



# Completion Report

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Project Number: 46384-001  
Grant Number: 0360  
August 2016

## Samoa: Public Sector Financial Management Program

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

## CURRENCY EQUIVALENTS

Currency Unit	–	Tala (ST)
	<b>At Appraisal</b>	<b>At Program Completion</b>
	(22 August 2013)	(1 August 2016)
ST1.00	= \$0.4241	\$0.3932
\$1.00	= ST2.3579	ST2.5432

## ABBREVIATIONS

ADB	–	Asian Development Bank
EU	–	European Union
GDP	–	gross domestic product
JPAM	–	joint policy action matrix
MOF	–	Ministry of Finance
GDP	–	gross domestic product
MTFF	–	medium-term fiscal framework
PEFA	–	Public Expenditure and Financial Accountability
PFM	–	public financial management
PFMRP	–	public financial management reform program
PSDI	–	Private Sector Development Initiative
SDS	–	Strategy for the Development of Samoa

## NOTES

- (i) The fiscal year (FY) of the Government of the Independent State of Samoa ends on 30 June. FY before a calendar year denotes the year in which the fiscal year ends, e.g., FY2016 ends on 30 June 2016.
- (ii) In this report, "\$" refers to US dollars unless otherwise stated.

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## BASIC DATA

### A. Grant Identification

1.	Country	Independent State of Samoa
2.	Grant Number	0360
3.	Program Title	Public Sector Financial Management Program
4.	Borrower	Independent State of Samoa
5.	Executing Agency	Ministry of Finance
6.	Amount of Grant	\$14,000,000
7.	Program Completion Report Number	1590

### B. Grant Data

1.	Reconnaissance Mission	
	– Date Started	27 February 2013
	– Date Completed	5 March 2013
2.	Pre-Fact Finding mission	
	– Date Started	8 April 2013
	– Date Completed	12 April 2013
3.	Fact Finding Mission	
	– Date Started	10 June 2013
	– Date Completed	14 June 2013
4.	Grant Negotiations	
	– Date Started	7 August 2013
	– Date Completed	7 August 2013
5.	Date of Board Approval	24 September 2013
6.	Date of Grant Agreement	29 October 2013
7.	Date of Grant Effectiveness	
	– In Grant Agreement	27 January 2014
	– Actual	8 November 2013
	– Number of Extensions	Not applicable
8.	Tranche 2 Review Mission	
	– Date Started	22 September 2014
	– Date Completed	26 September 2014
9.	Closing Date	
	– In Grant Agreement	31 December 2015
	– Actual	12 October 2015
	– Number of Extensions	Not applicable

10. Disbursements  
a. Dates

<b>Initial Disbursement</b>	<b>Final Disbursement</b>	<b>Time Interval</b>
18 November 2013	30 September 2015	23 months
<b>Effective Date</b>	<b>Original Closing Date</b>	<b>Time Interval</b>
8 November 2013	31 December 2015	26 months

b. Amount (\$ million)

<b>Category or SubGrant</b>	<b>Original Allocation</b>	<b>Last Revised Allocation</b>	<b>Amount Canceled</b>	<b>Net Amount Available</b>	<b>Amount Disbursed</b>	<b>Undisbursed Balance</b>
Program	14.0	14.0	0.0	14.0	14.0	0.0
<b>Total</b>	<b>14.0</b>	<b>14.0</b>	<b>0.0</b>	<b>14.0</b>	<b>14.0</b>	<b>0.0</b>

**C. Program Data**

1. Program Cost (\$ million)

<b>Cost</b>	<b>Appraisal Estimate</b>	<b>Actual</b>
Foreign Exchange Cost	14.0	14.0
Local Currency Cost	0.0	0.0
<b>Total</b>	<b>14.0</b>	<b>14.0</b>

2. Financing Plan (\$ million)

<b>Cost</b>	<b>Appraisal Estimate</b>	<b>Actual</b>
Implementation Costs		
Borrower Financed	0.0	0.0
ADB Financed	14.0	14.0
Other External Financing	0.0	0.0
<b>Total</b>	<b>14.0</b>	<b>14.0</b>
IDC Costs		
Borrower Financed	0.0	0.0
ADB Financed	0.0	0.0
Other External Financing	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>

ADB = Asian Development Bank, IDC = interest during construction.

## 3. Program Performance Report Ratings

Implementation Period	Ratings	
	Development Objectives	Implementation Progress
From 8 November 2013 to 12 October 2015	S	S

## D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members
Reconnaissance	27 February–5 March 2013	3	15	a, b, c
Pre-fact finding	8–12 April 2013	3	15	a, b, c
Fact finding	10–14 June 2013	3	15	a, d, e
Tranche 2 Review Mission	22–26 September 2014	2	10	d, f

a = country specialist; b = liaison officer; c = administration officer; d = public financial management (PFM) officer; e = consultant; f = project analyst





## I. PROGRAM DESCRIPTION

1. The Asian Development Bank (ADB) approved a \$14.0 million grant in September 2013 for the policy-based Public Financial Management Program (the program)—at the request of the Government of the Independent State of Samoa.<sup>1</sup> The program supported implementation of a second phase of the government's public financial management reform plan (PFMRP), which aimed to improve capacity in public financial management and to strengthen the country's resilience to external shocks. The grant was provided from ADB's Asian Development Fund and was released in two tranches: \$10.0 million in 2013 and \$4.0 million in 2015. The program did not involve co-financing, but it was part of a joint undertaking with other development partners to support reforms under the government's medium-term fiscal framework (MTFF) by providing policy-based budget support.

