

Samoa Fiscal Resilience Program Investment Design

Final Version Submitted to DFAT May 2018

Investment Design

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Abbreviations

|  |  |
| --- | --- |
| ADB | Asian Development Bank |
| AIP | Aid Investment Plan |
| ANS | Assessment of National Systems |
| APA | Australia-Samoa Aid Partnership Agreement |
| DFAT | Department of Foreign Affairs and Trade |
| EU | European Union |
| FY | Financial Year |
| GDP | Gross Domestic Product |
| GFC | Global Financial Crisis |
| GoS | Government of Samoa |
| HDI | Human Development Index |
| IMF | International Monetary Fund |
| JPAM | Joint Policy Action Matrix |
| M&E | Monitoring and Evaluation |
| MFAT | Ministry of Foreign Affairs and Trade (MFAT) |
| MoF | Ministry of Finance |
| MoR | Ministry of Revenue |
| MoWCSD | Ministry of Women, Community and Social Development |
| NZ | New Zealand |
| PFM | Public Financial Management |
| PIC | Pacific Island Countries |
| PPP | Purchasing Power Parity |
| SDS | Strategy for the Development of Samoa |
| SOE | State Owned Enterprises |
| TA | Technical Assistance |
| USA | United States of America |
|  |  |

Investment Design Title

|  |
| --- |
| **Investment Design Title: Samoa Fiscal Resilience Program** |
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# Executive Summary

### Introduction

This Investment Design document sets out the details of the proposed Samoa Fiscal Resilience Program. The Program will provide AU$3 million in annual budget support funding to the Government of Samoa (GoS) for three years commencing on 1 July 2018. Budget support funding will be delivered via the Joint Policy Action Matrix (JPAM).

JPAM has been in operation since 2013. JPAM works by the Government of Samoa (GoS) and

Development Partners (DPs) agreeing a matrix of policy reforms and results indicators. Development Partners (DPs) currently providing budget support funding via JPAM are DFAT[[1]](#footnote-1), MFAT2, ADB3 and the World Bank. Funding is agreed between individual DPs and GoS before the commencement of the financial year. Funding is disbursed if DPs are satisfied that results indicators are met. Policy dialogue is led by the Ministry of Finance with participation from other Ministries with current or prospective future JPAM reforms.

### Analysis and strategic context

Samoa was ranked 104 out of 186 countries according to the 2016 Human Development Index (HDI) ranking.[[2]](#footnote-2) Life expectancy at birth is 73.7 years and Samoan children are estimated to complete 12.9 years of schooling on average.[[3]](#footnote-3) Extreme poverty is rare in Samoa.[[4]](#footnote-4) Samoa has an estimated population of 199,052 with 37,599 in urban areas and 161,453 in rural areas.[[5]](#footnote-5) At least as many Samoans live overseas as within Samoa.

Samoa is a representative parliamentary democracy. The parliamentary system incorporates and compliments the traditional system of fa’amatai governance – only matai title holders can stand for election in Parliament. The Prime Minister of Samoa, Tuilaepa Sailele Malielegaoi of the Human Rights Protection Party has held office for twenty-two years. The Prime Minister’s party won 35 of the 49 seats in the last election in 2016.

Samoa has a reputation as a leading economic reformer amongst PICs. This reputation was forged during the late 1990s and 2000s when Samoa undertook important structural reforms. In the decade leading up to the 2008 global financial crisis, Samoa averaged 4.42 per cent annual GDP growth compared to a PIC average of 2.06 per cent. Higher growth can be attributed in part to the structural reforms of the 1990s/2000s.

Samoa is reliant on tourism, agriculture, remittances from overseas workers and inflows of foreign aid. Samoa faces high costs of private production and for the delivery of public services that are typical of small island developing states. Samoa runs a large current account deficit, totalling 5.9 per cent of GDP in 2017–2018.

Samoa is highly susceptible to natural disasters. The majority of natural disasters are weather and climate-related. The IMF has estimated the annual average damage and losses to be approximately 12 per cent of GDP.[[6]](#footnote-6)

### Evidence base / lessons learned

DFAT undertook in February – April 2018 an independent evaluation of its engagement in JPAM. The

‘Key points and recommendations’ section is included as Attachment A. The investment design of the Samoa Fiscal Resilience Program draws on the lessons learned from the independent evaluation. The key lesson is that JPAM successfully incentivises and supports reforms in Samoa. Other notable lessons are the need for coordination and harmonisation between DPs; and coordination by each DP between budget support and other programs in their portfolio.

### Development problem

The key development problems for Samoa include the need to:

* Increase its rate of economic growth if it is to meet the development goals that it has set in the SDS.
* Increase its resilience to economic shocks. Samoa faces two likely types of shocks. The first is from natural disasters and climate change. The second is as a result of the undiversified economy that relies heavily on tourism and remittances.
* Strengthen governance if it is to make sure that it makes best use of limited government revenue and to provide effective services for citizens

The Samoa Fiscal Resilience Program seeks to support GoS to enact economic and governance reforms. The impact of these reforms will be stronger economic growth, improved governance and better standards of living for Samoan citizens.

### Strategic setting and rational for DFAT engagement

The proposed program is informed by the DFAT policy framework, including the Foreign Policy White

Paper, Australian Aid Development Policy, draft Pacific Development Framework and the Aid

Investment Plan. A key feature of the Samoa Fiscal Resilience Program is DFAT’s participation in the ongoing JPAM policy dialogue with GoS. A recent evaluation found that this policy dialogue contributed to the strengthening of Australia’s bilateral relationship with Samoa.[[7]](#footnote-7) The Samoa Fiscal Resilience Program will invest in general budget support and support GoS reforms. The impact of these reforms will contribute to both improved private sector development and human development in Samoa – the two overarching goals of the DFAT Development Policy.

### Innovation and private sector engagement

The design of JPAM is innovative: it lowers transaction costs for GoS; incentivises reforms; and leverages the combined funding of all DPs and the World Bank’s technical expertise. The program links performance and funding via budget support that is conditional on GoS meeting results indicators in the JPAM matrix. There is no opportunity for the DFAT Samoa Fiscal Resilience Program to directly engage the private sector in the delivery of the program. The Samoa Fiscal Resilience Program does however focus on improving the business enabling environment and supporting the growth of the private sector.

### Logic and expected outcomes

The higher-level development outcomes sought by the Samoa Fiscal Resilience Program are:

* Improved enabling environment for economic growth. ▪ Stronger governance

Samoa Fiscal Resilience Program

These two outcomes correspond to two out of three of the priorities from the APA/AIP.

