Report Number : ICRR0020383

## 1. Project Data

| Operation ID | Operation Name | |
|---|---|---|
| P144377 | Samoa Development Policy Operation | |
| **Country** | **Practice Area(Lead)** | |
| Samoa | Macro Economics & Fiscal Management | |

| L/C/TF Number(s) | Closing Date (Original) | Total Financing (USD) |
|---|---|---|
| IDA-H8710 | 31-Mar-2015 | 15,000,000.00 |
| **Bank Approval Date** | **Closing Date (Actual)** | |
| 12-Jul-2013 | 31-Mar-2015 | |

| | IBRD/IDA (USD) | Co-financing (USD) |
|---|---|---|
| Original Commitment | 15,000,000.00 | 0.00 |
| Revised Commitment | 15,000,000.00 | 0.00 |
| Actual | 15,476,432.00 | 0.00 |

| Prepared by | Reviewed by | ICR Review Coordinator | Group |
|---|---|---|---|
| Judyth L. Twigg | Clay Wescott | Lourdes N. Pagaran | IEGEC (Unit 1) |



## 2. Project Objectives and Policy Areas

### a. Objectives

According to the Program Document (p. 23), the Operation's objectives were "to provide much-needed fiscal resources in the wake of Tropical Cyclone Evan, support recovery, improve disaster resilience, and strengthen management and transparency around the use of public funds at a time of heightened fiscal pressures." This statement of the objectives is broadly congruent with the statement in the Letter of Development Policy (Annex 1, Program Document, pp. 42-45): "to address the immediate needs of the affected populations and restore core public services"; "to increase the resilience of the nation to future disasters by putting in place some new policy and institutional reforms that will enhance the positive impact of reconstruction spending"; and "to move ahead on [the Government's] reform plan to ensure an efficient and strong public finance management system to support macroeconomic stability, transparency and accountability." This Review uses the specific wording of objectives from the Program Document.

### b. Were the program objectives/key associated outcome targets revised during implementation of the series?

No

### c. Pillars/Policy Areas

The Operation contained two pillars:

1. Recovery and Resilience. This pillar included reforms to enhance recovery and resilience in disaster management, infrastructure, and housing. It was based on a post-disaster needs assessment carried out by the Government and development partners, including the Bank, in consultation with affected communities and the private sector. Focus was placed on infrastructure repair, disaster risk management and climate resilience, and social assistance.

2. Public Finance Management Reforms. This pillar included public finance management reforms that supported improved management and transparency around the use of public funds at a time of ramped up expenditures to support recovery. Actions were drawn from a coordinated policy matrix developed jointly by the Ministry of Finance, relevant line ministries, and development partners engaged in budget support. This pillar was also designed to support the continued implementation of Phase II of the government's Public Financial Management Reform Program, with focus on debt management, transparency, and arrears management.

### d. Comments on Program Cost, Financing, and Dates

The Operation, approved by the Board on July 21, 2013, was designed as a single tranche of US$ 15 million equivalent. All prior actions were completed by the time of Board approval. The Operation became effective on September 9, 2013, and was fully disbursed before the closing date of March 31, 2015. Actual financing was US$ 15.48 million (due to exchange rate fluctuations).

## 3. Relevance of Objectives & Design

### a. Relevance of Objectives

The objectives were highly relevant to country context. Until recently, Samoa was the fastest growing of the Pacific Island countries. However, it was hit by a series of natural disasters, most notably an earthquake and tsunami in 2009 resulting in 143 deaths and US$ 125 million in damage and losses. Coupled with ongoing food and fuel price shocks and the global financial crisis, the 2009 disaster produced a 5.2% contraction in GDP that year and a marked deterioration in the government's fiscal position over the next several years. In December 2012, Tropical Cyclone Evan caused further deaths and losses valued at US$ 210 million (more than a quarter of the country's GDP). The two natural disasters added 15% of GDP to Samoa's external debt. The financing provided by the operation was therefore intended to fill the fiscal gap that arose as a result of increased post-disaster recovery commitments.