2. Drawing on progress made and priorities set under the PFMRP, the government, ADB, Department of Foreign Affairs and Trade—Australia (previously AusAID), the European Union (EU), the New Zealand (NZ) Aid Programme, the World Bank, and the International Monetary Fund (IMF) agreed in March 2013 to a program of policy reforms that was delivered within Samoa's joint policy action matrix (JPAM). The JPAM prioritizes policy reforms in five areas: (i) strengthening planning; (ii) enhancing the contribution by state-owned enterprises (SOEs); (iii) improving public financial management systems; (iv) maintaining overall macroeconomic stability and fiscal discipline; and (v) deepening consultation and engagement with stakeholders. These reform areas are consistent with the Strategy for the Development of Samoa (SDS).<sup>2</sup>

3. ADB in consultation with the government adopted a subset of the JPAM for the program, and included actions relating to climate resilience. The program's intended impact was long-term fiscal stability and the intended outcome was improved fiscal management with a special focus on climate resilience. The program was structured around four outputs: (i) improved SOE performance by reforming corporate governance; (ii) improved public financial management systems; (iii) improved public debt management; and (iv) recovery from and resilience to natural disasters. The outputs for each tranche were to be achieved through a set of six policy actions drawn from the JPAM and from a program to recover from 2012's Tropical Cyclone Evan.

## II. EVALUATION OF DESIGN AND IMPLEMENTATION

### A. Relevance of Design and Formulation

4. The program design was relevant at appraisal and completion. The program incorporated lessons from ADB's earlier experience with Samoa's Economic Recovery Support Program (ERSP).<sup>3</sup> The program's policy matrix was based on a country-led JPAM, which set out the government's priority policy actions to be supported by its development partners. The design and formulation supported the implementation of the second phase of the PFMRP and the MTFF. The program was fully consistent with the SDS and with ADB's Pacific Approach, which aims to support good governance by supporting access to public services, improving the

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<sup>1</sup> ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Policy Based Grant to Independent State of Samoa for the Public Sector Financial Management Program*. Manila. (Grant 0360-SAM (ADF)) approved on 24 September 2013 for \$14.0 million).

<sup>2</sup> Government of Samoa. 2012. *Strategy for the Development of Samoa, 2012–2016*. Apia.

<sup>3</sup> ADB. 2010. *Proposed Program Cluster and Loan for Subprogram 1: Independent State of Samoa: Economic Recovery Support Program*. Manila; ADB. 2011. *Proposed Program Cluster and Loan for Subprogram 2: Independent State of Samoa: Economic Recovery Support Program*. Manila.

quality of public service delivery, and improving the environment for private-sector development.<sup>4</sup>

5. Samoa is particularly vulnerable to external shocks. The global economic crisis in 2008 triggered a sharp economic downturn as tourism, manufacturing, and agriculture receipts fell. This was closely followed by a devastating tsunami in September 2009 which damaged infrastructure, homes, and livelihoods. Reconstruction and key public investments laid the basis for resumed growth but at the expense of large fiscal deficits and escalating public debt. In December 2012, Samoa was hit by another disaster—Tropical Cyclone Evan—which created damage and economic losses estimated at more than \$204 million (about 28% of gross domestic product [GDP]). The combination of these events led to average annual GDP growth of 0.7% from FY2009 to FY2013, including GDP declines of 6.1% in FY2009 and 1.9% in FY2013.<sup>5</sup>

6. Following the 2012 cyclone, the government turned to development partners to assist with medium-term fiscal adjustment to ensure debt sustainability and to deepen and extend the efforts made under previous reforms. A key element of medium-term fiscal adjustment efforts was the formulation of the MTF, linked to the JPAM, which specified a clear path to bringing the government's fiscal position to more sustainable levels over 3–5 years, while maintaining aggregate demand and improving productivity. The plan aimed to protect the economy from future crises while laying the basis for sustained economic growth through (i) support for structural reforms to improve medium-term growth prospects; and (ii) support for mitigation strategies to strengthen climate resilience. Samoa worked closely with development partners to ensure that financing requirements were met to maintain the reform agenda, build resilience, and maintain public services.

## **B. Program Outputs**

### **Output 1: Improved State-Owned Enterprise Performance by Reforming Corporate Governance**

7. All Output 1 performance targets were achieved (Appendix 1). The Public Bodies (Performance and Accountability) Act of 2001 (Public Bodies Act) and the subsequent policy paper on SOE ownership, performance, and divestment established the principles by which the government places its SOEs on a commercial footing and divests non-strategic SOEs. Implementation of both the act and the policy had been slow, primarily because of limited technical capacity and government caution. Governance reforms were introduced under Tranche 1 of the program to improve SOE performance. In particular, corporate governance was improved by ensuring the independence of boards of directors. All SOE board appointments now comply with the selection criteria detailed in Schedule 3 of the Public Bodies Act of 2001. This includes the appointment of directors to the 16 public trading bodies, to the 10 mutual companies, and to public beneficial bodies' boards. The National University of Samoa council members were also appointed in accordance with Schedule 3 of the Act, and in alignment with international standards for university councils. At present, 85% of directors are from the private sector and the remaining 15% being ex-officio members appointed in line with the Act. Ex-officio members are maintained for the purposes of consistency in delivering public services. In line with Section 26 of the Public Bodies Act, all SOEs are required to submit financial reports on a quarterly and annual basis to the Ministry of Finance (MOF). As mandated

<sup>4</sup> ADB 2014. *Pacific Approach, 2010–2014*. Manila.