End of investment outcomes include:

* Fiscal discipline is maintained.
* Enabling environment for economic growth is improved.
* Public debt continues to be managed in-line with the Medium-Term Debt Strategy.
* Climate and disaster resilience is increased.

### Delivery approach

A 2018 evaluation of DFAT’s engagement in JPAM[[8]](#footnote-8) considered two alternative modalities to support reforms (options (1) and (2) on the next page).11 The evaluation noted the following:

DFAT should continue to use the modality of budget support delivered through JPAM. Budget support is the preferred modality of the Samoan government; has strong support from DFAT officials; and there are not alternative modalities that would better incentivise economic and PFM reforms in Samoa.[[9]](#footnote-9)

The design team chose to maintain the modality of general budget support delivered via JPAM. JPAM has evolved into a mechanism that has strong support from GoS, DFAT and other participating DPs. JPAM has been evaluated to be successful by recent evaluations from DFAT, World Bank and ADB.[[10]](#footnote-10)

The budget for this investment consists of AU$3 million funding each financial year for JPAM budget support. The Samoa Fiscal Resilience Program will be managed by a locally engaged program manager at Apia Post. The Samoa Fiscal Resilience Program manager will report to the First Secretary for Development.

Post staff will work with an assigned economist from the DFAT Development Economics Unit.[[11]](#footnote-11) The role of the economist will be to provide technical support to Post staff. This technical support increases the credibility of DFAT’s engagement in the JPAM policy dialogue.

### Implementation arrangements

This investment is for DFAT to provide budget support to GoS delivered via JPAM. DFAT representing the Government of Australia (GoA) will enter into a funding arrangement with GoS to formalise a three-year commitment to budget support delivered via JPAM. Budget support funding will be disbursed if performance targets are met

The Samoa Fiscal Resilience Program uses JPAM as its mechanism to deliver the program. The management and governance arrangements of JPAM are therefore crucial to the investment design of the Samoa Fiscal Resilience Program. JPAM is not governed by a formal program document or design.

The budget support funding will therefore use all parts of the GoS public financial management system. Budget support funding is not earmarked and so the eventual use of funds could be on procurement of goods and services, payment of salaries or any other purpose.

The Samoa Fiscal Resilience Program will use the results indicators in the JPAM matrix as the triggers for disbursement of fund. JPAM results indicators are agreed between GoS and participating DPs at the commencement of each financial year.

### Monitoring and evaluation

The M&E framework monitors the Program at five levels:

* **Activity**: actions taken or work performed through which inputs may be mobilised.
* **Output**: the products, goods and services invested in
* **Intermediate outcome**: the short and medium-term effects
* **End of investment outcome**: the desired change in knowledge action of condition ▪ **Development outcome**: higher order purpose

Table 2 outlines the key evaluation and monitoring questions to be used at each of the five levels in the M&E framework. The primary users of M&E data are staff at Apia Post and from the Development Economics Unit. Data should inform staff about the progress in meeting program objectives. Data should also enable staff to consistently and clearly tell the story about JPAM funding to the internal DFAT audience.

Secondary users of M&E data are other DFAT-internal stakeholders including at Apia Post; Pacific Division; Development Policy Division; Development Economic Unit.

### Sustainability

The Samoa Fiscal Resilience Program provides budget support funding via JPAM. Without DFAT funding, the program is not sustainable and would end. However, the program is designed to ensure the sustainability of the underlying GoS institutions and reform processes that it supports.

### Cross cutting issues

Budget support funding supports the priorities of GoS. One of these priorities is gender equality as set out in the National Policy on Women. The Samoa Fiscal Resilience Program will work with GoS and other DPs to identify suitable gender mainstreaming reforms to include in the JPAM. If requested by GoS, the Samoa Fiscal Resilience Program should contract a gender consultant or a DFAT-gender specialist to work with DPs and GoS. DFAT will work to promote disability inclusiveness wherever possible in JPAM reforms.[[12]](#footnote-12)

The current JPAM matrix includes Climate and Disaster Resilience as one of five pillars. This responds to the high priority placed on Climate and Disaster Resilience in the SDS. It is likely that future iterations of the SDS will place an even stronger emphasis on climate and disaster resilience – this is because of the high vulnerability of Samoa to climate induced natural disasters and the significant impacts on economic and human development.

### Risk management

The risk register is included as Attachment 2 and shows the most critical risks for the Samoa Fiscal Resilience Program and strategies for minimising those risks. Key risks for Samoa include: Samoa’s vulnerability to natural disasters and external shocks; lack of government commitment and support for JPAM reforms; World Bank funding and/or commitment to JPAM changes; and that MoF deprioritises further Public Financial Management (PFM) reform.

No child protection, displacement and resettlement risks have been identified in the design.

# 1 Introduction

This Investment Design document sets out the details of the proposed Samoa Fiscal Resilience Program.

The Design Team consisted of a design consultant, Sam Porter, working with DFAT staff from Apia Post and staff from the Development Economics Unit. The Terms of Reference for the design consultant’s assignment is included as Attachment 3.

The ToR for the design consultant’s assignment noted:

‘In February 2018, the Australian Department of Foreign Affairs and Trade (DFAT) conducted an independent evaluation of DFAT’s engagement in the Joint Policy Action Matrix (JPAM). The evaluation found that overall JPAM provides a valuable forum for development partners to engage in policy dialogue with the Government of Samoa in a coordinated manner, increase the visibility, profile and monitoring and evaluation (M&E) of reforms, and enable government agencies to access technical assistance from development partners. The evaluation also recommended options to strengthen development partner engagement in the JPAM process, and improving the quality and M&E of agreed reforms.

DFAT is commissioning an investment design for its future commitments to JPAM, building upon the findings of the independent evaluation.’

## 1.1 Introduction to JPAM

The Joint Policy Action Matrix (JPAM) has been in operation since 2013. JPAM ‘aims to provide coordinated development partner support to economic reforms which improve Samoa's economic conditions and increase its resilience to future economic shocks’.[[13]](#footnote-13)

Budget support funding is not earmarked and so the eventual use of funds could be on procurement of goods and services, payment of salaries or any other purpose. DPs providing budget support via JPAM are supporting GoS priorities as set out in the Strategy for the Development of Samoa[[14]](#footnote-14) (SDS) and the GoS annual budget.

JPAM supports the higher-level development outcomes encapsulated in the Strategy for the Development of Samoa 2016/17 – 2019/20 (SDS). JPAM supports each of the four priority areas from the SDS: economic, social, infrastructure and the environment. JPAM reforms contribute to outcomes under the economic area including increasing macroeconomic resilience, increasing exports, developing tourism and enhancing the participation of the private sector in development. JPAM also has a strong focus on strengthening resilience to climate change and natural disasters.