The objectives are also highly relevant to the government's 2012-2016 Strategy for Development of Samoa, which includes key strategic outcomes for maintaining macroeconomic stability and mainstreaming climate change and disaster resilience, and to the World Bank's 2012-2016 Country Partnership Strategy for Samoa, which contains an overarching theme of building resilience against shocks and a key priority to rebuild macroeconomic resilience and inclusive growth. The objective related to management and use of public funds was particularly relevant in a context of sharply increased expenditure related to the disasters, and in anticipation of similar shocks in the future.

### Rating
High

## b. Relevance of Design

The project's focus was two-pronged: to support the country in recovering from the immediate impacts of Cyclone Evan, and to build resilience against similar future shocks, including disaster preparedness policies, a strong economy, and strengthened public financial management. Recovery and resilience-associated policies and actions were based on a post-disaster needs assessment carried out by the Government and development partners, including the Bank, in consultation with affected communities and the private sector.

The strengthening of public financial management was based on a coordinated policy matrix developed between the Ministry of Finance, relevant line ministries, and development partners engaged in budget support. The recovery and resilience pillar combined a short- and longer-term focus, with attention to the sustainability of repaired and rebuilt infrastructure in the face of likely future natural disasters. The public financial management focus on debt management and transparency contained policy actions aimed specifically at managing old debt and accruing new debt efficiently and transparently. The macroeconomic framework was adequate to support the operation, with policies in line with International Monetary Fund staff recommendations (ICR, p. 7).

While the development policy operation (DPO) was the appropriate instrument to deliver funding rapidly after a natural disaster, the two-pronged approach resulted in a lack of timeliness of response (seven months after Cyclone Evan). The project team later explained that the operation's recovery plan leveraged earlier funds from other partners, that the Bank funds arrived for the beginning of the next fiscal year, and that the country had other mechanisms for ensuring immediate support. However, the country's limited capacity created challenges by simultaneously undertaking longer-term reforms and more urgent tasks, and a focus of the policy actions on more urgent recovery needs might have led to more efficient allocation of government attention and resources (see IEG's *World Bank Group Engagement in Small States*, 2016, for elaboration of the point on limited capacity).

**Rating**
Substantial

## 4. Achievement of Objectives (Efficacy)

### Objective 1

**Objective**
Support recovery

**Rationale**
As part of the prior action, the FY 2014 government budget included financing for prioritized expenditures included in the recovery framework. A home rebuilding scheme was designed to assist affected households to rebuild their dwellings, and similar reconstruction schemes were implemented in tourism, transport, energy, ports, water, health, the environment, community development, and agriculture. Disbursements were made to reconstruct 262 homes, renovate 438 homes, and repair 176 homes. About 150 additional homes in particularly vulnerable areas were rebuilt with the assistance of development partners.

86.5% of housing reconstruction expenditure projects were on track for completion by the end of FY 2014 (including the full amount of housing support encompassing concessional loans from the government and in-kind support from development partners), exceeding the target of 75%. The ICR team was unable to access FY 2014 cyclone recovery budget execution data for other key sectors (water, roads, energy, ports), but government data indicate that reconstruction projects in each of these sectors had been fully executed by April 2016.

Approximately 100% of households with completely or severely damaged homes rebuilt their dwellings, exceeding the target of 90%. Disbursements were also made to deal with a large proportion of minor damages.

The evidence provided indicates substantial achievement of the objective to support immediate disaster recovery.