<sup>5</sup> Gross domestic product (GDP) data sourced from Samoa Bureau of Statistics for calculation of average growth.

under the Act, quarterly overview reports on SOE performance are prepared and publicly available. Cabinet also approved the public disclosure on its website of reports on the performance of all public trading bodies.

8. Under Tranche 2 of the program, the government approved a framework for the planning and implementation of public–private partnerships (PPPs) under which the government and SOEs can work together with the private sector to deliver selected services. The framework covers: (i) PPP policy; (ii) procurement options analysis; (iii) cost analysis; and (iv) guidelines for procurement and costing. The framework also includes: (i) transparency requirements; (ii) a request for qualifications template; (iii) a request for proposals template to cover key project elements, proposal requirements, and evaluation criteria; (iv) and guidelines for managing unsolicited proposals, project agreement contracting, and project governance.

9. The government, with assistance from ADB's Private Sector Development Initiative (PSDI), reviewed its policy on SOE ownership, performance, and divestment in July 2014 and endorsed a revised policy on 21 January 2015. The policy now includes consideration of political sensitivities, private sector capacity, and the regulatory framework to ensure the success of intended privatizations. At the time of privatizations, there will also be consideration of possible downside risks, including the fiscal impact of sales. The appointment of an SOE minister in April 2014 and the establishment of a dedicated Ministry of Public Enterprises is a positive reform initiative for more focused performance monitoring and effective implementation of the Public Bodies Act of 2001.

## **Output 2: Improved Public Financial Management Systems**

10. This output was directed toward achieving the medium-term goals of fiscal discipline and improving transparency, accountability, efficiency, and equity in the use of public funds. The Tranche 1 and Tranche 2 performance targets were achieved (Appendix 1). During the program period, the government implemented Phase 2 of the PFMRP. This included developing an internal audit strategy, preparing a debt management reform plan, and moving toward a fully operational MTFF. A procurement division is now functioning within the MOF and is leading procurement reforms.

11. The program supported the capacity development necessary for the success of the internal audit component of the PFMRP. This was supported through technical assistance from ADB's PSDI. ADB has continued its support for annual planning, risk assessment, cross-government audits, development of an internal audit regulatory framework, and establishment of internal audit committees.

12. The ADB supported a review of the legal and regulatory environment for internal audit. The internal audit division now has a charter, which discusses its purpose, independence, authority, confidentiality requirements, scope and accountability, responsibility, standards of practice, relationship with the chief auditor, and reporting requirements. The charter also discusses the conduct of an internal audit forum.

13. The internal audit division now has a manual that brings together the necessary tools, techniques, and methodology to complete internal audit assignments in compliance with international standards and practice advisories of the Institute of Internal Auditors. The internal audit manual also has a risk assessment methodology, which is an integral component of audit practice and is now being used.

### Output 3: Improved Public Debt Management

14. All performance targets for Output 3 were achieved. The government strengthened its debt management unit within the aid coordination and debt management division of the MOF in 2013, in compliance with the debt management reform plan. Analytical capacity is satisfactory, and the Samoa Bureau of Statistics regularly reports adequate, up-to-date information on public debt through its quarterly releases of government finance statistics.

15. The government formulated a debt management action plan in FY2013 with reform plans that cover operational risk management and enhancement of debt strategy, debt sustainability analysis, and cash management. A follow-up debt management reform plan has evaluated the progress made under the 2013 reform plan and updated the recommendations for continued reforms and related actions in April 2014. The cabinet approved procedures for contracting new loans and issuing government guarantees that were part of the updated operational risk management strategy in the rolling reform plan, and Part XI of the Public Finance Management Act 2001 on borrowings, loans, and guarantees has been revised and approved by the cabinet to align with these approved procedures.

16. One deviation from the procedures for contracting new loans occurred in April 2014 when Samoa borrowed money from China to upgrade its airport without conducting a project economic analysis, as required. The government subsequently applied the agreed processes and procedures, and provided the necessary project economic analysis for consideration by the cabinet development committee and aid coordination committee. This delay in meeting procedural requirements did not affect program costs or expected benefits. All development partners delayed policy-based financing in late 2014 while awaiting government compliance with its approved procedures for contracting debt. Compliance with the approved procedures triggered the release of Tranche 2 of the grant without requiring an extension of program timeframes. All partners agreed that Samoa committed to key principles of intended reforms, that targets can still be met by 2020 with commitment, and that it was appropriate to continue with policy-based financing.

17. The program's intended impact was long-term fiscal stability with a reduced debt-to-GDP ratio of 50% by FY2020. The government is on its way to achieve the target with debt standing at 57.8% of GDP at end of FY2015. The debt level in FY2015 was lower than the FY2013 baseline of 63.5% of GDP. The joint International Monetary Fund (IMF)/World Bank debt sustainability analysis in 2015 lowered Samoa's risk of debt distress from *high* to *moderate*. World Bank has moved to provide Samoa with financing on 50% grant basis from July 2015. ADB will follow suit starting in January 2017, with the shared view that debt sustainability is improving.

18. The program, together with World Bank, audited public debt management to assess whether it was effective and efficient to achieve long-term sustainability and financial stability. The auditors have recommended improvements in four key areas: (i) improving coordination between the parties involved in repayments (i.e., the MOF and the Central Bank of Samoa); (ii) fully utilizing the available functions in the commonwealth secretariat debt recording and management system software; (iii) regularly reviewing data input in the commonwealth secretariat debt recording and management system software; and (iv) mitigating foreign exchange risks.