Development Partners (DPs) currently providing budget support funding via JPAM are DFAT[[15]](#footnote-15), MFAT19, ADB20 and the World Bank. JPAM works by the Government of Samoa (GoS) and DPs agreeing a matrix of policy reforms and results indicators.

The JPAM matrix uses the SDS[[16]](#footnote-16) as its organising framework. The JPAM matrix is included as

Attachment 4. The matrix uses a three-year timeframe and indicators are set on a rolling basis.

Funding is agreed between individual DPs and GoS before the commencement of the financial year. Funding is disbursed if DPs are satisfied that results indicators are met.

GoS and DPs jointly organise three to four missions per year. Missions are used to collect evidence on results indicators, discuss TA and enable policy dialogue between GoS and DPs.

DPs either use the entire matrix as the basis of disbursement or agree on a sub-set of indicators separately with GoS. See Section 4.2.3 for further details on disbursement.

Policy dialogue is led by the Ministry of Finance with participation from other Ministries with current or prospective future JPAM reforms. Representatives from each DP usually attend missions with DFAT and MFAT providing officials from both Post and headquarters. In practice, representation on missions varies and turnover of staff amongst the four DPs is high.

The World Bank coordinates JPAM DPs and acts as focal point to GoS.

GoS and DPs agree on periodic reviews of JPAM. There is not a schedule for formal reviews of JPAM. The matrix was re-designed in 2016 starting from a ‘blank slate’ and GoS and DPs have agreed to review matrix again before July 2018.

Combined DP funding for both 2017–18 and 2018–19 will be approximately AU$19.49 million.[[17]](#footnote-17) DFAT will contribute AU$3 million (15 per cent); MFAT NZ$4 million (19 per cent); and ADB and World Bank US$5 million (33 per cent) each.

DFAT has contributed AU$23.2 million in JPAM funding from 2010–11 to 2017–18.

# 2 Analysis and strategic context

This section of the design document provides and overview of the context in which the Samoa Fiscal Resilience Program is set and the development challenges it is designed to address. It draws on analysis of context and lessons learned from previous evaluations. This section outlines the rationale for Australian investment in budget support delivered via JPAM.

## 2.1 Country / regional and sector issues

This section outlines the context relevant to the Samoa Fiscal Resilience Program. This section discusses: social context, gender equality and disability; political context; economic context; impact of natural disasters; recent policy reforms; and Public Financial Management (PFM).

#### 2.1.1 Social context, gender equality and disability

Samoa was ranked 104 out of 186 countries according to the 2016 Human Development Index (HDI) ranking.[[18]](#footnote-18) Life expectancy at birth is 73.7 years and Samoan children are estimated to complete 12.9 years of schooling on average,[[19]](#footnote-19)

Samoa has an estimated population of 199,052 with 37,599 in urban areas and 161,453 in rural areas.[[20]](#footnote-20) At least as many Samoans live overseas as within Samoa. The main countries with significant Samoan communities are Australia, New Zealand and the United States of America (USA).

Extreme poverty is rare in Samoa.[[21]](#footnote-21) The proportion of the population with expenditure less than the basic-needs poverty line is decreasing: from 22.9 per cent in 2002 to 18.8 per cent in 2013/14.[[22]](#footnote-22) Samoa’s village systems is successful in promoting equitable social outcomes. This is evidenced by the incidence of basic needs poverty being lower in rural Samoa.[[23]](#footnote-23)

The Samoan culture – Fa’asamoa – is the ‘invisible resin that keeps Samoan society intact and its governing systems functional’.[[24]](#footnote-24) Samoan society is based on the extended family, headed by a Matai (chief) who is elected by consensus amongst the family. The Fa’asamoa provides for different roles for women, men and children within Samoan society.

The Samoan government has committed to gender equality through the enactment of national legislation and through gender mainstreaming. Samoa has a dedicated Ministry of Women, Community and Social Development (MoWCSD). GoS recognises that gender equality cannot be achieved by the MoWCSD working in isolation – gender mainstreaming requires a ‘whole of government’ approach.[[25]](#footnote-25)

Women did not hold any seats in the National Parliament until 2016. A constitutional amendment in 2013 established a 10 per cent quota for women in parliament. As a result, there will be at least five women in any given parliamentary term. The last election in 2016 was the first time it was implemented. Currently, Samoa has 5 women MPs.

The Samoa National Policy for Women notes that despite the fact that Samoan culture values the role of women, in relation to men ‘…women lag behind in critical areas of employment, income, education, representation in policy and high-level decision making and business management and ownership’.[[26]](#footnote-26) Samoa has a high rate of domestic violence that impacts negatively upon community cohesion and women’s physical and mental health.[[27]](#footnote-27) Girls and boys complete primary school at the same rate however completion rates for secondary and tertiary education are higher for girls than boys.[[28]](#footnote-28)

The exact number of people living with a disability or impairment is not known. Globally, it is estimated that approximately 15 per cent of people live with a disability – this would equate to approximately 29,396 people in Samoa.[[29]](#footnote-29) Samoa’s economy and society ‘is not as inclusive of people with disability as is desired by the people themselves’.[[30]](#footnote-30) GoS is implementing the National Policy on People with a Disability through the responsible institution, MoWCSD.

#### 2.1.2 Political context

Samoa is a representative parliamentary democracy. The parliamentary system incorporates and compliments the traditional system of *fa’amatai* governance – only *matai* title holders can stand for election in Parliament. The Prime Minister of Samoa, Tuilaepa Sailele Malielegaoi of the Human Rights Protection Party has held office for twenty-two years. The Prime Minister’s party won 35 of the 49 seats in the last election in 2016. An election observer report following the 2016 election noted that it should be ‘considered a success’ and that both voters and observers expressed a ‘high degree of confidence’ in the elections.[[31]](#footnote-31)

Samoa has a reputation as a leading economic reformer amongst PICs. This reputation was forged during the late 1990s and 2000s when Samoa undertook important structural reforms. These reforms included fiscal consolidation, economic diversification and undertaking a program of privatisation. These reforms contributed to the development of new businesses in sectors such as fisheries, tourism and manufacturing.[[32]](#footnote-32) Samoa’s economy was transformed during this time from an import-substituting economy to a free-trade economy. Macroeconomic stability also increased and the role of the state in the economy decreased.38 These reforms contributed to the strong economic performance of Samoa in the 1990s and 2000s described in the following section.