**Rating**
Substantial

### Objective 2

**Objective**
Improve disaster resilience

### Rationale

As part of the prior action, flood preparedness was integrated into urban planning guidelines, and the Cabinet approved an integrated Urban Land Use Plan (with new regulations to ensure appropriate zoning in flood plans and disaster risk reduction requirements for new construction) in November 2014. The home rebuilding scheme contained a focus on upgraded cyclone and flood resilience standards. "Build back better" (BBB) measures were a precondition for beneficiaries receiving government grants or subsidized loans. Approximately 100 houses received waivers to this requirement in order to construct temporary shelter, but a second round of assistance for these beneficiaries incorporated BBB standards as more permanent structures were built. Under conservative assumptions, at least 83% of houses rebuilt with Government assistance meet cyclone and flood resilience standards, exceeding the target of 80%. However, the ICR (p. 4) notes that information allowing a formal assessment of achievement of this target is not available. The project team later noted that conformity with these standards was an ex ante condition for effectiveness, and that ex post monitoring might be prohibitively expensive in such a low-capacity environment. The government has expressed confidence that the ex ante measures were in place.

Studies on the level of compliance with vehicle load limits were carried out in May 2012 and March 2013. Previous overly restrictive road use regulations were not enforceable, leading to almost universal violation of those regulations and consequent damage to the longevity of road assets by too-heavy vehicles. This ongoing damage leaves the road network highly vulnerable to climate-related shocks. New vehicle weight limits, however, were not immediately put in place, revealing lack of ownership of this prior action. The Land Transport Authority (LTA) instead decided to undertake a broader update of design standards and construction specifications for the country's roads and bridges, which is a longer-term process than envisioned under the project. In addition, there was high staff turnover at the LTA beginning in mid-2014, forcing the agency to focus its limited resources on shorter-term works (recovery) rather than longer-term regulatory planning. The project team confirmed that the new weight limits remain delayed as LTA has decided to put the activity on hold. Terms of Reference are being revisited, given the delays, and legislation passage, which LTA still hopes to achieve before the close of the Enhanced Road Access Project (P145545) in April 2019, is not guaranteed.

Although confirmed results were not demonstrated for all indicators by the time of project closing, the evidence provided indicates that intended outcomes overall were achieved or are likely to be achieved within the near future. Progress on this objective is therefore rated substantial.

### Rating

Substantial

## Objective 3

### Objective

Strengthen management and transparency around the use of public funds at a time of heightened fiscal pressures

**Rationale**

The operation supported compliance with the government's updated Medium-Term Debt Strategy (MTDS), which was to limit approval for external loans to those with at least 35% grant element and with a positive economic return at minimum able to cover interest and repayment costs. It also supported as a prior action sustained improvement in monitoring and public reporting on the Ministry of Finance web site: (a) of Samoa's debt position through publication of quarterly bulletins, and (b) of all procurement notices and contract awards above SAT 0.5 million. A procurement division was established within the Ministry.

Quarterly debt bulletins and accompanying government economic analysis are now published online as a prior action. The government's MTDS for the period 2016-2020 has been finalized (see http://www.mof.gov.ws/Services/AidCoordinationDebtManagement/AidPublications/tabid/5909/Default.aspx). All procurement notices and contract awards above Samoan Tala (SAT) 100,000 since FY 2014 are available on the Ministry of Finance website (exceeding the target of 90% of notices above SAT 500,000), but there have been delays in publication. These delays are due to the Ministry wanting to ensure that awards are published only after contracts are signed, and after all bidders are advised on the results of the tender. The ICR (p. 19) notes that contract award information is being published for significantly lower-value procurements than were specified by the project, but it also observes that the Ministry of Finance "could still do more to speed publication."

No new loans were contracted in FY 2014, meeting the target that 90% or more of new loans contracted in FY 2014 were in accordance with MTDS guidelines on concessionality.