## **Output 4: Recovery From and Resilience Against Natural Disasters**

19. All performance targets were achieved for Output 4. The program supported the rebuilding of homes using climate-resilient standards following the cyclone. The government allocated funds and implemented the project. The government also approved the city plan for Apia—Samoa’s capital and largest city—incorporating guidelines to mitigate the risk of natural disasters and their impact on government resources. The city plan incorporates the recommendations of the already approved coastal infrastructure management plan. No development zones are intended for water catchment areas. The city plan intends to enforce a riparian zone for major rivers and streams. The Plan recommends that the riparian corridors retain an area of native vegetation and that construction of new buildings that block flow paths are prohibited with excepted buildings to be 50cm above identified flood levels.

### **C. Program Costs**

20. ADB provided grants from the ADF of \$10.0 million for Tranche 1 and \$4.0 million for Tranche 2. These grants were important for cooperation with other development partners to provide policy-based budget support through the JPAM to help meet government’s expenditure plans. These grants helped the government achieve the policy actions and maintain an appropriate level of public services while continuing investments to improve economic output over the medium term.

### **D. Disbursements**

21. The disbursement schedule was realistic. The grant was signed on 29 October 2013 and declared effective on 8 November 2013. The first tranche was released on 18 November 2013. The final disbursement was on 30 September 2015, before the original closing date of 31 December 2015. ADB was satisfied with all conditions for release of both tranches, as set out in the policy matrix and in the grant agreement. The grant proceeds were disbursed according to ADB’s disbursement procedures for program grants set out in the *Loan Disbursement Handbook* (as amended from time to time). Apart from the need to apply loan contracting processes, there were no significant delays requiring corrective actions from Samoa or ADB.

### **E. Implementation Arrangements**

22. There were no changes to implementation arrangements. These were adequate as designed to deliver program outputs and to achieve the program purpose. MOF was the executing agency and the program was coordinated by its aid coordination and public financial management (PFM) reform divisions. Other development partners provided support for specific areas of the JPAM.

### **F. Conditions and Covenants**

23. The covenants under the grant agreement were relevant and complied with (Appendix 3). No covenants were modified, suspended, or waived during the program period. The program used ADB’s policy-based program modality and was based on the policy matrix for the grant. All policy actions relating to the two tranches identified in the design and monitoring frameworks and agreed with the government were complied with. The government made specific assurances to (i) adopt and maintain policy actions contained in the policy matrix; (ii) inform ADB of any changes in relevant policies and of policy discussions with other multilateral or bilateral agencies that would affect the program; (iii) adequately resource the program; (iv)

create and sustain a corruption-free environment and ensure that its anticorruption law and regulations and ADB's Anticorruption Policy (1988, as amended from time to time) were strictly followed during the program implementation; (v) monitor and biannually report to ADB on implementation of policy actions and their impact on budget outcomes; (vi) continue program monitoring and evaluation for at least 1 year after program completion; and (vii) produce a program completion report. The government used counterpart funds to (i) deliver policy actions agreed to in the JPAM (see paragraphs 2 and 3) that were not supported by ADB under the program and (ii) to improve public debt management supported by the program.

## **G. Related Technical Assistance**

24. Technical assistance (TA) for the Private Sector Development Initiative (PSDI) was very active in SOE reform under the PFMP and in private-sector development. PSDI work continues in both areas. This regional TA and country-level capacity development TA supported specific elements of the program as the various needs arose. Areas addressed included: (i) private sector development; (ii) economic management; (iii) governance; (iv) public finance; (v) and audit.<sup>1</sup> The European Union, the governments of Australia and New Zealand, and IMF's Pacific Financial Technical Assistance Centre (PFTAC) provided direct support to public sector management.<sup>2</sup> PFTAC has supported improvements to tax administration and reforms to improve compliance during the program period.

25. Budget deficits in recent years have been above the government's long-term target of 3.5% of GDP because of a need to rebuild following natural disasters and to maintain growth in an adverse economic environment. The program anticipated a breach in the long-term target. IMF and World Bank classify Samoa as a country at moderate risk of debt distress—an improvement on the FY2014 rating when Samoa was at high risk of debt distress. The Pacific Economic Monitor—produced by the Pacific Economic Management TA (footnote 4) and by IMF—follows Samoa's fiscal and economic performance closely.

## **H. Performance of the Borrower and the Executing Agency**

26. The performance of the borrower and the executing agency is rated *satisfactory*. The borrower performed well during program design and during implementation. The government led formulation of the major components of the program, the fiscal response to recovery and responses to the needs of the most vulnerable. Samoa contracted new debt outside the debt management framework but retroactively followed the agreed policies and procedures. The assessment of MOF's capabilities at appraisal was reasonably accurate.

## **I. Performance of the Asian Development Bank**

27. ADB staff at headquarters, ADB's Private Sector Development Initiative, the Pacific Subregional Office in Suva, and the ADB–World Bank country liaison office in Apia all assisted the government in designing the program. ADB staff actively monitored the program's progress and ensured completion of policy triggers. The government took up support from ADB's regional Private Sector Development Initiative. The performance of ADB in program implementation is rated *satisfactory*.

<sup>1</sup> ADB. 2013. Technical Assistance for Pacific Economic Management (Phase II). Manila (TA 7280-REG); ADB. 2013. Technical Assistance for Private Sector Development Initiative (Phase III and Phase III - Major Change in Technical Assistance). Manila (TA 6353-REG).

<sup>2</sup> ADB supports the operation of the Pacific Financial Technical Assistance Centre through ADB. 2011. Technical Assistance for Pacific Financial Technical Assistance Centre 2011–2014. Manila (TA 7832-REG).

