but this may not be representative.

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clear if a standalone self-funding sustainable facility will be feasible in the Pacific. (However, Bank staff report that a multi donor trust fund is being established with funds committed after the 2015 Paris COP 21, which would make medium term funding and expansion more stable.) Some donors are underwhelmed by the insurance products, arguing that the costs of developing the databases have been high relative to the small payout size and relative to the large donor relief and reconstruction operations. They also argue that the focus on financial risk management will detract from a risk management agenda. But Bank staff convincingly argue that the two are complementary, and that the engagement through the PCRAFI with finance ministries has been key to convincing governments to support resilience initiatives as in the large-scale PREP.

The recently approved PREP establishes a regional platform for the Bank's engagement on DRM in the Pacific. The PREP is in the early stages and so it is too soon to assess results, but the overall approach appears sound. The design and selection of components appears reasonable: the \$32 million program aims focuses primarily on strengthening early warning systems and preparedness, including support for hydro-meteorological and seismological systems and warning communication systems, along with risk reduction activities in investment planning, retrofits of public buildings, and for extended support for the PCRAFI including payment of premiums. Prioritizing warning systems may be a cost-effective means of risk reduction. Meteorological agencies are starting from a low base; in many countries these agencies have received no significant support in over two decades. The program tries to work both nationally and regionally, with national level IDA-financed investment operations in the four covered countries combined with regional activities implemented through regional institutions to be financed by the Pilot Program for Climate Resilience (PPCR) and the Special Climate Change Fund. The idea of the PREP was that by acting at scale it would act as a flagship intervention in the sector and help to consolidate resilience initiatives across the Pacific. But since its conception, increased attention to and financing for DRM by other donors, means that the PREP is one of several major initiatives and is no longer the only major platform for others to harmonize around, so coordination will remain an ongoing challenge.

The Bank could focus more on its areas of comparative advantage. The Bank engagement has been at its strongest in its efforts to help governments to adopt a framework of disaster risk reduction and resilience in broad government planning. It has less of a comparative advantage in emergency response and reconstruction operations, where many bilateral and other donors are also capable and active. While emergency response operations have played an important role in past in establishing DRM engagement and dialog, many countries have become highly sensitive to climate

change and disaster risks, and the Bank may be able to move directly to disaster resilience activities.

Countries face difficult tradeoffs in deciding how and when to relocate from vulnerable coastal areas. Economic activity, population, and transport links are concentrated on coasts, and face substantial and increasing risks from disasters. Relocating activity inland would reduce disaster risks and could shift future development toward locations that are less vulnerable, but this comes at high economic cost and may not be effective. Operations in Samoa (see Appendix E) demonstrate this dilemma, with questions over whether a critical road should be moved inland, and with a tsunami response operation that financed construction of a new inland road but found that many people who initially relocated inland have since returned to the coast.

Throughout the Pacific, Bank interventions labeled as climate change have focused on current climate risks rather than future climate change. Disaster risk management experts in the Bank argue that there is no significant difference between disaster risk management and climate change adaptation. This is an understandable position, as distinctions made between the two are often unhelpful. Governments face headaches trying to access climate finance funds that have narrow funding windows that specify that they must be used for climate change adaptation and not disaster risk management or reconstruction. And countries face substantial adaptation deficits, so emphasis on improving resilience to current climate variability addresses a major near-term development threat and driver of economic risk. Yet small island countries especially low-lying atolls face strategic questions from future climate change more than almost anywhere else in the world, and need to be considering anticipatory adaptation to long run threats. The Bank has an almost unique ability to help countries think about long-term planning on these issues, as regional donors face complex sensitivities in these types of discussions especially given political sensitivities over migration access. The Bank could encourage internal debate on long-term migration options and on whether it makes sense to finance development in places that may become untenable.<sup>5</sup> Seemingly fantastic proposals about atoll raising or floating settlements are being made. The Bank is in a position to provide credible advice on whether these have any feasibility. But there can be a disconnect between the level of threat identified in the Bank's country strategies and analytic work with the level of engagement. In Tuvalu, the Bank's strategy notes the existential threat from climate change, but discusses support for water tanks and rainwater harvesting. In Kiribati, the country strategy notes

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<sup>5</sup> One barrier to this is the level of anxiety provoked by anything involving resettlement, given safeguard issues.

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“Kiribati’s vulnerability to the existential threat of climate change” and states that the core of the Bank’s strategy will be to help with climate change adaptation, but the recent major interventions are on fixing the road and improving efficiency in water supply. They are worthy and important goals that address critical current development challenges and current adaptation deficits but do little to address long run threats. The Bank could foster debate about a range of adaptive strategies and questions; can the Bank help countries to adopt land use strategies that discourage development in high vulnerability zones; is there a role for the Bank in discussions on long-term migration strategies; is there scope for ensuring that resources such as fishing revenues can benefit people even if displaced?

The Bank could play more of a role in addressing fragmentation of the climate change space. An important motivation of governments in the region for adopting a climate change lens is the hope of attracting climate finance on grant or concessional terms. But the climate change space is crowded and difficult to navigate. There are literally dozens of donors and different funding windows, and this puts a heavy coordination burden on governments that have severe capacity limits. There are often many parallel operations in a single country with little coordination, and potential risk of duplication and overlap. The Bank and other donors would provide better service if they could coordinate better, with fewer interventions, more cofinancing, and less burden on governments. The Bank is sometimes seen by other donors and regional institutions as often acting on its own in the climate change space. There are regional climate change groups the Bank is not part of – partly because these often act out of Suva where the Bank has limited presence and Bank operational staff are kept busy focused on country engagements and project preparation and supervision, so regional coordination becomes a lower priority. The Bank is not as engaged with regional organizations as it could be. Its approach has tended to be to work with individual institutions when there is a specific technical need. This works in terms of improving project operational performance, but regional institutions have important political functions, and the Bank could reach out to them more in the design of major operations even if without using them as implementing agencies. As climate adaptation will require infrastructure investments and is likely to grow in importance and scale, as considered in past it could be useful for the Pacific Region Infrastructure Facility (PRIF) to take on a coordination function in this space.

The Bank’s climate change adaptation projects in Kiribati have faced a number of challenges caused in part by program design. The Bank supported a series of adaptation projects<sup>6</sup> based on the United Nations phased approach of planning, enabling, and

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<sup>6</sup> Phase 1 in 2003 was devoted to consultations and planning; phase 2 in 2006 was intended to build capacity and public awareness, support diagnosis of climate-related problems,

implementing pilot demonstration measures. But project experience demonstrated potential flaws in this model and the need to customize to country conditions. The phase 1 project failed to have full buy-in from government, in part because it was difficult to engage government in planning work given the lack of accompanying investments and associated economic activity. The phase 2 project design was unrealistically complex, especially given low levels of technical and managerial capacity. Project expectations that communities would readily prioritize investments were foreign to a culture built on making decisions by consensus. The third phase has learned from this experience and is more narrowly focused, but implementation progress has been slow. Despite these challenges, the projects have made important contributions on water and sanitation policies and plans.

### **Strengthening Social Resilience**

This section examines five dimensions of social resilience in the PICs: (i) labor mobility, (ii) health, (iii) education, (iv) gender equality, and (v) social protection. Social resilience only features very modestly in the Country Strategy documents for the PICs. The Tonga CAS has two outcomes related to education reflecting the project that was ongoing at the time of the CAS, and the Samoa, Kiribati and Tuvalu CPS have an outcome on increased temporary migration. There are no outcomes on health, gender equality or social protection in the results frameworks. This said the Bank did of course have some coverage in all these areas. Labor mobility was a major thrust of the Bank's work and policy dialogue with governments. The health program was quite significant in the earlier years of the period but was scaled back later partly due to less demand from governments. Since the education project in Tonga, the Bank has seen itself as a niche player, focusing mainly on EGRA. Gender equality is supported through mainstreaming it in the Bank's investment operations and there has been analytic work on social protection. These five topics are briefly discussed below.

### **Fostering Migration**

The most important contribution of the Bank to social resilience has been its involvement in the migration issue since 2008. From the ANZ perspective Home and Away was the reference manual. The Bank provided knowledge of other temporary migration schemes worldwide (e.g., the Canadian scheme with Jamaica) and credibility, and this was instrumental in particular in giving the New Zealand authorities the

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mainstream adaptation into government policies, programs, and plans, and undertake pilot measures in coastal protection and freshwater management. Phase 3 approved in 2011 is focused on the water sector, with support for groundwater and rainwater harvesting and leak reduction in distribution systems, along with some coastal protection.

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confidence to go forward. There were issues of how to prepare workers for the scheme. The Bank learned from piloting the scheme.<sup>7</sup> It was able to help the Employment Services Units with the kinds of information they needed to gather and the systems they needed to have in place. In some countries the selection of migrants was pro-poor, particularly Vanuatu and Tonga, while in others it was a more average cross-section of the population. There were issues of alcoholism and the behavior of migrants. The Bank lent support for the development of a two day pre-departure orientation course – covering issues as basic as occupational health and safety as well as how to turn on an oven, how to set up a bank account, and what the work involves. PIC governments have also responded by trying to maximize the advantages from migration. For example, the government of Samoa has put in place training schemes for potential migrant workers. Currently Samoa is exploring options such as a special marine training program. In FY15 the Bank responded to a request from the government of Samoa to help in the preparation of a labor migration policy.