Samoa Fiscal Resilience Program

#### 2.1.3 Economic context

Samoa is reliant on tourism, agriculture, remittances from overseas workers and inflows of foreign aid. These four sources of income fund both government expenditure (through taxation revenue) and household consumption. Tourism and remittances are the two largest sources of income and foreign exchange for Samoa. Tourism earnings are equivalent to 17 per cent of GDP and remittances are 16.4 per cent[[33]](#footnote-33) Over 70 per cent of remittances flow directly to Samoan families – remittances are an important source of money for household consumption and savings.[[34]](#footnote-34)

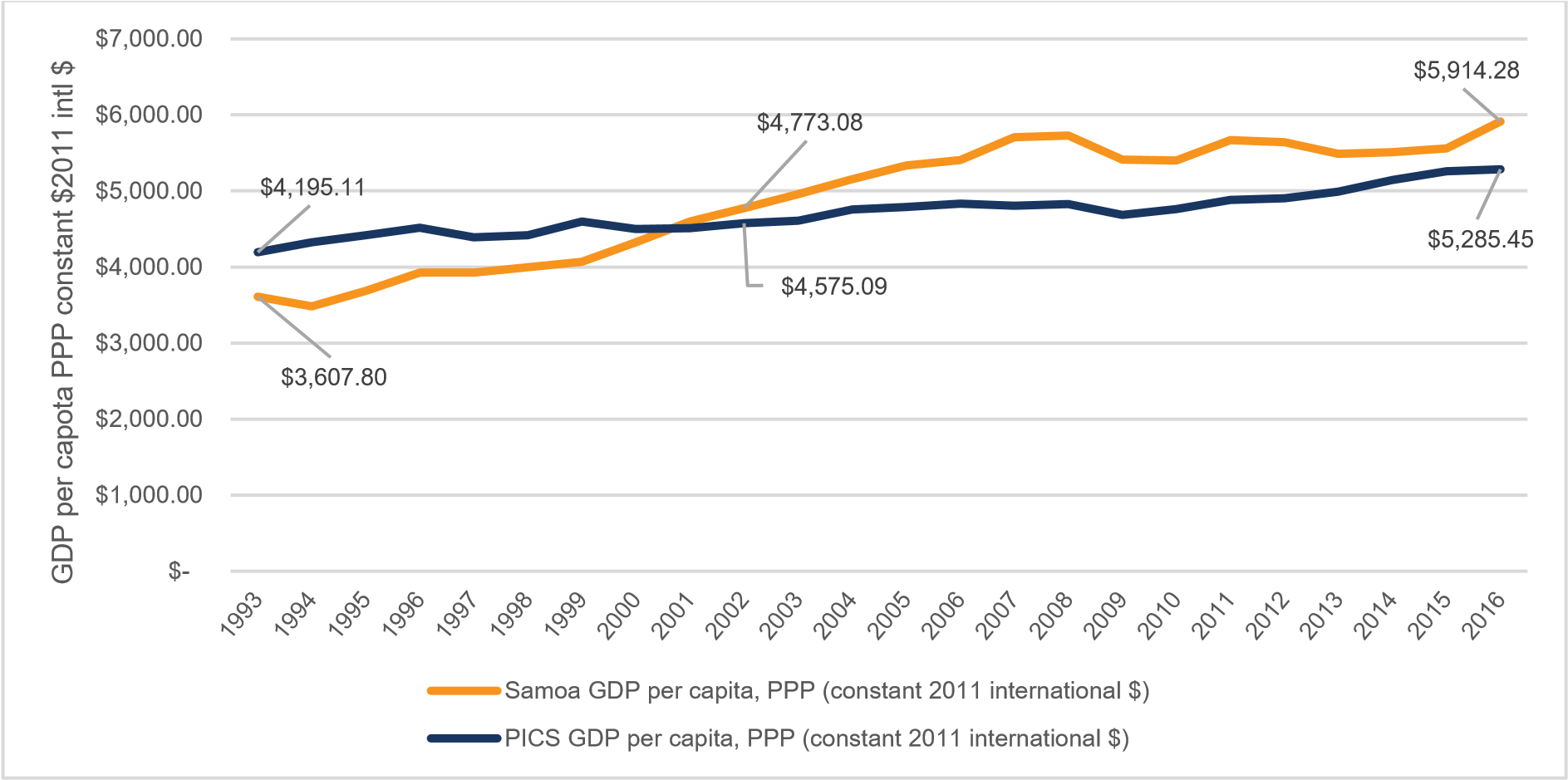
Samoa faces high costs of production and for the delivery of public services that are typical of small island developing states. These high costs are caused by a relatively small population that is dispersed amongst several islands; and by the distance between Samoa and major economic markets. These high costs mean that it is difficult for Samoan businesses to either compete against imports or to export goods and services at prices that are internationally competitive.

Samoa’s business environment as measured by Doing Business is compares favourably with the Pacific island average: Samoa’s scoring in each Doing Business category is equal to or better than the Pacific island average in every topic except for ‘access to credit’.[[35]](#footnote-35)

Samoa runs a large current account deficit, totalling 5.9 per cent of GDP in 2017–18. This current account deficit is driven by imports of consumer goods and commodities that cannot be produced in Samoa such as petroleum. Imports are financed by inflows of remittances and by exports of goods and services, mostly agriculture and tourism.