### III. EVALUATION OF PERFORMANCE

#### A. Relevance

28. The PFMP's design was appropriate, relevant, and aligned with (i) the JPAM, (ii) the SDS; (iii) government's post-cyclone reconstruction plans; and (iv) the government's PFMRP. It supported the most vulnerable, engaged key stakeholders in consultations, and aligned well with ADB's country and corporate strategies.

#### B. Effectiveness in Achieving Outcome

29. The program is rated *effective*. It achieved its intended outcome of improved fiscal management with a special focus on climate resilience. The program sought to improve Public Expenditure and Financial Accountability (PEFA) ratings for Samoa to C+ for: (i) composition of expenditure, classification of the budget, timeliness, value for money, and controls in the procurement and regulatory of accounts reconciliation and oversight of aggregate fiscal risk from other public sector entities; and (ii) multiyear perspectives in fiscal planning, effectiveness of internal audit, and quality and timeliness of annual financial statements. There was a significant improvement in PEFA ratings between 2010 and 2013. None of the PEFA ratings were below the expected rating of C+. Improvements were noted in 2014 PEFA rating for all the assessment criteria listed: composition of expenditure (B+); classification of budget (B); timeliness (C+); value for money and controls in procurement (C+); regularity of accounts reconciliation (C+) oversight of aggregate fiscal risk from other public sector entities (B). The government continued to prioritize climate resilience in its FY2015 public investment program. Climate resilience was also supported by various programs in the FY2015 budget that development partners supported.

30. Implementation of the Apia city plan has begun and new developments are being approved. Mainstreaming climate change resilience will be a key outcome in the SDS 2016–2020, which is scheduled for completion in August 2016.

#### C. Efficiency in Achieving Outcome and Outputs

31. Reforms under the program were executed efficiently, with very few delays or impediments. The program was executed using the government-led, multi-donor JPAM, which promotes coherence, coordination, and consistency among partners. The government met the preconditions for the release of funds. The fiscal targets set out in the program were largely achieved and resulted in significantly lower public debt. Lower debt allows the government to carefully manage fiscal consolidation so that it does not impede economic growth.

#### D. Preliminary Assessment of Sustainability

32. Program sustainability is rated *likely*, given government commitment to implement Phase 3 of the PFMRP, which aims to improve governance and economic stability through a more effective PFM system. Development partners are collaborating with the government to provide support for reform continuity as well as assisting in restoring fiscal buffers. A key element to restoring fiscal buffers is the linkage between the JPAM and the MTFF.

## **E. Institutional Development**

33. Institutional development is rated moderate. The program and regional TAs have helped build institutional capacity. They jointly reinforced the institutions of good governance, public finance management, audit, SOE management and reforms, delivery of public welfare services to the vulnerable communities, and public communication. The program also contributed to an improved environment for private sector development.

## **F. Impact**

34. Program impact is rated *satisfactory*. The impact was the achievement of fiscal sustainability with the fiscal deficit below 3.5% of GDP in FY2016 and a medium-term public-debt-to-GDP target of 50% by FY2020 (FY2013 baseline: 63.5% of GDP). In FY2016 the fiscal deficit is estimated at the equivalent of 4.7% of GDP and is projected to decline to 3.5% in FY2017. The MTFE targeted achievement of fiscal sustainability in 3–5 years; fiscal sustainability was maintained over the program period through lower-than-anticipated deficits. Public debt is estimated at 59.9% of GDP at the end of FY2016 (lower than the baseline in FY2013) and government is on target to reduce debt to 50% of GDP by 2020. The slight delay in meeting the fiscal deficit target can largely be attributed to the larger-than-anticipated impact of Tropical Cyclone Evan on GDP in FY2013, and the need to reorient expenditure to reconstruction and recovery. This risk was recognized in the design and monitoring framework and is being addressed through building climate change resilience into future investments.

# **IV. OVERALL ASSESSMENT AND RECOMMENDATIONS**

## **A. Overall Assessment**

35. The program was implemented as planned and was aligned with the government's reform plan and ADB's country strategy. The program supported long-term fiscal stability for Samoa through improvements to SOE performance, public financial management, and debt management, and through climate-proofing infrastructure and homes. This has raised the efficiency of public spending, reduced the fiscal deficit and public debt to more sustainable levels, and strengthened Samoa's resilience to natural disasters. The program is assessed as *successful*.

## **B. Lessons**

36. Samoa was a lead reformer in the region but has lost momentum in recent years. While short-term policy changes are readily implemented, longer-term structural changes face a complex political environment. Reforms that impact sovereign decisions and affect the development of the economy need to be carefully considered and negotiated. This negotiation requires political support and support of all development partners.

## **C. Recommendations**

37. **Future Monitoring.** The fiscal and economic performance of Samoa is well monitored through the Asian Development Outlook and the Pacific Economic Monitor produced by ADB. No further monitoring is required.

38. **Covenants.** As recorded in Appendix 3, all covenants specified as reform actions and measures in the policy matrices were completed and do not need further monitoring.



39. **Further Action or Follow-Up.** SOE and fiscal reforms included in the program design need to continue. The JPAM presents an ideal avenue to achieve the projected program benefits, which may be further enhanced through a follow-up program.

40. **Additional Assistance.** No additional assistance is required. While there is no additional assistance specifically linked to this program, there is a continuing discussion between the government and all partners on the JPAM and reform priorities. ADB will continue to provide technical assistance—especially through PSDI—and key development partners are continuing policy-based financing to underpin government reforms.

41. **Timing of the Program Performance Evaluation Report.** The program is now complete. The performance evaluation report should be prepared and disseminated as soon as possible.