The Bank has also supported the monitoring and evaluation of the program. A very rigorous evaluation framework was put in place which covered both workers who were not selected and workers who were, and for the latter group, the evaluation looked at them both before they left and after they returned. Overall the benefits were substantial and a particularly encouraging finding was that a significant share of remittances went for children's education (see box G.2). The Bank continues to work in this area supported by DFAT funding. While overall the scheme has been successful it is important to recognize its limitations. The migrants are employed in activities that do little to build their capacity to undertake skilled employment or set up enterprises when they return home. In recognition of this, both the Seasonal Worker Program in Australia and the Recognized Seasonal Employment scheme in New Zealand have established add-on skills training that allows workers to receive formal qualifications under ANZ quality training frameworks. Returning seasonal workers have the opportunity to complete a Recognition of Prior Learning assessment against competencies at a Certificate I or II level in the sector that they have been working in. An important issue for the Bank to consider is whether there is scope for leveraging the experience of the migrants to broaden the development impact, through for example, extension services that could support MSME development or through offering technical and vocation training to returning migrants. The Bank is supporting a conference in March 2016 for representatives from the labor sending countries to compare their experience.

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<sup>7</sup> At present the RSE only covers temporary migrants from Kiribati, Samoa, the Solomon Islands, Tonga, Papua New Guinea, Tuvalu, and Vanuatu.



**Box G.2. Evidence of the Impact of the New Zealand Seasonal Worker Program**

An Impact Evaluation of the scheme undertaken in 2014 yielded the following conclusion: “Using analysis based on detailed surveys fielded before, during, and after participation in the RSE, we find that the RSE has indeed had large positive effects on sending households in Tonga and Vanuatu. We find per capita incomes of households participating in the RSE to have increased by over 30 percent relative to the comparison groups in both countries, with per-capita expenditure also increasing, although by less than income. Subjective economic welfare is estimated to have increased by almost half a standard deviation in both countries, and households have purchased more durable assets such as DVD players, radios, ovens, and in Vanuatu, boats. In Tonga RSE households also doubled the rate of home improvement, and in both countries, households became more likely to have a bank account, likely reflecting more formal savings. School attendance rates increased by 20 percentage points for 16 to 18 year olds in Tonga, and community-level effects were generally modest, but positive. Overall these results show that the seasonal worker program has been a powerful development intervention for the participating households, and that the RSE policy appears to have succeeded in its development objectives in the short run.”

*Source:* The development impact of New Zealand’ RSE seasonal worker policy, John Gibson and David McKenzie.

**Strengthening Human Development—Health and Education**

The Bank has had relatively limited engagement in the health and education sectors in these countries. While strategy documents have boiler-plate references to Bank support for health and education outcomes, in practice this has not been the focus of support. Particularly in the health sector the Bank’s work needs to be seen as part of its general effort to promote more efficient public expenditures. The Samoa Health Systems Strengthening project is the only ongoing operation. In addition the Bank is involved in the PEARL (Pacific Early Age Readiness and Learning) which is a Bank executed program with Ministries of Education, mainly active in Tonga. The Bank has obtained \$9 million from the Global Partnership in support of the project. In the view of a Bank staff member, there are two reasons for this limited engagement: “First, Australia and New Zealand provide substantial grant funding for health and education and governments are reluctant to borrow, even on IDA terms for what they regard as ‘welfare’ sectors. Second, the Bank’s projects have been poorly designed. They are small, costly to prepare and supervise, and have disbursed very slowly, so it is difficult to make a case for an expanded program.”

**Improving Health in the PICs**

The Bank’s focus in the PICs over the period has been on efficient delivery of health services. The development partners want the Bank to stay involved in the health sector and have been willing to provide trust fund resources for this purpose. Outside of

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Samoa, the Bank's focus is to provide AAA to Melanesia where the indicators are poorest. The role of the Bank has been to identify the gaps. These are particularly around health financing and PFM—and provide substantial analytic work on these issues. In the words of a Bank staff member “This is the core of the World Bank's focus, helping the government manage the whole of their resources for the health sector, not just the Bank's own small investment projects.” Indeed, the health sector model in the PICs is predominantly that of government finance (with roughly one fourth coming from partners) and out of pocket expenditure is low (around 15 percent).

In some countries the Bank helped Health Ministries prepare their budgets and get development partner financing. In the view of Bank staff there has been some improvement in the management of the health sector, but it is slow and fluctuates. The Solomon Islands now have good management in the health sector, but at the other extreme the Bank has been contemplating pulling out of the sector in Vanuatu given the lack of senior management focus and capacity. In some islands, the Bank has made a considerable effort to ensure that money reaches the front line services. For example, the Bank conducted a house facilities costing survey (instead of conducting the standard PETS) to understand where efficiency gains could be made.

The Bank has also selectively used DPOs to support enhanced medical services. For example, the Tuvalu Medical Treatment Scheme (TMTS) which provides overseas medical treatment to patients in need of tertiary level care, is one of the most important healthcare programs in Tuvalu. The increasing cost of the program spent on a relatively small number of patients has made it difficult for the government of Tonga to achieve key healthcare policy objectives. The Bank has helped the government to institute measures to improve the quality of care provided through the TMTS and to reduce the cost of the program. Measures were implemented on a pilot basis and recommendations from the pilot submitted to the parliament (2013 DPO). As a result, TMTS savings have contributed to an increase in budget allocations to primary and preventative healthcare. Under the second DPO, the government has endorsed a revision of the TMTS policy to institute the piloted efficiency measures and to strengthen the patient referral process (2015 DPO).

In Samoa and Tonga, the health sector program supported successful efforts to strengthen key institutions (see more details in appendix B and D). In Tonga, Bank support for strengthening core tertiary care has provided a foundation to underpin continuing improvements in health service delivery. Tonga's key health indicators—already among the best in the Pacific—have continued to improve during this period. In Samoa an important contribution of the Bank has been to help put health procurement guidelines in place. There was some resistance on the part of the Ministry and a failure to recognize the need to build up capacity to handle procurement. The Bank also

supported the split of the planning, management and operational functions of the sector between the Ministry and the Health Services, as well as enhanced health sector planning, financing, waste management, and some rehabilitation of hospital facilities.

The growing problem of noncommunicable diseases (NCDs) in the PICs suggests that this is likely to be an important area of focus for the Bank going forward. The Bank is undertaking analytic work on this in Tonga, Samoa and Vanuatu on this topic. In 2013 this work was presented to a joint MOF/MOH session at a conference at the regional level and ministers endorsed this. The Bank is working jointly with WHO and ANZ to support the implementation of a road map. In Vanuatu and Samoa the Bank is working to help governments understand the impact of NCDs. Some of the main recommendations lie outside the health sector e.g., (i) in education, anti-smoking campaigns and targeted school programs for healthy lifestyle, (ii) in fiscal policy, increased taxation of tobacco, sugar drinks and high fat foods; (iii) in transport, walking and cycling paths, (iv) in agriculture, support for locally grown fruits and vegetables. Others relate more directly to the health sector e.g., provision of a package of basic services at clinics designed to promote early detection of diabetes, and monitoring and evaluation of the impact of policies. The DPOs are an important potential tool for supporting movement in this area.

### **Improving Education in PICs**

Despite improvements in education across the islands, many challenges still remain. Most of the Pacific islands have achieved universal primary education, and primary completion rates across all islands are close to 100. Critical to the success of countries that achieved MDG 2 was the provision of free and compulsory primary education.<sup>8</sup> Despite the progress made in increasing overall school access, improving the quality of education and access to the rural/outer island areas, remain a challenge for most PICs. In addition, teacher quality is a major concern for most countries, with high levels of teacher absenteeism in some countries. As a result, many students finish school without basic literacy, numeracy and life skills based on tests administered in a number of countries in primary schools.<sup>9</sup>

The Bank has supported a range of interventions in the education sector. The initial focus was on the introduction of school grant mechanisms in which decisions on the use of funding are made at the level of each school. These are designed to provide

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<sup>8</sup> 2015 Pacific regional MDGs tracking report/ prepared by the Pacific Islands Forum Secretariat. Suva, Fiji, Pacific Islands Forum Secretariat, 2015.

<sup>9</sup> 2013 Pacific regional MDGs tracking report / prepared by the Pacific Islands Forum Secretariat.-- Suva, Fiji: Pacific Islands Forum Secretariat, 2013.

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principals, teachers, and parents with greater input into decisions at the school level, increasing local level oversight and accountability in an effort to improve education outcomes given already very high primary enrolment rates. Through the Education for All Fast Track Initiative (EFA FTI) and in conjunction with AusAID and New Zealand, the Bank has also supported assessments of reading ability in the early grades of primary education. The Bank is now implementing the Pacific Early Age Readiness and Learning project (PEARL), which is funded by the Global Partnership for Education and AusAID program. PEARL aims to support children to develop key skills that will be useful at school, and to help more children learn to read and write well in their first years of primary school, which has knock-on effects throughout their education. This program is being implemented in Samoa and Tonga and should help move focus from enrolment to improved learning outcomes.

A Bank-supported education project in Tonga appears to have had mixed results. A \$1 million IDA credit was provided for a \$5 million Education Support Project in 2005, with co-financing from New Zealand. The core of the project was a school grant program with funds provided directly to schools for nonsalary expenditures to be selected from an approved list by principals and parents. The project completion report was reviewed by IEG in 2013.<sup>10</sup> The IEG review found that the project objective, of improving the quality of both primary and secondary education, while highly relevant, was unrealistically broad and there was no clear results chain linking the project investments to the outcome. Achievement of the outcomes was rated as unsatisfactory. In addition the IEG review points to serious implementation issues particularly in weak monitoring and evaluation and the lack of any audit of the project on completion. The project also failed in achieving a better budgetary balance between salaries and key nonsalary expenditures for teaching materials. At the end of the project, salaries continued to account for 95 percent of the Ministry's budget. As far as greater involvement by the local communities in decisions on use of funds for nonsalary expenditures, initially the project appears to have had some effect, but the IEG review reports that by the end of project decisions were being made by the administrators.

As in the health sector, the Bank has also selectively used its DPOs to provide support for education policy reforms. In Tuvalu, based on the finding of the MTEF report for education, the Bank supported through its DPO series measures to enhance the performance of the scholarship program (in particular to tighten the criteria for extension of scholarships) and the revision of pre-service and in service training. As efficiency gains achieved through reforms to the tertiary scholarship scheme are gradually realized, the government of Tonga is also trying to rebalance the focus across

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<sup>10</sup> IEG Review of the Tonga Education Support Project: ICRR13813; 02/08/2013.

the education sector in particular toward improving post-primary level access to Tertiary Vocational Education and Training (TVET) programs. The second Bank DPO supported measures to broaden vocational training programs to increase post-primary education opportunities particularly for Tuvaluan women. The curriculum, developed by the SPC, includes new training for employment of female students.