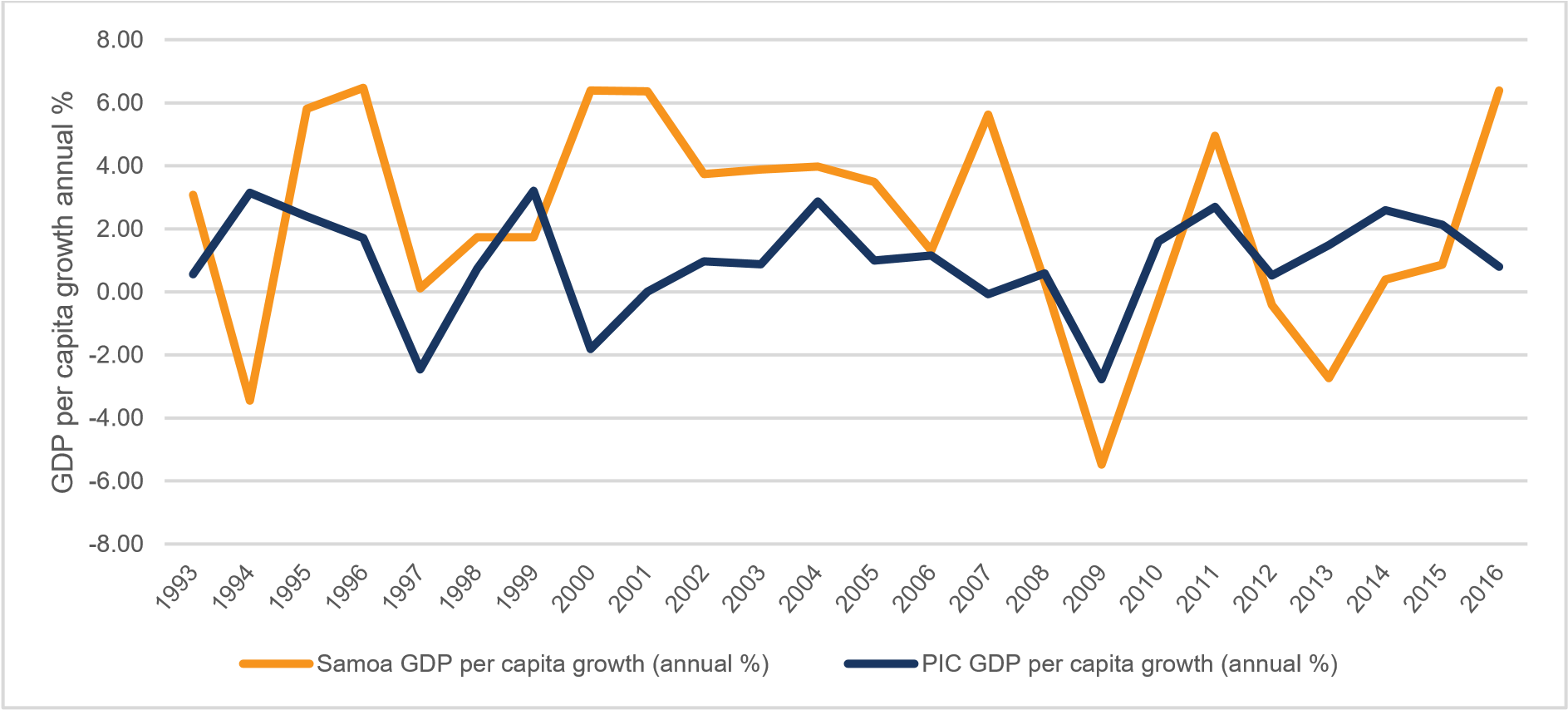
Figure 1 below illustrates growth in Gross Domestic Product (GDP) per capita in both Samoa and the group of Pacific Island Countries (PICs) from 1993 to 2016. Figure 1 uses Purchasing Power Parity (PPP) constant 2011 international dollars to account for the effects of inflation and exchange rate differentials between countries. Figure 1 shows in 1993, Samoa GDP per capita was $3607.80 and the PIC GDP per capita was $4195.11. GDP per capita grew more rapidly in Samoa than the PIC average between 1993 and 2001. In 2001, Samoan GDP per capita surpassed the PIC average: in 2002 GDP per capita was $4,773.08 and $4,575.09 in Samoa and the PIC average respectively.

**Figure 1 GDP per capita in Samoa and Pacific Island Countries 1993-2016**



In the decade leading up to the 2008 global financial crisis (GFC), Samoa averaged 4.42 per cent annual GDP growth compared to a PIC average of 2.06 per cent. Figure 2 below shows that Samoa’s GDP per capita growth rates were both higher and more volatile than the PIC average from 1993 to 2016.

**Figure 2 GDP per capita growth rates in Samoa and Pacific Island Countries 1993-2016**



High GDP growth rates can be attributed to the structural economic reforms undertaken by Samoa during the 1990s and early 2000s. These economic reforms enabled Samoa to grow its economic and increase the standard of living of its citizens. JPAM seeks to continue the momentum of previous reforms for Samoa to achieve its development goals.

#### 2.1.4 Public financial management

Samoa’s public financial management system is viewed as relatively robust in comparison to other PICs.[[36]](#footnote-36) Samoa’s last PEFA[[37]](#footnote-37) assessment was published in 2014. This assessment noted ‘significant improvements’ in many aspects of Samoa’s PFM system; and noted the potential for further ‘quick wins’. Improvements to PFM since 2010 have included the expenditure, commitment and arrears reporting; taxation awareness programs; debt and guarantees processes; payroll and other expenditure processing; and bank/suspense account reconciliation.44

GoS is committed to continued improvement of its PFM system. This commitment is embodied in successive versions of its PFM Reform Plans – currently in its third phase. High levels of confidence in the PFM system and commitment to further improvement have driven development partner (DP) confidence in using budget support as a modality for aid spending. See Section 4.2.2 for further analysis of this issue.

#### 2.1.5 Climate change and natural disasters

Samoa is highly susceptible to natural disasters. The majority of natural disasters are weather and climate-related. Natural disasters can cause the loss of life and damage to people’s homes and businesses and infrastructure. The IMF has estimated the annual average damage and losses to be approximately 12 per cent of GDP.[[38]](#footnote-38)

Samoa is experiencing a changing climate. DFAT’s 2017 Climate Change Stocktake found:

* Average temperatures are increasing;
* More extreme rainfall events will occur;
* Sea levels near Samoa are rising faster than the global average; ▪ Oceans are warming and acidifying around Samoa.

As seen in Figure 2, Samoa’s economy grew strongly up until the GFC. Samoa was then subject to a trio of external shocks: the GFC in 2008, a devastating tsunami in 2009 and then Cyclone Evan in 2012. Cyclone Evan alone created damage and economic losses estimated at $204 million, equivalent to 28 per cent of GDP.

The frequency and severity of natural disasters mean that they are a major economic risk for Samoa. Up to 80 per cent of Samoa’s residents live on or within a kilometre of the coast, often at or just above sea level. The majority of the country’s significant infrastructure is also located close to the coast.[[39]](#footnote-39) Economic reforms in Samoa must include reforms that make the economy, infrastructure and housing more resilient to natural disasters.

Climate change will also impact on Samoa’s development in other ways. Samoa’s health system will be impacted by increased injuries from disasters, morbidity from disasters and spread of diseases. A hotter climate will also reduce productivity for physical labour and decrease life expectancy (due to a reduced nutritional intake and a higher disease burden).[[40]](#footnote-40)

#### 2.1.6 Policy reform since the GFC

The Government of Samoa (GoS) responded to the GFC and tsunami by increasing government spending, with the budget deficit rising above 5 per cent of GDP from 2009–10 to 2011–12. During this period, Government also contracted new loans to build new government offices, projects with limited financial and economic benefits. Higher spending, new loans and lower economic growth meant that total public debt increased sharply from 38.1 per cent of GDP in 2008-09 to 53.6 per cent in 2012–13.[[41]](#footnote-41)

In 2008, Ministry of Finance (MoF) launched the Public Financial Management Reform Plan (PFMRP). Phase 2 of the PFMRP was launched by MoF in 2013.