### PROGRAM DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baseline	Achievements of Public Sector Financial Management Program to 12 October 2015	Data Sources and Reporting Mechanisms	Assumptions and Risks
<b>Impact</b> Long-term fiscal stability achieved	<p>Government achieves its medium-term target of public debt to GDP of 50% by FY2020 (FY2013 baseline: 63.5% of GDP)</p> <p>Sustainable fiscal balance achieved during FY2013–FY2016, with fiscal deficit reduced to 3.5% of GDP (or less) in FY2016 (FY2013 baseline: overall fiscal deficit of 6.9% including grants)</p>	<p>The effects of the global slowdown in 2008/2009, a devastating tsunami in 2009, and Cyclone Evan in 2012 affected Samoa's economy. However, high levels of public investment underpinned an increase of 1.2% in gross domestic product (GDP) in FY2014 and another increase of 1.4% in FY2015, as low oil prices cut input costs in transport and electricity. Expected growth for FY2016 is forecast at 2% with increased fishing and tourism activity.</p> <p>Debt to GDP ratio for FY2015 was 57.8%, with 55.3% for external debt and 2.5% for domestic debt. With strong political commitment, public debt can be brought down to 50% of GDP by FY2020.</p> <p>Fiscal deficit is estimated to average 4.4% of GDP between FY2013–FY2016. This was lower than anticipated deficits post-cyclone. The fiscal deficit budgeted for FY2016 is 3.5% of GDP.</p>	<p>Annual budget papers</p> <p>Government Finance Statistics Quarterly Reports</p>	<p><b>Assumptions</b>  Government maintains its commitment to medium-term fiscal strategy and fiscal targets</p> <p>Reconstruction proceeds in a timely manner and economy returns to 2–3% real growth</p> <p><b>Risks</b>  Further climatic or economic shocks</p> <p>Turnover of trained staff in MOF</p>

Design Summary	Performance Targets and Indicators with Baseline	Achievements of Public Sector Financial Management Program to 12 October 2015	Data Sources and Reporting Mechanisms	Assumptions and Risks
<b>Outcome</b> Improved fiscal management with a special focus on climate resilience	<p>Improvements in the PEFA ratings for Samoa to C+ for (i) composition of expenditure; classification of the budget; timeliness, value for money and controls in procurement and regularity of accounts reconciliation; and oversight of aggregate fiscal risk from other public sector entities (2010 baseline: C); and (ii) multiyear perspectives in fiscal planning, effectiveness of internal audit, and quality and timeliness of annual financial statements (2010 baseline: D+)</p> <p>Continued use of climate resilience priorities in the government's FY2015 public investment program (baseline: FY2014 budget reflects climate resilience priorities put forward in the cyclone recovery plan).</p>	<p>Improvements were noted in 2014 PEFA rating for all the assessment criteria listed, namely: composition of expenditure (B+), classification of budget (B); timeliness (C+); value for money and controls in procurement (C+); regularity of accounts reconciliation (C+) oversight of aggregate fiscal risk from other public sector entities (B).</p> <p>None of the PEFA ratings were below the expected rating of C+. Overall, there have been significant improvements across a number of PEFA assessment criteria between the 2010 and 2013 assessments.</p> <p>The government's FY2015 public investment program was based on climate resilience priorities.</p> <p>This was also supported by various development partner supported programs reflected in the FY2015 budget.</p>	<p>PEFA reports in 2014</p> <p>Annual IMF Article IV reports</p> <p>FY2014 budget</p> <p>FY2015 budget</p>	<p><b>Assumptions</b></p> <p>Government fulfills its commitment to improving fiscal stability</p> <p>Continued implementation of public financial management reform agenda</p> <p><b>Risk</b></p> <p>Staff turnover and loss of needed public financial management skills</p>

[illegible]

Design Summary	Performance Targets and Indicators with Baseline	Achievements of Public Sector Financial Management Program to 12 October 2015	Data Sources and Reporting Mechanisms	Assumptions and Risks
4. Recovery and resilience to natural disasters	<p>2013</p> <p>Housing reconstruction scheme defined and approved by 30 September 2013</p> <p>Housing Recovery Plan includes climate resilience standards</p> <p>Apia Town Plan, which included climate resilience measures, was prepared and approved</p>	<p>developed and implemented.</p> <p>Samoa now has approved procedures for contracting new loans and issuing government guarantees</p> <p>The reconstruction scheme was defined and approved following the cyclone.</p> <p>UNDP's Shelter Reconstruction Programme developed climate-resilient models for post-cyclone reconstruction and supported a number of families to rebuild homes as well.</p> <p>The government has approved the Apia city plan incorporating guidelines to mitigate the risk of natural disasters and their impact on government resources.</p>	<p>Annual budget</p> <p>MOF reports</p>	

FY = financial year, GDP = gross domestic product, IMF = International Monetary Fund, MOF = Ministry of Finance, PEFA = Public Expenditure and Financial Accountability, SOE = state-owned enterprise, TA = technical assistance, UNDP = United Nations Development Programme,