The view among the major donors is that the Bank could and should have done more to support education policy reform in the PICs. Education is obviously a key to progress and to ‘bending the growth curve upwards.’ It can lead to better prepared and higher earning migration from the PICs. It can support the development of a domestic private sector and commercial agriculture, and it can fill capacity gaps and deepen the current thin capacity. Donors expressed some concern about the state of education in the PICs. By and large it is oriented toward public sector jobs in the urban areas. The poverty and hardship<sup>11</sup> issues in many PICs, relate in part to rural agriculturalists, yet the education system does little to meet their needs. The weaknesses in the education sector have not had the weight in government agendas that donors think is needed and in their view, the Bank could now take a much more active role in promoting a dialogue on the future of education. The Bank could build on the analytic work done (notably on teaching, learning, school readiness including in remote areas) through the READ project and PEARL interventions to look at the long term prospects of education and provide guidance in this area. The DPOs, for example could be used for this through asking governments to prepare policy statements as part of the agreement framework to build a consensus around the needed reforms. It would be worth also exploring Bank IFC engagement to provide the skills needed<sup>12</sup> for the development of tourism, agriculture, and fisheries as well as providing better preparation for temporary and permanent migrants.

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<sup>11</sup> Poverty in the Pacific is obviously more complex and diversely felt than by just rural agriculturalists” alone. Poverty in the Pacific is a poverty of opportunity and characterized both by low incomes and reliance on subsistence and informal livelihoods, as well as inadequate access to quality services in both rural and urban areas, where there can be greater risk of absolute poverty due to lack of land/food security.

<sup>12</sup> Education in the Pacific does not only become relevant when it’s linked to skills and the labor force. A significant portion of the skill deficit comes from poor cognitive and noncognitive skills that were not developed in the early years, from poor quality of education and inefficient system management – that translates into poor learning outcomes, repetition, drop outs--, and from weak coordination and connections between the education system and the labor market.

## Improving Social Protection

Pacific island countries rely mainly on informal social protection systems to ensure that citizens receive support in times of need.<sup>13</sup> The weakening of informal safety nets and increased hardship among vulnerable groups have placed more pressure on governments of Pacific island countries to introduce formal social protection systems. Yet in almost all PICs the provision of formal social protection is limited and excludes the vast majority of the population. Social insurance programs are the main social protection instruments in PICs but they only cover the formal sector and suffer from a range of weaknesses including gender imbalance and poor governance. In addition, in many PICs social insurance schemes do not provide anyone with regular pensions or disability benefits. Although in some PICs, those citizens above a certain age are provided access to noncontributory pensions, these do not cover other vulnerable groups. There are a range of other social assistance programs e.g., cash for work programs, school feeding, scholarships and copra subsidies though the impact of these has not been rigorously assessed.

The Bank has not provided any direct lending for Social Protection in the PICs, but has carried out some key pieces of analytic work and provided support for good policies through its DPOs. Bank analytic work included a study at the regional level, and a country study on Fiji. The Fiji Social Protection Technical Assistance improved the targeting and efficiency of the country's social protection programs. The Samoa 2010 DPO supported a government decision to cushion vulnerable households from the combined impacts of the food and fuel crisis, the Global Economic Crisis, and the 2009 tsunami. This was done through accelerating progress with existing plans for improving access to education by implementing a waiver of primary school fees at all public, special, and missionary schools. The adoption of a community public works program targeted to poor and vulnerable communities was a prior action of the 2011 Tonga DPO but the scheme was not implemented due to the unavailability of expected donor financing.<sup>14</sup> However the Bank provided the impetus for the adoption of a lifeline tariff for electricity to support low income households in Tonga. This was based on the findings of a Bank analytic study, which provided evidence on the impact of energy costs in hardship in Tonga.<sup>15</sup>

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<sup>13</sup> Key features of informal social protection in the region include (i) labor exchange or cooperative labor groups for tasks, such as land-clearing or house-building; and (ii) gift-giving, both in relation to special feast days and to mark life-cycle events, such as births, weddings, and deaths.

<sup>14</sup> IEG Review of the Tonga Economic Recovery Operations I and II; 12/11/2013.

<sup>15</sup> 2014 World Bank Pacific Hardship and Vulnerability report.

## Promoting Gender Equality

Regarding gender equality in the PICs, gender gaps have essentially been closed with regard to the access of women to health and education. Except for Kiribati, all the PIC's have achieved the MDG target for gender parity in primary and secondary education. The region has also made advances in improving health outcomes for women. Fertility rates have declined since 1990, and under-five mortality rates for both girls and boys have declined over the last 10 years across all the PICs. Noteworthy gains have also been made in birth attendance by health professionals. In addition, the region has seen substantial declines in the maternal mortality rate, from an average of about 115 deaths per 100,000 live births in 2000 to 81 in 2015.

With regard to gender gaps in economic opportunity, the fact that in a number of countries women do not have right to land ownership remains an important issue. While Samoa has made substantial progress in expanding women's access to economic opportunity, in Tonga this is still a work in progress. IFC's 2010 Tonga Gender and Investment Climate Reform Assessment states that "women's economic participation is constrained by gender specific elements of the legal framework for property rights and employment, weakness in women's access to justice through the courts, absence of public private dialogue with women business people, and gender regulatory constraints to start a business." Another problem even in Samoa is that, while women are well represented among owners of micro-enterprises, the evidence is that very few of them graduate into ownership of SMEs. The view is that this reflects lack of access to finance, but also the inadequacy of networks and support systems for women entrepreneurs.

Another significant gap is the representation of women in Parliaments and civil services. This differs widely from one country to another. In Fiji, for example out of 21 CEOs, there are no women formally appointed to the position. Two women are acting. Overall there are more women than men in the public service, but this reflects the large number of female teachers and nurses, rather than any explicit policy. In Tonga, the situation is much better and fully half of the CEOs are women – five years ago there were none. The problem is with Parliament where the high representation of traditional leaders who are mostly men, brings down the share of women overall.

Domestic Violence remains perhaps the most pervasive and serious gender issue in the PICs. While the incidence of Gender Based Violence has gone up, this is because of much better reporting. In Samoa violence against women is seen as the most significant gender issue. A 2004 study put the incidence at 30-40 percent of women having been abused in the previous 5 years and this facilitated responses by government and NGOs. Samoa was a signatory to the Convention on Elimination of all forms of Discrimination against Women (CEDAW) in 1992. At the time of writing, there is a serious internal

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debate in Tonga as to whether to become a signatory to CEDAW. The key here is the requirement for land ownership by women which is opposed by the traditional chiefs. A promising initiative by the Bank is a recent \$400,000 Institutional Development Facility grant for improving services for victims of domestic violence in Kiribati.<sup>16</sup> The project is to support Kiribati to improve (i) access to services for victims of gender-based violence (GBV) and in particular domestic violence; and (ii) reporting and data collection of GBV.

The Bank has attempted to ensure that infrastructure projects factor in gender issues in their design. In Tonga the Bank has played an important role in pushing gender equality in the energy sector. The electricity authority is now using women linemen in the outer islands and they are proving they can do the job. They are also recruiting youth to do the job, with the extra incentive that they could move into jobs of this kind abroad. More women are now going into training. This is seen as not just ticking a box, but good for business. In two of three outer islands, the head of the maintenance function is a woman. In Kiribati, women were specifically consulted during the initial design phase of the road project, in order to have their issues and concerns recognized and addressed in project designs and during implementation. Particular issues raised included safety concerns regarding lack of street lights, bus stops/shelters, lack of proper drainage, and dangers to children from not having pedestrian space to walk to school. This resulted in specific investments to address these safety and other concerns.

In the Australian view: “We do not see the Bank as bringing strong gender technical skills to the table. The good analytic work is not being translated into operational work. Australia has committed to a \$320 million investment over 10 years in gender equality in the PICs, focused on Gender-based Violence, women in leadership, and economic opportunity. We have invited the Bank to put proposals and ideas on the table for utilizing the proposed investment, but the response has been disappointing. Proposals are not well informed by the Pacific context or duplicate activities that are under way.” There are areas however, where the contribution of the Bank Group was seen as valuable. The Australian government has been particularly impressed with the gender focus of IFC. “This is the first time work has been done on the business environment for women. The Bank and IFC played an important role in promoting private sector partnerships to promote gender equality and IFC has provided useful support in areas such as protection for women employees on their way to work.”

What explains the disconnect between the Bank’s efforts to support gender equality in the PICs and the Australian perception that this has not been effective? There is no lack

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<sup>16</sup> Kiribati: IDF Grant No. TF014048 for Improving Services for Victims of Gender-Based and Domestic Violence Project. May, 2013.



of staff commitment to these issues. By and large however, Bank activities reflect the current strategic guidance of the Bank on mainstreaming gender into Bank operations i.e., that gender should be mainstreamed in activities that are undertaken as part of the overall strategy. The Bank is doing well in the default mode of ensuring that its projects and programs factor gender equality into their design. But these rarely provide an instrument to address issues such as Domestic Violence for example. The hypothesis of the evaluation team is that the frustration of the Australian authorities derives from the Bank's failure to put on the table concrete programs and approaches to address the key remaining gender gaps in the PICs.