A National Payments Policy, with Treasury Instructions for the payment of goods and services, was implemented, making the Ministry of Finance and line ministries jointly responsible for timely payment processing at all stages of budget execution as a prior action. The Ministry of Finance now monitors arrears on a monthly basis and issues a report to all line ministries on their outstanding invoices and average turnaround time. The proportion of payments in arrears declined from 45% in January 2013 to an average of 43.9% over the period July to November 2014, not reaching the target of 30%, and it remained high in later periods (50.7% for January - May 2015, 45.2% for July - December 2015). The total volume of arrears fell from SAT 3.1 million in April 2013 to SAT 1.6 million in May 2014; the ICR was not able to obtain more updated data. The average time to process payments fell from 23.4 working days in February 2013 to 18 days in May 2014, but then increased again to an average of 25 days between July and December 2014, 27.6 days between January and May 2015, and 22.6 days between July and December. The ICR (p. 20) notes that these processing times all remain under the internationally recognized standard of 30 days. Although Samoa's 2010 Public Expenditure and Financial Accountability assessment did not rate "stock and monitoring of expenditure payment arrears" due to lack of information, the 2013 assessment assigned a score of B+ on this indicator, noting that total arrears were relatively low as a proportion of total recurrent expenditure.

Due to caveats around the achievements related to new loans, publication of procurement notices and contract awards, and arrears, achievement of this objective is rated modest.

**Rating**
Modest

## 5. Outcome

The operation's objectives were highly relevant to country conditions, government strategy, and Bank strategy. Its design was substantially relevant, with the policy areas logically and plausibly linked to achievement of the objectives, but with caveats around the appropriateness of the two-pronged approach. Achievement of the objective to support recovery was substantial, with all reconstruction projects, especially in the housing sector, completed by the spring of 2016. Achievement of the objective to improve disaster resilience is rated substantial as well, with caveats. Most housing reconstruction took place in line with "build back better" standards. Planned new standards for vehicle weights were not implemented, however, though this reform has assumed higher political priority since the operation closed, and new legislation in this area is expected by early 2017. Achievement of the objective to strengthen management and transparency around the use of public funds was modest, as there were some shortcomings around progress on indicators related to new loans, publication of procurement notices and contract awards, and arrears. Taken together, these ratings are indicative of minor shortcomings, and therefore an outcome rating of Satisfactory.

a. **Outcome Rating**
Satisfactory

## 6. Rationale for Risk to Development Outcome Rating

The government remains committed to pursuit of public financial management reforms. Support to immediate recovery efforts has already had beneficial impacts that are unlikely to be reversed, particularly given the adherence to "build back better" standards. Samoa, however, remains substantially vulnerable to the macro risks faced by small, isolated countries in the Pacific region, including natural disaster and commodity price shocks. The policy actions supported by the operation strengthened government institutions through the public financial management reform plan within the Ministry of Finance and, to a lesser extent, the Land Transport Authority, but capacity remains thin, and high staff turnover could sidetrack or delay ongoing structural reforms and programs. There will be challenges to sustainability of the results achieved. For example, the ICR (p. 18) reports that one new external loan was contracted in the last quarter of calendar year 2014 that had slightly less concessional terms than the 35% grant element threshold; no further detail on the terms is provided.

Macroeconomic risk also remains substantial, as the external debt-to-GDP ratio has risen from already-high levels (30% in FY 2008, 56% as of September 2015, 55.3% in FY 2015, and 50.7% in 2016), though the budget deficit has declined to an average of 4.3% from FY 2013-2015, down from an average of 6.1% over the preceding three years. The project team added that the budget deficit has further declined to 5.3% of GDP in

FY 2014, 3.9% in FY 2015, and 0.6% in 2016. Macroeconomic risk is also somewhat mitigated by a follow-on Fiscal and Economic Reform Operation prepared in 2014, the first in a two-phase programmatic Development Policy Operation designed to strengthen public financial management systems as well as payment systems, tourism sector policy, and private sector development. The second phase of this DPO was approved in September 2016. The availability of the Catastrophe Deferred Drawdown Option beginning in 2018 should also improve the ability of budget support operations to respond to natural disasters. Other development partners also remain engaged.

On balance, the risk to development outcome is substantial.