## POLICY MATRIX

TABLE A2.1 POLICY MATRIX: FIRST TRANCHE

Output	First Tranche Conditions	Status
1. Improved SOE performance by reforming corporate governance	<p>1.1 The cabinet shall have approved the appointment of 100% of board directors of the 16 public trading bodies in compliance with the criteria set out in Schedule 3 of the Public Bodies (Performance and Accountability) Act. <i>[Documents required: Letter of certification from the MOF with a copy of the cabinet minutes approving appointments.]</i></p> <p>1.2 The MOF shall have approved a performance framework and reporting mechanism for all public trading bodies to be monitored on a quarterly and annual basis. The performance framework includes key financial performance indicators, required analysis, and future targets. <i>[Document: Letter of certification from the MOF with a copy of the performance framework.]</i></p> <p>1.3 The cabinet shall have approved the public disclosure of reports on the performance of all public trading bodies. The MOF shall have published on its website the latest quarterly consolidated report on the performance of public trading bodies, in accordance with the performance framework. <i>[Document: Letter of certification from the MOF certifying that the report has been published on its website, with a copy of October–December 2012 SOE report and the cabinet minutes approving publication of public trading bodies reports.]</i></p>	<p><u>Complied with</u></p> <p>Director appointments have been maintained in line with Schedule 3 of the Public Bodies Act of 2001</p> <p><u>Complied with</u></p> <p>The performance framework and reporting mechanism have remained effective</p> <p><u>Complied with</u></p> <p>Quarterly SOE performance reports are currently being provided on the MOF website</p>
2. Improved PFM systems	<p>2.1 The MOF shall have commenced implementation of the approved Internal Audit Strategic Plan of 2012–2016, with progress made through preparation of a work plan and initial movement towards risk analysis and systems and performance-based internal audits. <i>[Document: Letter of certification from the MOF with copy of approved Internal Audit Strategic Plan of 2012–2016 and draft work plan.]</i></p>	<p><u>Complied with</u></p> <p>Progress has been made in line with second tranche policy actions</p>
3. Improved public debt management	<p>3.1 The cabinet shall have approved and made publicly available an updated MTDS. The publication of quarterly debt bulletins shall also be made available on the MOF website. <i>[Document: Letter of certification from the MOF with a copy of the cabinet minutes approving the updated MTDS and the latest published debt bulletin.]</i></p>	<p><u>Complied with</u></p> <p>Progress has been made in line with second tranche policy actions, and quarterly bulletins have been regularly made available</p>
4. Recovery and resilience against natural disasters	<p>4.1 The MOF shall have approved a program and funding for a home rebuilding scheme with improved resilience to mitigate the impact of future disasters on fiscal consolidation. <i>[Document: Letter of certification from the MOF certifying the program has been approved, with a copy of the approved program.]</i></p>	<p><u>Complied with</u></p> <p>A ST7.5 million program has been fully disbursed and implemented</p>

MOF = Ministry of Finance, MTDS = Medium Term Debt Strategy, PFM = public financial management, SOE = state-owned enterprise.

Source: Asian Development Bank.

Output	Second Tranche Conditions	Status
1. Improved SOE performance by reforming corporate governance	<p>1.1 The cabinet shall have approved the appointment of 100% of public bodies board directors in compliance with the criteria set out in Schedule 3 of the Public Bodies Act.</p> <p><b>[Document: Letter of certification from the MOF with a copy of the cabinet minutes approving appointments.]</b></p>	<p><u>Complied with</u></p> <p>28 public bodies compliant with Schedule 3 of the Public Bodies Act of 2001</p> <p>Cabinet minutes referenced as Fa'aiuga a le Kapeneta<sup>8</sup> FK (12) 15, (12) 20, (12) 22, (12) 39, (12) 45, (13) 09, (13) 14, (13) 28, (14) 16, (14) 24, and (14) 30 to verify endorsement of the appointments</p>
	<p>1.2 The MOF shall have approved the framework to facilitate PPPs under which SOEs and the private sector cooperate to deliver selected services.</p> <p><b>[Document: Letter of certification from the MOF with a copy of the cabinet minutes approving the PPP framework, and a copy of PPP framework.]</b></p>	<p><u>Complied with</u></p> <p>Cabinet minutes referenced as FK (14) 30 dated 17 August 2014 to verify approval of PPP framework</p> <p>Submission of PPP framework</p>
	<p>1.3 The MOF shall have completed a review of the government's privatization policy. The review will include recommendations and a timebound action plan for future SOE divestiture.</p> <p><b>[Document: Letter of certification from the MOF with a copy of the review and the draft privatization policy.]</b></p>	<p><u>Complied with</u></p> <p>Submission of privatization policy review</p> <p>Submission of draft privatization policy statement</p>
2. Improved PFM systems	<p>2.1 The MOF shall have approved the internal audit work plan and shall have implemented the activities in the work plan, including</p> <p>(i) preparing a discussion paper on the drafting of the internal audit regulations for all government agencies,</p> <p>(ii) preparing the charter containing guiding principles for the MOF IAID,</p> <p>(iv) drafting the internal audit manual for consideration by</p>	<p><u>Complied with</u></p> <p>Submission of IAID annual work plan 2014–2015</p> <p>Submission of discussion paper</p>

<sup>8</sup> "Fa'aiuga a le Kapeneta" translates in Samoan as "cabinet decision."