# Appendix H. Evaluation of World Bank Group Assistance in Enhancing Competitiveness and Private Sector Development

## Promoting a Business Friendly Environment

A consensus seems to be emerging that ‘bending the growth curve upwards’ is going to require that SMEs become a more prominent feature of the landscape in the PICs. A number of countries have evolved to the point where there is sufficient entrepreneurial capacity to take on an expanded role and remittances can provide the seed capital needed. The private sector faces a difficult environment however, and there is a need to address the constraints. There are a number of regional institutions that are working in this area with leadership being provided by ADB. The recent Systematic Country Diagnostic (SCD) gives considerable prominence to private sector development (PSD) and discusses in some detail the performance of the PICs on the Doing Business Indicators and the nature of the constraints.

Managing issues of land tenure and customary lands appropriately is critical. Land issues constrain the ability to move quickly on projects that require land acquisition and clear title, but also pose risks of triggering social conflict or social harm if not well managed. While there are considerable areas of government owned land, particularly in the urban areas, much of the rural pasture, crop-land and forests are owned by communities with the local chief traditionally having the right to provide the land to individuals for their use. The precise relationship of the chiefs to the land is not uniform across countries and the modalities of transfer differ from one to another. Land issues and disputes are prevalent across the Pacific. In Kiribati for example, land issues account for 80 percent of all court cases. A tourism project in Kiribati, supported by IFC was held up by 1.5 years on account of the need to resolve lease issues on land. Land issues will remain an ongoing challenge as countries try to encourage the development of commercial agriculture. Even where leasehold arrangements have developed, the period of leasehold tends to be fairly short and this discourages investments in land improvement and structures, as well as limiting the scope for borrowing using land as collateral. The Bank has done some analytic work in Vanuatu and the Solomon Islands through the Justice For The Poor program aimed at finding practical ways of using leasehold arrangements to provide the surety needed for investment. These were the appropriate priority targets given land issues as a source of social conflict in these countries, but increasing work on land tenure issues may also be beneficial elsewhere.

The most important contributions of the Bank to PSD have come through its involvement with infrastructure. The Bank has not started by asking what it can do to support PSD in the PICs. Instead it has come at these issues indirectly through for example supporting the outsourcing of road maintenance to the private sector, through reforming public procurement in areas such as health and infrastructure, through opening up areas which were previously monopolized by public companies to competition from the private sector, etc. Some of these are discussed in detail in the section on infrastructure below. This has arguably been more effective in supporting the private sector than taking PSD on directly.

IFC (together with ADB) has taken the lead in working with governments to improve the enabling environment and lower the costs of doing business while the Bank has focused on the regulatory environment. In Tonga for example, where the legislative framework is very weak, the government worked closely with IFC on the business environment, and the country is now highly rated in the ease of doing business. In the words of a senior official: "IFC has been of great assistance in reducing the cost of doing business." The Bank has been supporting independent regulators in areas such as energy, telecoms and water.

The Bank has also provided support for enhancing the enabling environment through its DPOs. In Tonga for example prior actions included the approval of two bills on receivership and on business registration to improve the business environment, and Cabinet approval of a policy framework for foreign investment in order to open the fisheries and agriculture sectors to foreign investment. Together with IFC's efforts this constitutes a useful contribution to improving the enabling environment in the PICs through a range of disparate efforts. Going forward however, with the need for more effective support for PSD, the Bank needs to make this part of its strategic approach and define a more coherent set of programs across the Bank group to address this.

### **Strengthening the Financial Sector**

In 2010, IFC and then AusAID developed the Pacific Microfinance Initiative (PMI) to promote innovative ventures and to broaden access to basic financial services of underserved people in the Pacific Region. The modality of the PMI was to provide performance based grants (PBGs) through financial institutions to entrepreneurs on a matching basis. The initial experience seems to have been mixed, with one or two successful activities where PMI was working with a relatively robust institution, but overall difficulty in building a pipeline of viable projects. A mid-term evaluation, undertaken in 2013 found that the original objectives had been too ambitious and reflected an over-estimate of the capacity of the financial institutions in the region. It also questioned the model of PBGs for entrepreneurs. It noted that IFC did not have the

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field presence required to support potential investors and help bring projects to the point of financing.<sup>1</sup> In the words of the evaluation “There were simply no viable investment prospects in 2010. Microfinance investment experts concurred with the advisory-led approach to interventions in the supply chain (but this) required intensive, long-term, on-the-ground business development activities.” It adds that “the PBG concept does not work well in relationships where IFC needs to assist the partner in developing business plans and setting realistic goals.”

One of the successes of PMI has been a program to support women’s groups in Samoa and Tonga. The South Pacific Business Development (SPBD) Foundation is a regional microfinance network primarily focused on improved financial access for female micro-entrepreneurs. SPBD has operations in Samoa, Tonga and Fiji. SPBD provides small unsecured loans of up to \$400 to groups of rural women. The women meet weekly and are given training, ongoing guidance and motivation to help them start and grow small income generating endeavors. SPBD also offers saving, credit insurance and life insurance products. PMI provided just under \$1 million in support of SPBD’s program in Tonga and Samoa. By 2013 when the project was completed, SPBD had reached 4,230 borrowers in Tonga, and 6,482 in Samoa. The resources provided by PMI were particularly useful in enabling a rapid scale-up of SPBD’s program in Tonga. The lesson derived from this success is the importance of a well-functioning intermediary. It does not resolve the issue of how PMI should operate when such an intermediary is not present.

IFC has been instrumental in supporting banking development and building the capacity of the banks to lend. IFC has provided support to the Bank South Pacific (BSP), the largest local bank in Papua New Guinea, with branches in the Solomon Islands, Fiji, Tonga and Samoa. IFC’s 2010 investment in the BSP has led to a major expansion. IFC owns 9.5 percent of BSP. This is now the only bank able to compete with ANZ bank in the region. IFC has steered BSP toward an increased focus on small business. Partly as a consequence of this, BSP has now reached 200,000 formerly unbanked people. In the Solomon Islands, there has been work on mobile phone banking. This has contributed to high rates of banking among women – they are now around 50 percent of customers in a difficult operating environment. IFC has also helped to establish a new Credit Bureau in Samoa which will be operational in early 2016. This should facilitate enhanced lending to the lower two thirds of the population. In time, the credit bureau should reduce the cost of credit overall by lowering risks.

One of the promising models for supporting financial development in the region is the SME risk share facility launched in 2011 by the Bank Group with BSP in Papua New

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<sup>1</sup> Pacific Microfinance Initiative: Mid-Term Evaluation Report. June 2013.

Guinea. The program provides credit enhancement to BSP to lend to SMEs along with a technical assistance package for the bank to build internal capacity in this area. The program also has a capacity building component to help SMEs to prepare business and marketing plans and enhance their capacity to access credit from banks. IFC shares 50 percent of principal portfolio losses with BSP, but benefits from an IDA first-loss counter-guarantee of 20 percent of the IFC maximum risk amount. In addition IDA has provided \$4.5 million of funding for the technical assistance program. As yet there is no evaluation of the outcomes or impact of the program on which to base an assessment of whether it should be expanded.

The Bank and IFC have also been working with governments and private sector financial institutions to help bring down the costs of remittances on Pacific routes. IFC is working with central and banks across the Pacific to strengthen payments legislation to encourage initiatives such as new technologies and mobile money transfers. The Pacific Payments Legislation project supported by the Bank and IFC has contributed to lowering the cost of remittances. The project has provided support to Central Banks in the region to draft and adopt National Payments Systems Acts (already approved in Samoa and being finalized at the time of writing in Fiji, Tonga and Vanuatu). The project also funded an assessment of the remittances market in ANZ. Some of the suggested reforms have since been undertaken by the ANZ governments.

Another important contribution has been through PMI support to BSP for mobile banking which has allowed for easier access to transfers, in rural areas. This can be an effective mechanism for reducing the costs of remittances. The PMI mid-term evaluation notes that there is recognition of the high quality of the experts that IFC brought in to support this program. In 2010 the average cost of transferring an amount of \$200 was 15 percent. In 2015 partly as a consequence of these efforts it has come down to 11.5 percent.

Another intervention of the Bank in supporting commercial bank funding of PSD is a program whose impetus comes not from the financial sector but from support for renewable energy. The Sustainable Energy Development program in Fiji supports the development of wind and solar power through \$5 million of GEF funding. The program consists of a guarantee fund which is available through the Fiji Development Bank to commercial banks. Funding is made available for 5 years, and the \$5 million of GEF money has leveraged \$31.6 million of loans. The loans have triggered numerous small village-based projects which have helped the government move closer to its objective of 100 percent access to electricity by 2020 (it is now 93 percent). Similar approaches tried in other PICs has not proven effective with less update of the loans.

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The financial sector has not been part of the Bank's core strategy in the PICs. Bank efforts have been selective and opportunistic. The efforts thus far have focused on piloting different approaches. Both the BSP risk sharing facility in Papua New Guinea and the Fiji renewable energy program provide evidence that the Bank can intervene effectively in the sector by providing guarantees to help commercial banks overcome some of the perceived risks of lending to small enterprises. These could provide models for a strategic approach to financial development going forward. With the commitment of the Bank's President to promote greater access to banking, the focus on the financial sector in the PICs is likely to increase and this, together with the need for increased support to SMEs will require a more strategic approach going forward.

#### Improving Infrastructure Services

There is a major donor presence in infrastructure in the PICs. As discussed earlier, support for infrastructure development in the Pacific has been coordinated by the PRIF which was established in 2008 as a multi-donor partnership for better infrastructure in Pacific island countries. Infrastructure projects through PRIF are supported by the Asian Development Bank, Australian government, European Union, European Investment Bank, Japan International Cooperation Agency, New Zealand Ministry for Foreign Affairs and Trade and the World Bank Group. PRIF provides a mechanism for infrastructure financing that blends PRIF grants, multilateral loans, government budgets and private sector equity/loans. PRIF also offers advisory services and technical assistance. As indicated the one major flaw in the PRIF mechanism is that it does not include China, which has emerged as a particularly important donor in recent years, and has been active in providing support in areas where other donors have been reluctant e.g., government buildings.