### a. Risk to Development Outcome Rating

Substantial

## 7. Assessment of Bank Performance

### a. Quality-at-Entry

The Bank worked closely with the government and other development partners in the production of the post-disaster needs assessment and the joint policy matrix that formed the basis of the public financial management reforms. Risks related to macroeconomic health were adequately addressed. While the DPO was the appropriate instrument to deliver funding rapidly after a natural disaster, the two-pronged approach resulted in a lack of timeliness of response (seven months after Cyclone Evan). Additional shortcomings included lack of specification of some of the results indicators (see Section 9a), as well as inadequate assessment of risk surrounding government ownership of the prior action related to vehicle load limits.

### Quality-at-Entry Rating

Moderately Satisfactory

### b. Quality of supervision

The Bank team worked closely with other development partners to coordinate activities. Transaction costs were reduced through provision of technical assistance from existing operations in the agriculture and road infrastructure sectors. However, the Bank did not provide timely technical assistance to develop policy related to road vehicle weight limits. Two Implementation Status and Results Reports were prepared (in January and September 2014), but little subsequent follow-up occurred. The ICR (p. 24) notes that the Bank team could have been more proactive in monitoring the progress of the final government cyclone recovery report, still not available as of April 2016, and in locating additional sources of outcome data in the absence of that final report. The project team later confirmed that the final recovery report remains pending, as the government awaits data from some sectors. The team effectively harnessed the efforts to tackle structural reforms in this operation to help provide a bridge into the programmatic series of DPOs beginning in FY 2014/2015 that supported a longer-term reform program in a number of areas.

### Quality of Supervision Rating
Moderately Satisfactory

### Overall Bank Performance Rating
Moderately Satisfactory

## 8. Assessment of Borrower Performance

### a. Government Performance
The operation responded to key themes that aligned to the government's top priorities. As a result, the political environment was strongly supportive of its objectives. Substantive and realistic policy actions were identified quickly and collaboratively, though there was lack of ownership of the prior action on vehicle weight limits. Collaboration and dialogue with development partners was strong and productive, and the government coordinated partner efforts effectively. The final government cyclone recovery report was not received by the end-2015 deadline and was still not available as of April 2016. The project team explained that this delay was due to missing sections from a small number of sectors, and a desire for the report to be complete prior to release.

### Government Performance Rating
Satisfactory

### b. Implementing Agency Performance
Most agencies were effective in delivering the reforms supported by the operation. The Samoa Housing Corporation (in collaboration with other agencies) implemented the home building scheme, and the Ministry of Natural Resources and Environment prepared the Integrated Land Use Plan to strengthen disaster-resilient urban planning. The Land Transport Authority did not establish the planned regulated weight limit for heavy vehicles. The ICR (p. 26) explains that, given its limited capacity due to staff turnover, the agency made a deliberate choice to focus its resources on immediate needs (works activities), but the delay may also stem from a lack of adequate communication between the Ministry of Finance and the LTA and a lack of accountability for the budget support process and timetables.

### Implementing Agency Performance Rating
Satisfactory

### Overall Borrower Performance Rating
Satisfactory

## 9. M&E Design, Implementation, & Utilization

### a. M&E Design
A comprehensive reporting regime was put in place for ministries and programs to provide regular updates

on priorities agreed to in the recovery framework, under the overall direction of the Ministry of Finance. The Ministry of Finance was to produce quarterly implementation reports to be shared with the Bank and other development partners at donors' meetings. The operation's results indicators were appropriately ambitious and well aligned with the prior actions and development objectives. However, the indicator for completion of reconstruction projects was framed vaguely, specifying that projects would be "on track for" completion rather than more concretely in terms of completed execution.

### b. M&E Implementation

Quarterly reports were generated and shared, as planned. For the recovery and resilience objectives, M&E occurred through the recovery framework mechanism. For the public financial management objective, M&E took place through annual joint donor missions. Those missions took place throughout the implementation period, with more frequent updates through Samoa's existing monitoring and evaluation systems and sector-specific missions. However, the final government cyclone recovery report, scheduled for delivery by the end of calendar year 2015, had not yet been produced by April of 2016 due to delayed submission from several sectors (housing and education). As a result, it was challenging for the ICR team to assess achievement of some aspects of the operation's development objectives.