Also in 2013, GoS, DFAT, MFAT, ADB, World Bank and EU49 agreed to a program of policy reforms organised under the Joint Action Policy Matrix (JPAM). The JPAM responded to the elevated level of public debt and the trio of external shocks by focusing reforms on planning, public financial management (PFM), macroeconomic stability, fiscal discipline and state owned enterprise (SOE) reform.50

## 2.2 Evidence-base / lessons learned

This section outlines the lessons learned from previous evaluations and programs. Section 2.2.1 summarises lessons learned from a 2018 independent evaluation of DFAT’s engagement in JPAM; and Section 2.2.2 outlines other DFAT programs relevant to the design; and Section 4.2.3 summarise lessons learned from ADB and World Bank evaluations covering the period (2013–2015).

#### 2.2.1 Independent evaluation of DFAT’s engagement in JPAM

DFAT undertook in February – April 2018 an independent evaluation of its engagement in JPAM. The ‘Key points and recommendations’ section of the recent evaluation[[42]](#footnote-42) noted the following:

The Joint Policy Action Matrix (JPAM) is aligned with Government of Samoa (GoS) priorities. The direct outputs of JPAM for GoS are lower transaction costs, donor harmonisation and coordination of technical assistance (TA). JPAM provides a mechanism for policy dialogue and strengthens the bilateral relationship between GoS and DPs. GoS officials and DPs are generally satisfied that sufficient reforms are occurring. This evaluation highlighted three case studies – debt management, pharmaceutical procurement and secured transactions – where important reforms have occurred. The debt management reforms have contributed to a reduction in Samoa’s external debt. Pharmaceutical procurement reforms have the potential to increase the efficiency of health spending. JPAM does provide a financial incentive to reforms. The financial incentive is partially offset by the tendency of DPs to disburse funds if sufficient progress has been made and to adjust results indicators accordingly. JPAM also adds value to reform efforts by increasing the visibility and profile of reforms; accelerating reforms; incentivising ministries by providing additional TA; and providing quality assurance and reform benchmarking.

The investment design of the Samoa Fiscal Resilience Program draws on the lessons learned from the independent evaluation. The key lesson is that JPAM successfully incentivises and supports reforms in Samoa. JPAM achieves this through three mechanisms:

1. **Direct outputs**: the evaluation found that the direct outputs of JPAM for GoS were very positive. These direct outputs included strong alignment with government objectives, reduced transaction costs of receiving aid, donor harmonisation and coordination of TA. The evaluation also found that the JPAM policy dialogue contributed to a strengthening of the bilateral relationship between DPs and GoS.
2. **Financial incentive: Total JPAM** funding is significant, constituting approximately 6 per cent of Samoan government current payments22. The evaluation found that this funding was a financial incentive to reform. The financial incentive is partially offset by the tendency of DPs to disburse funds if sufficient progress has been made and to adjust results indicators accordingly.
3. **Adding value to reforms**: The evaluation found that JPAM added value to reform efforts by increasing the visibility and profile of reforms; accelerating reforms and providing milestones to keep reforms on track; incentivising Ministries through the provision of additional TA; and providing quality assurance and benchmarking of reforms. The evaluation did find instances where JPAM did not add value to reform efforts, underscoring the need to ensure that potential reforms are carefully screened as suitable before being included in the matrix.

**Figure 3. How does JPAM incentivise reform**

Direct outputs

Financial  
incentives

Value added to reform effort

Incentivising reforms

Source: Japanese International Cooperation Agency, the Government of Japan’s aid agency

Other notable lessons relevant for the design include the need for:

* Coordination and harmonisation between DPs. This should take place through robust coordination by the World Bank and consistent engagement from all DPs in missions and inbetween mission meetings and teleconferences.
* Coordination by each DP between budget support and their other funded programs in Samoa. For DFAT, this includes the need to leverage programs in other sectors e.g. education, health, infrastructure) to identify suitable reforms to be included in JPAM.

#### 2.2.2 Other DFAT programs relevant to the design

Other DFAT programs in Samoa relevant to this investment design include:

**Samoa Technical Assistance Facility**: a facility to provide technical assistance to GoS to implement reforms. See Section 3.2.4 for further discussion on the link between the DFAT JPAM Program and the Samoa Technical Assistance Facility.

**Samoa Economic Infrastructure Program**: aims to stimulate sustainable economic activity in Samoa by investing in economic infrastructure such as roads and bridges and ICT. The program works with the World Bank and ADB to implement specific infrastructure investments.

**Samoa Power Sector Expansion Program**: supports development of the power sector in Samoa. This program is jointly funded by DFAT, ADB, JICA[[43]](#footnote-43) and GoS. The program includes the construction and rehabilitation of power generation facilities and the installation of prepayment meter systems. The program is also working to establish a better regulatory framework for Samoa's power sector.

**Samoa Women Shaping Development**: DFAT-funded program that aims to make a practical difference in the lives of Samoan women, their families and their communities. The program works together with the Government of Samoa to increase women's economic empowerment and work to reduce the incidence of gender-based violence.

**Samoa Disability Program**: assists the Government of Samoa to achieve greater compliance with the Convention on the Rights of Persons with Disabilities in policy, legislation and programs, deepen

Samoa Fiscal Resilience Program

community awareness on the rights of people with a disability, improve accessibility of services, and increase employment and income-generating activities.

#### 2.2.3 World Bank and ADB evaluations of JPAM

The World Bank and ADB both provide budget support funding delivered via JPAM. Both World Bank and ADB have undertaken evaluations of their JPAM funding. Some aspects of these evaluations relate to the operation of the ADB/World Bank with respect to JPAM. Other aspects of these evaluations relate to the operation of JPAM and its success in incentivising and supporting reforms in Samoa – these aspects are highly relevant to this investment design and are summarised below.

The World Bank’s most recent evaluation was undertaken in 2016.[[44]](#footnote-44) The key lessons learned from this evaluation included:

* Strong pre-existing reform momentum and prior engagement from DPs was critical in implementing successful reforms through JPAM.
* The need to respond flexibly to changes in circumstances, including natural disasters.
* Dedicated and coordinated technical assistance (TA) from DPs is necessary to implement reforms.
* DP coordination of actions that are supported through budget support operations reduces transaction costs and ensures consistency
* Reforms supported should be concrete measures and not measures that ‘intend’ to take actions in the future.
* The World Bank (and by inference other DPs) need to ensure good integration between budget support and their other projects.