Infrastructure has also been the main focus of Bank lending for the PICs. In the Australian view, the value-added of the Bank in infrastructure is in three areas. The first is the IDA resources which the Bank has been able to bring to the table. Given the relatively large amount of infrastructure funding needed, the role that the Bank and ADB have played in this regard has been of considerable importance. Second is the Bank's reservoir of sound technical expertise. Changes in the Australian aid program in recent years have led to a reduction in the amount of specialized technical capacity within the aid agency DFAT, so this has been particularly helpful. Third, reforms in infrastructure policies are very challenging and difficult for the bilateral donors to achieve, especially those relating to reducing ministries' engagement in direct construction through their own staff (force account), and outsourcing maintenance and other activities. In the words of an Australian official, "We can use the Bank to promote reforms. With the Bank someone flies in and delivers the poison. It gives Australia

protection. \$60 million of Australian trust funding has leveraged \$240 million of Bank credits and grants, as well as a reform dialogue and a technical contribution.”

From the country perspective the Bank has played a critical role. Generally in the PICs, the Bank is trying to get governments to focus more on results – looking for broader impact of the investments it supports and factoring into the programs it supports areas such as road safety, gender and market access. The Bank has been able to maintain a collegial dialogue in the country in spite of ‘delivering the poison.’ It has pressed policies that Ministers and Ministries of Public Works have often viewed as counter to their short-term interests i.e., downsizing and re-focusing on policy and regulation rather than carrying out investments directly. In the words of a senior Tongan official: “The Bank has been one of the drivers of the infrastructure program – helping us achieve progress on roads and aviation.”

IFC’s support for infrastructure has focused on PPPs. Although infrastructure is a priority for IFC, this interventions in this area present a challenge, since governments can get cheap money from donors. Bilateral aid covers most investment in infrastructure. There are some prospects for PPPs with IFC support in energy with work ongoing in Fiji and for a port in Timor. A Bank DPO in Samoa (the first Fiscal and Economic Reform Operation in August 2014) included as a prior action approval by the Cabinet of a new PPP policy framework to facilitate increased participation of the private sector in the state-owned enterprise sector, and IFC has completed a scoping exercise with the government to identify potential PPP transactions. A report on this was produced jointly by the Bank and IFC and submitted to the government in early 2015. IFC is also currently implementing a solid waste management PPP transaction and advising the government on the future of its joint venture arrangement with Virgin Samoa.

The Bank has made a strategic choice not to involve itself in the urban and water sectors. The key here has been the need for selectivity in a program that is already very large in terms of the number of separate project engagements. Questions have been raised whether this is the right strategic choice. In the view of one donor, “No-one is touching urbanization. Historically the Bank has moved into rural areas. This is a mistake. There needs to be more awareness of the risks associated with growing peri-urban slums.”

## TRANSPORT

The transport sector has been a dominant area of the Bank’s engagement in the Pacific and together with ICT, accounted for over 50 percent of total commitments during the

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FY06–15 period.<sup>2</sup> Bank support for the transport sector covered roads, maritime, and civil aviation subsectors although the program focused mainly on building the assets and institutional structure of the roads and aviation subsectors. Support for Maritime sector activities in Fiji and Tonga included support for improvement of existing maritime assets and for improving compliance with international standards for procedures and infrastructure.

#### *Aviation*

Air connectivity is essential both for tourism, access to export markets for products that have a high value to weight ratio<sup>3</sup> and for migrant labor. In 2011 when the Bank began a major expansion of its program, there was a real risk of suspension of jet operations due to inadequate operating conditions in the region. This would have had devastating consequences. Runways were deteriorating, navigational aids and air traffic systems were not working adequately, and many of the fire trucks were not operational. Some of the infrastructure dates back to World War II.

Aviation has become an important part of the Bank program in the PICs. The Bank first carried out an assessment of the needs. There were three conditions for countries to receive support under the program. The first was agreement to meet obligations<sup>4</sup> under the regional safety oversight program (in accordance with international obligations); second to separate operations from regulation; and third to implement a \$5 safety and security levy on all international departing passengers to fund membership of the regional organization (PASO).<sup>5</sup> The Bank is providing \$180 million with cofinancing from Australia, and parallel financing from New Zealand for Kiribati. The program mainly finances infrastructure related to runway rehabilitation, terminals, and equipment such as firefighting equipment and navigational aids. The program is also supporting PASO with a regional IDA grant to facilitate key business reforms that should strengthen its service delivery in a fiscally sustainable manner. The Bank is also supporting risk mitigation in the aviation sector with the development of an Insurance

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<sup>2</sup> Overall, World Bank commitments under the Transport and ICT global practice accounted for 52 percent of total commitments made during the FY06–15 period.

<sup>3</sup> This include for examples. fresh fish, vanilla, coconut oil, etc.. In some countries, e.g., Tonga, the limited volume of cargo space on outgoing flights has constrained the development of export-oriented value chains. Improving airport access, and consequently flight frequency (contingent on demand), can thus have substantial multiplier effects on the agriculture sector economy.

<sup>4</sup> This refers to adequate regulatory audits and inspections

<sup>5</sup> Specifically, countries had to commit to implementing PASO's agreed annual minimum oversight program for aerodromes, airworthiness, and flight operations..



Asset Reserve Fund and the designing of remedial actions in the event of a natural disaster.

Bank engagement has gradually spread to an increasing number of countries as the benefits of involvement have become clear. The program started with Tonga, where the Bank has been engaged with aviation since 2000 when it provided support for corporatizing the airports authority. The Bank assisted with the transfer of assets and people and the setting up of the legal process. In 2007 Tonga Airports Limited was established. From 2005 to 2007 the facilities were starved of budget and seriously sub-standard. Airlines were threatening to pull out. After TAL was set up, a comprehensive list was prepared including upgrading of the paving and this has been supported under the Bank Transport Sector Consolidation Project. The Bank supported technical consolidation, safety equipment, technological support and surveillance equipment.

The success of the support for Tonga led to a request from Kiribati and subsequently from Tuvalu. By combining the three countries, the Bank was able to access the regional IDA allocation (all grant funding). The number of countries has now risen to five with the inclusion of Samoa and Vanuatu. It is intended to expand this later to the Solomon Islands. At the regional level there is the Pacific Aviation Safety Office (PASO) based in Vanuatu. PASO was created by an ADB loan in 2004. States do not relinquish any sovereign rights through membership of PASO – 13 states are in it including Fiji, Australia, and New Zealand which control most of the airline traffic in the region.

The Bank Aviation project in Samoa was approved in March 2014. The Bank-supported runway is near completion. In November 2014 the Prime Minister indicated that he wanted to take a \$55 million loan from the Chinese EXIM bank for a new airport terminal. There was no economic analysis of this, it did not meet Samoa's own procurement requirements and it contravened the agreed borrowing criterion included in the DPO. In the Bank's technical view the project is over-scaled and runs a high risk of being a white elephant. The financial analysis carried out by the Samoa Air Authority indicates that the terminal is not financially viable. The EXIM bank loan is 7.5 percent of GNP. The Bank has re-designed the aprons from the runway to align with the proposed terminal and a joint environmental assessment has been carried out. Another component of Bank support for the aviation sector in Samoa is the role that IFC has played through helping the national airline to form a joint venture with Virgin.

A particularly important part of the Bank's aviation support is the use of single Technical Fiduciary Service Unit (TFSU) for all five countries, based in Tonga. The

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TFSU is an implementing advisory unit. In some cases, by combining procurement packages for different countries, the TFSU has been able to contract on more favorable terms than would have been the case if countries had operated individually. The TFSU and the cost sharing mechanism is an effort to establish a cost efficient answer to capacity constraints. Even with this success however, the program demonstrates the difficulties of adopting a multi-country approach. While this is working well for Tuvalu, the authorities in Kiribati have indicated that they would prefer the Bank to work exclusively through the country's own agencies,<sup>6</sup> rather than using a unit based in Tonga. Although Kiribati has its own program manager, the unit based in Tonga provides services and is the implementing agency. Similarly, Samoa has expressed concern about what it sees as an additional layer of bureaucracy in implementing the project.<sup>7</sup>

#### **Roads**

The Pacific Region Infrastructure Facility, recently published a study entitled: Build, Neglect and Rebuild, reflecting the 'traditional' approach to roads and road maintenance in the PICs. Drawing on the findings of an ADB Infrastructure study, the PRIF report noted that preventative road maintenance attracts almost no funding in any of the PICs except Papua New Guinea, Samoa, and (to a far lesser extent) Fiji. The study found that road assets in the region are poorly monitored, repaired on a stop-gap basis, and are not improving in overall quality. The report attributed the sub-optimal asset management in the Pacific to a number of interrelated factors including; a lack of awareness of the importance of maintenance and the insensitivity to this issue at the decision-making level, unclear institutional responsibilities and the resulting lack of accountability, lack of incentives to foster good maintenance, lack of planning and rational budgeting, and perhaps most critically, lack of financial resources."

One of the Bank's most important contributions has been to induce the PICs to adopt a new approach to road maintenance through outsourcing, and to provide funding that is geared to this purpose. This has been a key part of the Bank's support in Tonga and Samoa (see below). In Kiribati which lacks the private sector capacity to handle small outsourced contracts, the Bank is supporting a project to set up five micro- enterprises to handle road maintenance. The progress on this has been very slow however, and although some technical training is being provided, there is a need to strengthen the business and management skills of the potential entrepreneurs.

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<sup>6</sup> The investments in Kiribati are implemented through its own agency MCTTD.

<sup>7</sup> The investments in Samoa are implemented through its own agency Samoa Airport Authority (SAA).

In Samoa, the Bank's road projects were instrumental in downsizing the Public Works Department (PWD) and making outsourcing the default mechanism for road maintenance. In the words of one senior official: "SIAM I and SIAM II have changed the country. There was a huge bureaucracy in the PWD which had 800 staff. 78 percent of the PWD budget went on staff. The Bank came in and began a long process of helping to restructure the PWD. Now Samoa has a PWD with 60 staff and only 15–16 percent of the budget goes for staff." The project also resulted in the complete separation of policy and regulation from service provision in all transport modes, with the additional outsourcing of services in order to develop the private sector as an engine of economic growth.