### c. M&E Utilization

Assessment of results has been hindered by the delay in the final cyclone recovery report. The ICR does not provide additional information on M&E utilization. The project team later added that the two-phase follow-on DPO drew significantly from lessons contained in interim government progress reports.

### M&E Quality Rating

Modest

## 10. Other Issues

### a. Environmental and Social Effects

The government's post-cyclone recovery framework devoted considerable attention to the environmental sector, with recovery needs including removal of downed trees and debris removal and disposal. The plan included research, assessments, and surveys involving forest, avian, and reef management, protection of forest and watershed areas, and public awareness campaigns. Planned actions over the medium term included replanting of damaged natural forest areas, conservation of refuge areas in native forests, continuation of control and invasive species in forests, reconstruction of damaged walking tracks, nurseries, signage, and forest storage facilities, and reconstruction of damaged mixed use forests (Program Document, p. 36). The Program Document does not discuss the potential environmental impacts of housing and other reconstruction activities.

### b. Fiduciary Compliance

No issues with fiduciary compliance were reported in the ICR.

### c. Unintended impacts (Positive or Negative)

None reported.

### d. Other

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## 11. Ratings

| Ratings | ICR | IEG | Reason for Disagreements/Comment |
|---|---|---|---|
| Outcome | Satisfactory | Satisfactory | --- |
| Risk to Development Outcome | Modest | Substantial | Substantal risk related to vulnerabilities of a small island state, thin capacity and high staff turnover at key agencies, and macroeconomic risk. |
| Bank Performance | Moderately Satisfactory | Moderately Satisfactory | --- |
| Borrower Performance | Satisfactory | Satisfactory | --- |
| Quality of ICR | | Substantial | --- |

**Note**

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

## 12. Lessons

The ICR (pp. 26-28) offers several useful lessons, including:

There are important distinctions between support for "measures to introduce changes" to regulations and law as opposed to the introduction of the regulations or laws themselves.  In this case, particularly for a stand-alone development policy operation, it was not sufficient to settle for "measures to introduce changes" on establishment of regulated vehicle weight limits. The Land Transport Authority's decision to combine this activity with other longer-term processes, in addition to high staff turnover, meant that those weight limits still have not been implemented.

Coordinated financial and technical support from development partners is a key element of the response to natural disasters in Pacific Island countries. In this case, collaboration among partners contributed to quick recovery from Cyclone Evan and investments in sustainable risk mitigation while reducing the potential for overlaps and inefficiencies.

There is a potential mismatch between the requirements of the DPO instrument and the need to deliver funding rapidly after a natural disaster. While a DPO is an appropriate instrument for quick-disbursing financing in the wake of a disaster, combining a two-pronged approach of short- and long-term measures can detract from its intent to respond rapidly to urgent needs. In this case, the DPO was unable to respond rapidly due to the two-pronged approach. It would have been more appropriate to address the more urgent needs given limited country capacity, and a focus of the policy actions on more urgent recovery needs might have led to more efficient allocation of government attention and resources.

## 13. Assessment Recommended?

No

## 14. Comments on Quality of ICR

The ICR is clear, concise, and candid. It provides appropriate context for the operation. It is careful to introduce additional data (and specification of indicators) to ensure full evaluation of achievement of objectives, in cases where the project's formal results framework or M&E results were not adequate. Some areas of the ICR, however, would have benefited from more in-depth discussion, particularly monitoring and evaluation activities, the appropriateness of the two-pronged approach, and the match between policy actions and institutional priorities and capacity. In some cases, these issues are discussed in the "Lessons" section without having been adequately covered in the main text of the ICR.

### a. Quality of ICR Rating

Substantial