The ADB’s most recent evaluation was also undertaken in 2016.54 The ADB noted the following as lessons learned:

* Reform momentum in Samoa has slowed in recent years.
* Short-term reforms are ‘readily implemented’ however more complex, structural reforms face a

‘complex political environment.’ Structural reforms entail careful political negotiation between government and other stakeholders.

* Coordination by both DPs and GoS is critical to the success of budget support operations.

## 2.3 Development problem / issue analysis

Section 2.1 outlined the contextual issues relevant to the Samoa Fiscal Resilience Program. Based on the contextual analysis then the key development problems for Samoa include the need to:

* Increase its rate of economic growth if it is to meet the development goals that it has set in the SDS.
* Increase its resilience to economic shocks. Samoa faces two likely types of shocks. The first is from natural disasters and climate change. The second is as a result of the undiversified economy that relies heavily on tourism and remittances.
* Strengthen governance if it is to make sure that it makes best use of limited government revenue and to provide effective services for citizens

Section 4.1 noted that Samoa’s economy grew strongly in the 1990s and 2000s up until the GFC. This strong economic growth can be attributed to the structural economic reforms undertaken by Samoa during the 1990s and early 2000s.

The Samoa Fiscal Resilience Program seeks to support GoS to enact economic and governance reforms. The impact of these reforms will be stronger economic growth, improved governance and better standards of living for Samoan citizens.

If this investment was successful then GoS will implement a successful program of economic and governance reforms organised through JPAM. JPAM reforms will improve Samoa’s ability to respond to economic shocks and improve macroeconomic resilience. JPAM reforms would lead to stronger governance including improved PFM. Strengthened PFM systems support the delivery of government services like health and education that contribute to human development.

## 2.4 Strategic setting and rationale for Australian / DFAT engagement

Samoa and Australia have an enduring and cooperative relationship that extends across political, security, economic and people-to-people links.[[45]](#footnote-45)

The proposed program is informed by the DFAT policy framework, including the Foreign Policy White Paper, Australian Aid Development Policy, draft Pacific Development Framework and the Aid Investment Plan.

|  |
| --- |
| ‘JPAM is valuable to DFAT. JPAM incentivises reforms, the policy dialogue is highly valued and JPAM strengthens Australia’s bilateral relationship with Samoa. The JPAM investment leverages both the combined DP funding pool and World Bank technical expertise.’  JPAM 2018 Evaluation |

The White Paper details the ‘Stepping-up’ agenda, intensifying Australia’s engagement with the Pacific. This agenda contains three pillars: promoting economic cooperation and integration (including labour mobility); tackling security challenges; and strengthening peopleto-people links, skills and leadership. The Samoa Fiscal Resilience Program draws policy backing from the first pillar of economic cooperation and integration.

A key feature of the Samoa Fiscal Resilience Program is

DFAT’s participation in the ongoing JPAM policy dialogue with GoS. A recent evaluation found that this policy dialogue contributed to the strengthening of Australia’s bilateral relationship with Samoa.[[46]](#footnote-46) The policy dialogue provides a valuable forum for discussion. Insights gained at the policy dialogue can then be used to inform Australia’s aid, trade and bilateral relationships with Samoa. Similarly, information from DFAT officials exchanged during the policy dialogue is useful to GoS.

The purpose of the aid program is to promote Australia’s national interests by contributing to sustainable economic growth and poverty reduction. The aid program focuses on achieving two development outcomes: strengthening private sector development and enabling human development57.

The Samoa Fiscal Resilience Program also meets the requirements of the Development Policy. The Samoa Fiscal Resilience Program will invest in general budget support and support GoS reforms. The impact of these reforms will contribute to both improved private sector development and human development in Samoa, the two development outcomes sought by the Development Policy. The Samoa Fiscal Resilience Program meets each of the four ‘tests’ of the Development Policy, as set out in Table 1 below.

**Table 1 Four tests of the Development Policy**

|  |  |
| --- | --- |
| **Test** | **How does the Samoa Fiscal Resilience Program meet this test?** |
| Pursuing national interest and extending Australia’s influence | * Policy dialogue strengthens Samoa-Australia bilateral relationship and Australia’s influence. * Australia has an interest in stronger governance and economic performance in Samoa. * Economic reforms increase opportunities for Australian investors in Samoa. |
| Impact on promoting growth and reducing poverty | * Supports Samoa’s national development plan (Strategy for the Development of Samoa) * Supporting the enabling environment for economic growth and private sector development. * Reforms strengthen governance. * Reforms strengthen public financial management – government services are essential for reducing poverty. |
| Australia’s value added and leverage | * Program leverages combined DP funding pool of AU$19.49 million. * Leverages the scale-up of financing from ADB and World Bank. ▪ Program leverages World Bank technical expertise. * Leverages DFAT’s investment in Samoa Technical Assistance Facility. |
| Making performance count | * Program links performance to funding through the JPAM matrix. * Supporting country-led reform initiative of JPAM. * Supporting country-systems through general budget support. |

The Development Policy emphasises the importance of investments in effective governance. The

Samoa Fiscal Resilience Program intends to support reforms in areas nominated as important in the Development Policy including taxation reform, strengthening regulation and improving the performance of the public service.[[47]](#footnote-47) The Samoa Fiscal Resilience Program will also support reforms that will strengthen macroeconomic stability and build institutions that support private sector growth, also nominated as important by the Development Policy.[[48]](#footnote-48)

JPAM is a country-led reform initiative. The Development Policy stresses that DFAT will support policy and structural reforms in aid-recipient countries that are country-led and have workable solutions.60 JPAM is an excellent example of DPs working with a very engaged local counterpart, namely the Ministry of Finance, to support reforms.

DFAT’s Aid Investment Plan (AIP) for Samoa notes that Australia has three strategic priorities in Samoa, to: enable economic growth; progress health and education outcomes; and to strengthen governance. The Samoa Fiscal Resilience Program supports the enabling economic growth and strengthening governance objectives. The AIP also states that DFAT will ‘channel the majority of our assistance through the Samoan Government’ via modalities such as budget support. The Samoa Fiscal Resilience Program therefore supports the preferred modality of DFAT in Samoa.