The Bank's major ongoing transport engagement in Samoa is its support for the West Coast Road Project financed through a \$15 million grant from the Pilot Program for Climate Resilience. The grant was intended to finance the rehabilitation and increasing the resilience of the entire main West Coast road from the airport to the capital of Apia. The project was slow to get off the ground however, due in part to a series of miscommunications between the financing partners and the government. Initially the project was supposed to fund the full rehabilitation of the road, but the climate funding available was insufficient for this purpose. Although some cofinancing has been forthcoming from Australia, there is still insufficient funding to do the full road and decisions are needed on what sections to prioritize.

The Tonga Transport Sector Consolidation Project aims to replicate the successful experience in Samoa over the past decade of strengthening the management of infrastructure assets. The key component of the project—the outsourcing of routine road maintenance—sealing, potholes, branch-cutting signage and drainage—has continued to be a source of tension with the Ministry of Public Works. Successive Ministers of Public Works have wanted to revert to force account for carrying out the maintenance and the Bank and the Australian government which has co-financed the project have had to take a strong stand, fortunately with the support of the Ministry of Finance. The MOF commissioned a review of the outsourcing which found that money had been saved and that quality was essentially unchanged. A further review of the outsourcing is scheduled to be undertaken with the additional financing that has been provided. A key part of the assessment will be the sustainability of the approach. Eight to twelve companies have been bidding for the work and it has had a positive impact on the development of the private sector. In the view of a senior official in the government of Tonga, there has been a major improvement over the past two or three years. "Bank support has enabled the Ministry and Department to focus on their core functions." "I worked for the Ministry for 23 years, using Force Account (i.e., direct contracting by the Ministry) for 20 years. There were endless problems especially

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corruption and safety issues around both road and worker safety. The new contract management section is working well. Before the project there was not a single contractor. Now there is a group who have received proper training and in some cases have gone ahead to obtain equipment. Many of the former workers were hired by the new contractors. Now they get better paid for working, instead of being paid for doing nothing. “

The Kiribati Road Rehabilitation project has been particularly challenging for the Bank. Kiribati presents a difficult set of problems. The distances are great and access can be challenging. As a consequence, in the words of one donor: “Consultants are reluctant to work there. Sand and fresh water need to be brought in. There are huge layers of complexity.” The road running through the main island was constructed 30 years ago. The road runs the length of the atoll from south to north, with the capital city and most of the population concentrated in the south. The road is the country’s lifeline and because of inadequate maintenance needed major rehabilitation. The project is co-financed by the Bank, ADB and Australia (through the Pacific Regional Infrastructure Facility). The project was approved in 2011 with an estimated cost of \$35 million. The final award for the project’s main civil works contract was for \$50.6 million (see box H.1). The financing gap between the estimate and award arose primarily because: (i) a remoteness cost premium was not adequately factored into the original cost estimates; (ii) there was significant cost inflation in materials between appraisal in January 2011 and bidding in mid-2012; and (iii) a higher standard of road than originally appraised was found to be necessary to improve road safety, strengthen environmental protection, and mitigate the risk of maintenance delays in future. For much of the period of implementation progress of the project was rated as unsatisfactory. There has been improvement over the last year or two and the main stretch of road is now scheduled for completion in early 2016 with the full project completion later in the year. As indicated above arrangements for future maintenance remain a matter of concern.

**Box H.1. Accounting for Cost Overruns on the Kiribati Road Rehabilitation Project**

“The isolation of Kiribati made it difficult to estimate how many companies would be interested in bidding for the works, and in the end only four firms submitted bids for the main civil works contract. Bid prices demonstrated that the project’s isolated location was neither factored into the original appraisal cost adequately, nor in the project’s cost estimate prior to bidding. There was a lack of historical precedent for a project of such magnitude in Kiribati from which one could draw lessons for estimating costs. Comparisons with recent similar projects in the region --though even these are limited -- identified the project cost as an outlier. Preliminary and general costs, which include mobilization and insurance, provide an indicator of the risks a contractor assigns to the project. In contracts in the Pacific that were awarded around the same time (in Samoa, Papua New Guinea and Tonga), preliminary and general costs represented on average 10 percent of the total contract price. By comparison, the four KRRP bidders’ preliminary and general costs were 28 percent to 31 percent of the total costs, indicative of the high risks the market placed on the remote and inaccessible country.”

*Source:* World Bank Report No: 75527-KI: Project Paper on a Proposed Additional IDA Grant to the Kiribati Road Rehabilitation Project.

**INFORMATION AND COMMUNICATION TECHNOLOGY**

Access to, and affordability of basic phone services, have improved substantially over the last decade, notably in those PICS that have liberalized their telecommunications markets and undertaken policy and regulatory reforms.<sup>8</sup> Most of the PICs had a government-owned Telecommunications company that had monopoly rights to all telephone connections. With the advent of mobile communications this imposed huge constraints on progress. Private companies could not enter the field, but the small local public companies did not have the capacity to be effective players in this market. This has changed in the past decade. Most PICs have liberalized their markets and as a consequence the costs of connectivity have come down and there has been enormous uptake of mobile phones (see figure H.1). In the Pacific islands, the number of mobile cellular subscriptions (per 100 people) has increased from 20.2 in 2006 to 74.4 in 2014.

By contrast, access to broadband Internet is lagging significantly and its pricing remains high. They are constrained by a combination of factors, depending on country circumstances: (i) high international bandwidth costs and limited international bandwidth capacity in countries dependent on geostationary satellite services (the Federated States of Micronesia, Kiribati, Solomon Islands, Tonga, Tuvalu, and

<sup>8</sup> Reforms typically included: adoption of a pro-competitive telecommunications policy; enactment of new or updated telecommunications legislation, introduction of competition (including renegotiation of exclusive licences), and adoption of a new legal and regulatory enabling framework, including the establishment of an independent regulatory authority (source ICT 2014 note on the Pacific).

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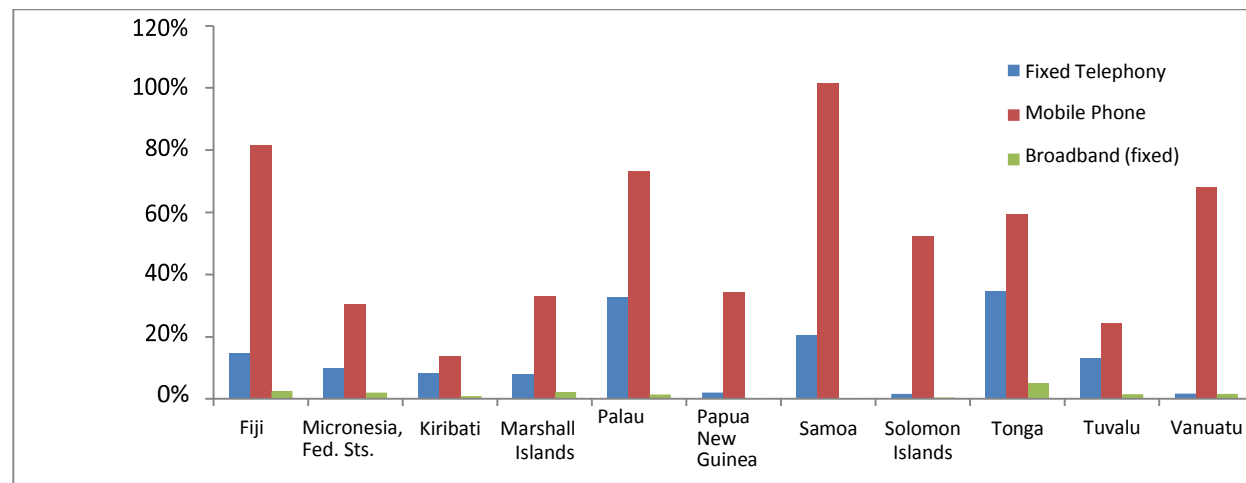
Vanuatu); (ii) high international bandwidth costs associated in part with regulatory issues (the Federated States of Micronesia, Marshall Islands, Papua New Guinea, and Samoa); high, though falling, user device costs and (iv) insufficient user awareness particularly among rural/remote populations. With the exception of Fiji which has open access to the Southern Cross Cable Network and the monopolistic but higher-income markets of Cook Islands, French Polynesia, and New Caledonia, fixed broadband Internet penetration is typically less than one percent of the population in the Pacific region. Mobile broadband (3G/4G) is growing rapidly in Fiji, spurred by lower international connectivity costs, and is being deployed in Kiribati, Palau, Solomon Islands, and Vanuatu.<sup>9</sup>

Telecoms is perhaps the area where the synergies between the Bank and IFC have made the largest contribution to development. The Bank's initial focus was on the enabling environment. The Bank responded to requests for advice on liberalizing markets and provided support for new legislation. The Bank is also assisting countries like Tonga on e-government and has worked with the University of the South Pacific to promote knowledge sharing, harmonization and capacity-building. Once the markets had been liberalized, the Bank provided funding for the cable infrastructure. IFC investments have played a key role in encouraging the entry of new private operators. Across the Pacific, IFC has now invested \$170 million to promote new telecoms market entrants investing a total of over \$500 million in Fiji, Papua New Guinea, Samoa, and Vanuatu. The end result of reforms has been to dramatically lower telecoms costs and expand coverage. In the words of one official document: "Improved telecommunications has literally opened up the world to those previously disconnected. Connectivity allows fishermen to access timely price information; enables mobile banking services; better connects people to schools and health services, and provides entrepreneurs with better information."

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<sup>9</sup> Source 2014 ICT note.