	<p>government agencies, and (iv) approving the risk assessment methodology.</p> <p><b>[Document: Letter of certification from the MOF with copies of the approved work plan, discussion paper, IAID charter, draft internal audit manual, and risk assessment methodology.]</b></p>	<p>Submission of IAID charter</p> <p>Submission of draft internal audit manual</p> <p>Risk assessment methodology is noted in Section 3 of the draft internal audit manual</p>
3. Improved public debt management	<p>3.1 The MOF shall have approved a Debt Management Reform Plan developed under the updated MTDS and shall have implemented the recommendations contained in the plan, including</p> <ul style="list-style-type: none"> <li>(i) preparing written procedures for critical debt management activities,</li> <li>(ii) revising part XI of the Public Finance Management Act 2001 on borrowing, loans, and guarantees to be in line with sound practices, and</li> <li>(iii) approving the conduct of an external performance (operational) audit to provide a baseline for MOF debt management activities.</li> </ul> <p><b>[Document: Letter of certification from the MOF with a copy of the approved debt management reform plan and the cabinet minutes approving revisions to the PFM Act for tabling in Parliament.]</b></p>	<p><u>Complied with</u></p> <p>Submission of debt management reform plan</p> <p>Cabinet minutes referenced as FK (14) 18 dated 27 May 2014 to verify revisions to the PFM Act</p> <p>Cabinet minutes referenced as FK (14) 30 dated 7 August 2014 to verify procedures for contracting new loans and issuing government guarantees</p> <p>Submission of performance audit on public debt management report</p>
4. Recovery and resilience against natural disasters	<p>4.1 The cabinet shall have approved the Apia city plan incorporating flood preparedness guidelines to mitigate the impact of future disasters on fiscal consolidation.</p> <p><b>[Document: Letter of certification from the MOF with a copy of the cabinet minutes and a copy of the Apia city plan.]</b></p>	<p><u>Complied with</u></p> <p>Apia city spatial plan incorporating measures to mitigate impact of future disasters</p> <p>Cabinet minutes referenced as FK (14) 1787 approving the Apia city spatial plan</p>

IAID = Internal Audit and Investigations Division, MOF = Ministry of Finance, MTDS = Medium Term Debt Strategy, PFM = public financial management, PPP = public-private partnership, SOE = state-owned enterprise.

Source: Asian Development Bank



### STATUS OF COMPLIANCE WITH GRANT COVENANTS

Covenant	Reference in Grant Agreement	Status of Compliance
In the carrying out of the program, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 3 of this Grant Agreement.	Section 4.01	Complied with
The Recipient shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible items financed out of the proceeds of the Grant and to record the progress of the Program.	Section 4.02 (a)	Complied with
The Recipient shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this section.	Section 4.02 (b)	Complied with
As part of the reports and information referred to in Section 6.04 of the Grant Regulations, the Recipient shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (i) the Counterpart Funds and the use thereof; and (ii) the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.	Section 4.03 (a)	Complied with
Without limiting the generality of the foregoing or Section 6.04 of the Grant Regulations, the Recipient shall furnish, or cause to be furnished, to ADB annual reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.	Section 4.03 (b)	Complied with
The Recipient shall be responsible for the coordination and execution of the Program with the various concerned departments and agencies of the Recipient.	Schedule 3, para. 1 (a)	Complied with
The MOF shall be the Program Executing Agency and shall be responsible for the overall implementation of the Program, including compliance with all the policy actions, facility administration, disbursements and maintenance of records. MOF shall also be responsible for overseeing and coordinating the timely implementation of agreed policy actions to be implemented by the implementing agencies.	Schedule 3, para. 1 (b)	Complied with
The Recipient and MOF shall (i) use its best endeavor to ensure that critical Program staff shall remain in their position on a full-time basis for a reasonable duration to ensure continuity in the implementation of the Program; and (ii) ensure that all Implementing Agencies shall be adequately staffed and provide with the necessary financial, technical, and other resources to perform their functions under the Program.	Schedule 3, para. 1 (c)	Complied with

Covenant	Reference in Grant Agreement	Status of Compliance
<p>The Recipient shall ensure that all policies adopted and actions taken under the Program, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the Program.</p>	Schedule 3, para. 2	Complied with
<p>The Recipient shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Recipient shall take into account ADB's views before finalizing and implementing any such proposal.</p>	Schedule 3, para. 3	Complied with
<p>The Recipient shall ensure that the Counterpart Funds are used to finance the local currency cost relating to the implementation of the Program other activities consistent with the objectives of the Program and shall provide the necessary budget appropriation to finance costs relating to the implementation of reforms under the Program.</p>	Schedule 3, para. 4	Complied with
<p>The Recipient, the Program Executing Agency, and the Implementing Agencies shall: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Program: and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.</p>	Schedule 3, para. 5	Complied with
<p>The Recipient shall undertake periodic reviews during Program implementation period to evaluate scope, implementation arrangements, progress and achievement of the objectives of the Program. The Recipient shall ensure that ADB shall have the opportunity to participate in these reviews.</p>	Schedule 3, para. 6	Complied with
<p>Within 3 months of the Effective Date, the Recipient shall establish and maintain a performance evaluation system, to monitor the implementation and outcomes of the Program, using a set of indicators and targets that have been agreed between the Recipient and ADB to assess progress towards meeting the objectives of the Program. For each of the agreed indicators, progress shall be measured against a baseline in FY2011 – 2012. The MOF shall review the agreed frameworks every 3 months to determine the progress and identify constraints.</p>	Schedule 3, para. 7	Complied with
<p>The Recipient shall maintain separate records of account for the Program. To ensure proper fund management, ADB retains the right to audit the use of the Grant proceeds. The accounts shall</p>	Schedule 3, para. 8	Complied with

<b>Covenant</b>	<b>Reference in Grant Agreement</b>	<b>Status of Compliance</b>
<p>be managed, operated and liquidated in accordance with terms satisfactory to ADB. The Recipient shall prepare the annual consolidated progress reports referred to in Section 4.03(b) of this Grant Agreement and shall forward the same to ADB. The reports shall describe progress made in the Program and any changes to the implementation schedule, and shall also identify any problems encountered and remedial actions taken. The Recipient shall submit a Program completion report not later than 3 months after Program completion.</p>		