Figure H.1. ICT Penetration in the Pacific as of End-2013 (percent of population)



Sources: ICT-Enabled Development: Engagement Note for the Pacific Region, updated March 2014: Opportunities Through Connectivity and Innovation; International Telecommunications Union (ITU end-2011), plus statistics provided by regulators and operators for end-2013. 2011 is the most recent year for which ITU data are available across most countries, except for the Federated States of Micronesia, the Marshall Islands, and Samoa.

Note: These data are difficult to compile as not all countries systematically collect it, and some operators are cautious about providing data. For mobile penetration, different operators use different definitions for "active" subscribers. Mobile broadband penetration is not included here, but typically exceeds fixed broadband penetration where available in the region.

The Bank has now moved on to Kiribati, one of the least "connected" countries in the world. The majority of the population either has no access to information communication technologies (ICT) or, even if they live within range of the existing, often unreliable networks, are unable to afford the service. About 40 percent of the population relies entirely on public access (radio, satellite-based telecenters). At the end of 2014 there were about 18,000 mobile and about 9,200 fixed line subscribers. Broadband Internet penetration is less than one percent of the population. ICT is one of the key areas of support of the programmatic DPO. The Bank is supporting the liberalizing of the ICT sector and the introduction of competition through Kiribati's first programmatic DPO series. In parallel with the DPO series, the Bank is also supporting the sector through the Telecom and ICT development project which aims to strengthen the legal, regulatory and Institutional environment, enabling transition to a market-driven telecommunications sector. The sector reforms proposed under the projects are expected to significantly increase telecommunications coverage, including in remote areas, providing access to market information to poor rural communities.

## ENERGY

For energy the key areas of focus in the PICs are: (i) access, particularly in outer islands; (ii) affordability and reliability; and (iii) clean fuels and renewable energy. Access to electricity varies considerably as a result of differences in resources and level of

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development. In some PICs, access is limited to less than 20 percent of the population while others have achieved nearly 100 percent. Even within a particular country, vast differences can be found between the main and remote islands, leaving some of the remote areas without any electricity. For example, the overall access rate in the Honiara urban area of the Solomon Islands is 64 percent; but in the rest of the country only 6 percent have access, and in five of the nine provinces less than 4 percent have access.<sup>10</sup> Affordability and renewable energy are closely related, since bringing down costs generally requires reducing dependence on fossil fuels. In many contexts in the PICs, e.g., for outer islands, renewables are the most economical solution for electricity generation. Integrating renewables into the grid is challenging, but there are resources for this among the Development Partners. The main issue of reliability is weather resilience which can be achieved through the use of underground cables. The Bank is addressing these areas through (i) helping to develop strategies and engineering master plans; (ii) investments; and (iii) institutional development and capacity building.

In Tonga, the Bank's entry point has been support for the preparation of a comprehensive energy road map. This establishes targets, defines the necessary regulatory frameworks, identifies the role and prospects of renewable energy, reviews the petroleum supply chain. In Tonga the National Power Utility has done a good job in preparing the ground for implementation, but the government is moving slowly with implementing the road map and appears to lack the capacity to follow through. The Bank is providing support for setting up an implementation office. In the Bank's view one of the lessons emerging from the Tonga experience is the need to put in place an Energy engineering master plan for the sector as a follow up to the direction-setting role of the roadmap.

The Tonga roadmap has played an important role in establishing the potential of renewables and the cost advantages that solar and wind power represent particularly in the outer islands. Although the Bank has not been directly engaged in financing renewables, one interlocutor in Tonga saw the Bank as playing a key role in changing the philosophy of the energy authorities in Tonga toward renewables, and perhaps as its most important contribution in the sector. Tonga has now set a target of having 50 percent of its energy generated through renewables by 2020. ADB has been supporting renewables in Tonga's outer islands, with New Zealand and Japan supporting wind power. Another impact of Bank work is that resilience is no longer looked on as a luxury in Tonga. It is recognized that this needs to be standard in projects. There are disaster recovery systems in place for all business processes in the energy sector.

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<sup>10</sup> Asian Development Bank (2015). Pacific Energy Update 2015.



In Vanuatu, after seeing the Tonga roadmap, the government requested a similar exercise. The roadmap was prepared in 2011–12 and built on earlier work the Bank had done on energy regulation. A range of projects have been prepared. The government is keen to increase access to electricity and the objective is to go from 20-30 percent coverage to 80-90 percent in the next 20 years. A Suez subsidiary was running the power and water authorities, but only reaching 15 percent of the population. Vanuatu has private companies running petroleum import and the utilities. The Vanuatu Rural Electrification Project phase one for remote communities is looking at plugging in systems for micro and mini-grids, to provide access to 30 percent of the population. (Inter alia this will also replace firewood collection by women.)

In Samoa, ADB has historically led on energy sector issues and has helped the government to develop a roadmap. While Bank engagement has been limited, IFC has worked with the government and ADB to explore options to encourage new private generation investment such as for proposed hydropower investments in Sava'ai Island.

In the Northern Pacific – the Federated States of Micronesia, the Marshall Islands, and Palau, the Bank's energy engagements relate mainly to petroleum supply. The Marshall Islands had to declare a state of emergency in 2008 because of unaffordable petroleum subsidies, caused by high prices. In the Marshall Islands, the Bank financed a consultant study which found that the petroleum storage tanks were in urgent need of rehabilitation. Half of the tanks were redundant and even on the most conservative assumptions would not be needed for future activities, provided the rest were rehabilitated. The Bank offered an energy development policy loan, but once petroleum prices came down the government decided not to proceed with the loan. The Marshall Islands has access to substantial funding from the U.S. government through the Compact of Free Association. The Federated States of Micronesia currently has a \$14 million project in the energy sector to do a comprehensive master plan with a focus to more efficiently manage the sector and bring down costs and move to renewables.

Fiji has had a long engagement with the Bank on energy. Before the coup d'état, the Bank was intending to co-finance a hydro power station. After the coup the Bank decided not to proceed with new lending. The Bank did however continue the active project for Sustainable Energy. This project which was supported by \$5.2 million from the GEF has been by all accounts, very successful. The program consists of a guarantee fund which is channeled through the Fiji Development Bank to commercial banks. Funding is made available for 5 years, and the \$5 million of GEF money has leveraged \$31.6 million of loans. The loans have triggered numerous small village-based projects which have helped the government move closer to its objective of 100 percent access by 2020 (it is now 93 percent). For many isolated communities solar power is the most economic option available. There is also commercial development of solar power which

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can be linked to the national grid. These systems are installed and maintained by private companies. Initially the scheme was also tried in other PICs, but was not as effective. Now with the experience of Fiji, there is consideration to re-extending it to other countries. The Bank is also considering providing support to the development of geothermal capacity in Fiji.

Governments are becoming aware that donor funding is not unlimited and are recognizing the need to attract private investment. So far this has not been effective. In Samoa, there was an offer of a government guarantee but this was not sufficiently attractive. The Bank is considering providing a partial risk guarantee and there has been some interest in this approach. In Tonga, the view is that PPPs in the power sector are an option and there are indications that some companies are willing to support them. The Bank has been working behind the scenes to try to make this a reality.

#### **Sector Linkages and Value Chains for Private Business: Support for Fisheries, Tourism and Agriculture.**

As indicated there is an emerging consensus that ‘bending the growth curve upwards’ requires increased PSD in the Pacific Region. The most promising areas for PSD in the PICs are in Fisheries, Tourism and Agri-business. The situation obviously differs from one country to another. The atoll islands, for example, are essentially dependent on fisheries and have limited potential in other areas. On the other hand, Fiji already has a substantial development in tourism and agri-business and potential for further expansion. Both fisheries and tourism have large regional dimensions and need to be approached through coordinated efforts. Agricultural development is particularly challenging because of the way it interacts with traditional land tenure arrangements and the lack of a well-developed value chains linking domestic farm production to local or export markets in most of the PICs. Mention should also be made of seabed mining, which is discussed in the SCD. At this point, the focus in this area should probably be on putting appropriate legal frameworks in place.

#### **FISHERIES**

For some of the PICs, especially the fishery-dependent ones (the Federated States of Micronesia, Kiribati, the Marshall Islands, and Tuvalu) ocean resources comprise the primary natural resource on which future economic growth will be based. The Pacific Islands Ocean Region covers some 11 percent of the world’s ocean area. The shared fisheries resources in the Region include: (i) ocean fisheries, largely tuna, that provide the majority of public revenues for a number of PICs; and (ii) coastal fisheries that directly sustain rural livelihoods and contribute heavily to food security and national exports in many cases. The region’s ocean fisheries supply some 35 percent of the

world's tuna catch. Foreign vessels pay the PICs according to the vessel day scheme (VDS) which was begun in 2009 which sets a price per day for each vessel operating in the region, as well as limiting the number of days in aggregate to sustainable levels. In 2014, the PICs earned \$280 million from the VDS, up from \$60 million in 2010.<sup>11</sup>

The Bank has had a dialogue on fisheries revenues for some time as part of its macro-work on the PICs. Starting in 2009, the Bank stepped up its efforts to provide direct support to the fisheries sector tapping into the availability of regional IDA and GEF funding for this purpose. In 2009, the Bank published an analysis of Fisheries in the Economies of Pacific Island Countries and Territories, and in 2012 a Fisheries Engagement Strategy for the Pacific Islands. In late 2014, funding of nearly \$40 million was approved for the Federated States of Micronesia, the Marshall Islands, the Solomon Islands, SI Tuvalu, and the Pacific Islands Forum Fisheries Agency (FFA) to support both marine and coastal fisheries. The project, the Pacific Islands Regional Oceanscape Program (PROP) is an important step toward enhanced managed of the fisheries resources in the region, to ensure their sustainability and to protect coastal habitats. Key features of the project are the support for regional agencies and its inclusion of coastal fisheries. It supports a program management unit within FFA to provide implementation support to participating countries and also supports the Oceanscape Unit within the Pacific Island Forum Secretariat to monitor program progress. In addition to the investment operation, the Bank 2013 DPO for Kiribati included the approval and implementation of a national fisheries policy. Future work in fisheries could expand to address catch sustainability issues and governance issues in management of the substantial revenues.

At the same time IFC is engaged in supporting the development of the fish processing sector in the PICs. The objective is to enhance the value added locally to tuna caught in the countries' waters. This can also provide a significant increase in local employment. IFC is supporting tuna processing in the Solomon Islands where 1100 people are employed in fisheries, 900 of them women. IFC has provided the main processing company with \$10 million of debt financing.

## TOURISM

In the 80s and 90s, IFC had five tourism projects in the region, mainly hotels, but since then has not been much involved in direct investment in the tourism sector. In the view of IFC staff, IFC has limited value added here. The hotels are large multi-nationals

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<sup>11</sup> The VDS is under increasing pressure from the fact that much larger fishing vessels are now operating in these waters. Ideally the approach would shift to one based on the size of the catch, but this is very difficult to administer.

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which can obtain funding from local banks. IFC was engaged in supporting the re-opening of the International Dateline Hotel in Tonga through transaction advice to the government, but disengaged when the government decided to proceed with a contract which IFC had advised against. The 2013 Tonga DPO included as a prior action approval of a plan for private sector participation in the management of the International Dateline Hotel. The government brought the deal to the point of transaction through a rigorous tender process but was unable to secure a final agreement. A more successful engagement has been the Otintaai Hotel in Tarawa in Kiribati which is a private sector participation in a state-owned enterprise. The IFC-facilitated PPP mobilized \$2.25 million of private investment for the rehabilitation of the hotel. IFC has provided some support for training and the promotion of a dialogue on priorities for tourism development. In FY07, IFC provided a five day training workshop to support the building of technical knowledge in relation to specialized tourism investments. The intended target audience for the workshop was key personnel in the public and private sector. IFC also undertook in FY09, a diagnostic of impediments to the development of the tourism industry in five Pacific countries where tourism is an important economic activity. In Samoa, several activities have been undertaken, based on the findings of the IFC diagnostic and with the support of New Zealand.<sup>12</sup>

More recently, IFC is playing an important role in exploring various options for promoting tourism in the region as a whole. In 2012 IFC launched the Pacific Regional Tourism Initiative (PRTI), with three focus countries – Samoa, Tonga, and Vanuatu. The initiative aimed at mobilizing \$15 million in new investments in tourism infrastructure as well as \$30 million in new tourism investment to support up to 4,000 new tourist arrivals across the three pilot countries over three years.<sup>13</sup>

The ambitious targets IFC has set, have not been achieved, and will require the fruition of a number of ongoing initiatives. In addition to the PRTI, IFC also has an advisory project aimed at creating new markets, by promoting Pacific tourism in China through operators in Beijing and Shanghai and is also looking to promote fly/cruise vacations that will start from Fiji rather than requiring the cruise ship to originate the voyage in Australia or New Zealand or further afield. Carnival Australia is going ahead with a

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<sup>12</sup> IEG's Evaluative note for the project indicated that a number of follow-on activities to the diagnostic have been initiated including; establishing a formal tourism sector Public-Private Dialogue (PPD) process via the Samoa Tourism Forum, a new draft law completed by Samoa Tourism Authority and Public Sector Reform Facility to formalize its role in tourism promotion, and establishing workplace training programs in the tourism sector. However, none of these follow-on activities involve IFC financial support

<sup>13</sup> Project Supervision Report for the Pacific Tourism project FY15 Q4.

trial of this. In the view of IFC staff, “if it works it could be a game-changer with the potential to create huge employment.”

## AGRICULTURE

**Governments of the PICs are showing increasing interest in promoting agricultural development.** There are a number of common approaches. First, governments put emphasis on food security, mainly through production of taro and cassava. Second there is increased interest in horticulture production to meet demand from the urban areas and to serve the tourism sector. In addition, there is export potential for some tropical fruits and vegetables to the ANZ markets. Third there seems to be increased interest in livestock production for similar reasons. Fourth there is scope for export of traditional foodstuffs to the expatriate ethnic market. During the years of the mandate, some of the PICs had substantial commercial agriculture production, exported to New Zealand, but on independence the commercial farms were broken up with the consequence that agriculture is dominated by very poor quality subsistence farming at present. In many cases farming is more of a hobby than a reliable source of family income.

In Tonga, the Bank had conducted joint analytic work with IFAD (Sep 2014 to Oct 2015) to assist the authorities in developing agriculture and fisheries sector plans to guide investments in the sectors going forward. These plans provide the foundation for Tonga’s application to the Bank’s Global Agriculture and Food Security Program (GAFSP) in mid-2016.

**In Samoa, the Bank has two projects providing direct support for farmers and fishermen.** The first of these, the Samoa Agricultural Competitiveness Enhancement Project (SACEP) was financed by a combination of IDA credits and grant resources from the Global Food Crisis Response Program (GFRP) and was designed to improve productivity, quality, and take greater advantage of market opportunities. The focus is on supporting increased livestock and fruit and vegetable production by semicommercial farmers. Support is in the forms of matching grants, business development planning and operation, and technical advice to help improve production and marketing practices. In addition to the main focus on semi-commercial farmers, some training is to be provided for subsistence farmers (but no direct inputs/grants). The farmers apply for participation in a training program, and a group of them are selected after the training to participate in the project. There was concern about the focus on commercial farmers rather than a broader outreach to subsistence farmers. The key is however, to develop viable models of commercial farming linked to value chains that can be replicated in the future.

The second project, the Samoa Agriculture and Fisheries Cyclone Response Project was approved in FY14, in the wake of Tropical Cyclone Evan. This project was discussed in environmental resilience section of Chapter 3. The project was financed by a grant of \$5 million from the IDA Crisis Response Window (CRW) and was designed to provide recovery assistance to cyclone affected farmers and fishermen through vouchers and grants with the aim of restoring their lost production capacity. The project also sought to enhance preparedness of the agricultural sector to better respond to future disasters.

**The SACEP project has a major focus on upgrading livestock and meat processing in Samoa.** There has been substantial destocking in Samoa and herds have declined from 50,000 down to 30,000. Many farmers seem to keep cattle mainly as a means of meeting the social obligations linked to funerals in Samoa, when cattle are slaughtered and given as gifts to church groups.<sup>14</sup> The program is focused mainly on import of breeding cattle and work with local institutions to propagate breeds. Farmers get grants for pasturing.<sup>15</sup> Samoa did not have any abattoirs. The project has provided funding and the mobile abattoirs will arrive shortly. A major is the lack of middlemen. It will take time to develop the links needed for value chains.

**The project has also covered most vegetable varieties.** The next task will be to validate the trials and build supply chains. There are on-farm investments through matching grants. Typically farmers invest in improved water harvesting and drip irrigation, in shade and storage houses, and fencing. Rock removal is also an important feature of the project in Samoa where rocks are a major issue for farm production. Lack of secure tenure is an issue here as well. The key however, as with livestock and meat processing is the need for linkages with the companies that currently import raw and processed foods and to contract reliable supplies to the domestic and particularly the tourism markets (hotel, restaurants) in Samoa. If this can be done, the project will provide an important model for future development of the agriculture sector in the PICs.<sup>16</sup>

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<sup>14</sup> A government official told the mission that they were trying to encourage farmers to give live animals to the local pastors rather than slaughter them, in the hope that the pastors themselves would become significant cattle farmers.

<sup>15</sup> The evaluation team was informed that 40 percent of matching grants under the project go to women, but could not verify this and while a number of project beneficiaries were visited, none were women. It is possible that in some cases wives are being put down as nominal beneficiaries in order to secure access to funding, although, if this is the case, they would be required to attend the training that is a pre-condition of support under the project.

<sup>16</sup> Current investment opportunities exist in the poultry sector, beef and mutton branding, fruits and vegetable packaging, and a range of agro-processing ventures. There is room for

**In Fiji, the Bank has done some analytic work and the CEN lists agriculture as one of the possible sectors for engagement.** Agriculture is a priority for the government. There are good prospects in Fiji given the potential market that the large tourism sector represents. In addition Fiji's sugar sector is declining and there is a need to find new employment options for displaced workers. As far as the constraints are concerned, there are significant land tenure issues. In particular the ethnic Indian population has a problem getting land rights given the prevalence of traditional tenure systems. Only 10 percent of the land is freehold outside the traditional system. For the rest there are only temporary user rights to the land. There are lessons from a number of countries as to how to work within customary land tenure systems so as to provide sufficient security that farmers are able to invest in productivity enhancements. The Bank's program in the PICs needs to draw on this experience. This will be a major issue to resolve when the Bank increases its engagement in the sector. In fact, the use of innovative land tenure arrangement that encourage investments in agriculture – both sugar and nonsugar – has been central to the identification of the proposed Fiji Agriculture Sustainability and Transformation Project.<sup>17</sup>

**The support for these key commercial sectors presents a very mixed picture.** There is evidence of good collaborative approaches adopted by the Bank and IFC in the Fisheries and Tourism sectors. It is too soon to assess the outcomes with regard to the agriculture sector, but in this area there was somewhat less evidence of effective Bank/IFC collaboration, and this is perhaps reflected in the relative weakness of the project's design and efforts to promote agricultural value chains. The Bank needs to give priority to a more coordinated effort in this area. The evidence from the evaluation team's visit to project sites suggests that this is going to be a particularly difficult project to implement. The marketing arrangements are weak and farmers lack a commercial orientation. This seems a case where the Bank may need to consider a presence on the ground.

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IFC to tap into these opportunities, particularly with the larger agro-entrepreneurs. The Bank and IFC have agreed on the need for IFC technical assistance in quantifying the demand for food in the retail outlets within the tourism linked hospitality industry.

<sup>17</sup> The sustainability of the Fijian sugar industry depends on flexible management of land leases, coupled with land consolidation, in order to sustain farm livelihoods and keep them on par with improving livelihood opportunities in the nonagriculture (mainly tourism-related) enterprises.