This investment links with other DFAT programs and investments:

* DFAT Samoa Technical Assistance Facility provides technical assistance to GoS to support national development objectives. TA from the facility is used to support some reforms included under JPAM. Section 3.2.4 discusses the link between the two programs in more detail.
* The DFAT co-funded regional program, the Private Sector Development Initiative (PSDI), provide support for JPAM reforms.

The investment links with the funding of other DPs funding budget support delivered via JPAM. The investment also links with other DP programs that fund technical assistance that support the achievement of JPAM reforms.

## 2.5 Innovation and Private Sector Engagement

#### 2.5.1 Innovation

The Samoa Fiscal Resilience Program continues DFAT’s investment in budget support funding delivered via JPAM. The design of JPAM contains several innovative features:

* The modality of JPAM is well regarded by GoS. JPAM lowers transaction costs for GoS of receiving aid, encourages donor harmonisation and assists in coordinating technical assistance.[[49]](#footnote-49)
* DFAT’s funding of AU$3 million per year leverages the combined DP funding of approximately AU$19.49 million22. By investing AU$3 million per year, DFAT participates in a process with a total value of AU$19.49 million. DFAT will contribute 15 per cent of total JPAM funding 2018–19. Combining all DP funding into one mechanism gives DFAT greater leverage than it would through a project-based modality funding of $3 million.
* The Samoa Fiscal Resilience Program also leverages technical expertise from the World Bank and to a lesser extent, ADB. DFAT benefits from the World Bank’s coordination of JPAM and its technical expertise in advising on reform and macroeconomic monitoring. ▪ JPAM incentivises GoS reforms. See Section 2.2.1 for further details.

#### 2.5.2 Linkages between performance and funding

The link between performance and funding is central to the design of the Samoa Fiscal Resilience Program. DFAT will only deliver budget support funding if performance indicators are met by GoS. These performance indicators are included in the JPAM matrix which is agreed between GoS and participating DPs. See Section 4.2.3 for further details.

#### 2.5.3 Private sector engagement

There is no opportunity for the DFAT Samoa Fiscal Resilience Program to directly engage the private sector in the delivery of the program. This is because as a budget support program, the only program expense is in direct budget support funding to GoS.

The Samoa Fiscal Resilience Program does however focus on improving the business enabling environment and supporting the growth of the private sector. JPAM supports the strengthening of core government functions in managing the macro-economy and public finances. These are enablers of private sector growth in Samoa. JPAM also supports specific initiatives that aim to improve the enabling environment for the private sector in Samoa. Examples of specific initiative include:

* Increasing access to credit through implementation of the *Personal Properties Securities Act* [[50]](#footnote-50).
* Increasing opportunities for private sector investment through the supporting of divestment, privatisation and contracting out of SOE functions.

GoS has indicated that future JPAM reforms are likely to include an update of the Labour and Employment Relations Act; an update of the Foreign Investment Act, and updating the Foreign Investment Act.

The Samoa Fiscal Resilience Program will also proactively identify opportunities for the Samoan private sector to be more involved in the JPAM reforms. These actions include ensuring that GoS involves the private sector earlier in policy/legislative discussions; and ensuring that reforms are well targeted to the most important constraints to economic growth (and private sector development) in Samoa.

# 3 Investment Description

## 3.1 Logic and expected outcomes

#### 3.1.1 Higher level development outcomes of Samoa Fiscal Resilience Program

|  |
| --- |
| **Priorities from Australia-Samoa Aid Partnership Arrangement 2016–2019 and the DFAT Aid Investment Plan for Samoa**:   1. Improved enabling environment for economic growth. 2. Progress health and education outcomes. 3. Strengthen governance. |

The Australia-Samoa Aid Partnership Arrangement 2016–2019[[51]](#footnote-51) (APA) and the DFAT Aid Investment Plan for Samoa[[52]](#footnote-52) (AIP) are the operational level policy documents that guide DFAT aid investments in Samoa and the approach to working with GoS. The AIP/APA have three priorities (see textbox on right-hand side).

The higher-level development outcomes sought by the Samoa Fiscal Resilience Program are:

▪ Improved enabling environment for economic growth. ▪ Stronger governance.

These two outcomes correspond to two out of three of the priorities from the APA/AIP. The two outcomes also indirectly impact the third priority (to progress health and education outcomes) by strengthening governance and public service delivery.

Actions under the AIP/APA for improving the enabling environment for economic growth include to: improve the regulatory environment; strengthen infrastructure; and support government reforms to stimulate economic growth, improve the performance of State Owned Enterprises (SOEs), increase revenue and build resilience to economic shocks.

Actions under the AIP/APA for stronger governance include supporting the public sector to operate and deliver services more effectively and efficiently, improve their client focus, and to help create the environment for private sector-led economic growth.

**3.1.2 End of investment outcome of Samoa Fiscal Resilience Program** End of investment outcomes include:

* Fiscal discipline is maintained.
* Enabling environment for economic growth is improved.
* Public debt continues to be managed in-line with the Medium-Term Debt Strategy. ▪ Climate and disaster resilience is increased.

#### 3.1.3 Higher level development outcomes of JPAM

The Samoa Fiscal Resilience Program will invest AU$3 million annually in general budget support funding to GoS. Budget support funding will be delivered via the Joint Policy Action Matrix (JPAM). JPAM is a coordinated approach by participating development partners to providing budget support and incentivising economic and governance reforms in Samoa. At the time of design, participating

Samoa Fiscal Resilience Program

DPs are the World Bank, ADB, MFAT and DFAT. Section 6 outlines in more detail how JPAM operates and the roles and responsibilities of GoS and JPAM DPs.

JPAM supports the higher-level development outcomes encapsulated in the Strategy for the Development of Samoa 2016/17 – 2019/20 (SDS). The SDS outlines fourteen key outcomes organised into four priority areas of economic, social, infrastructure and the environment. The theme of the SDS is ‘accelerating sustainable development and broadening opportunities for all’.

#### 3.1.4 Theory of change

The theory of change of the Samoa Fiscal Resilience Program is that by DFAT providing budget support funding via JPAM this will contribute to the achievement of economic and governance reforms by GoS. These reforms will in turn contribute to: 1) an improved enabling environment for economic growth; 2) strong governance. This theory of change is outlined in Figure 4 below.

**Figure 4 Theory of change**

* BS delivered via JPAM
* DFAT participates in policy dialogue
* Leverage combined DP funding + WB technical expertise

DFAT provides budget   
via JPAM

* Adds value to reforms
* Financial inventive
* Lowers transaction costs, harmonises

JPAM supports reforms

* Government finances + debt are sustainable
* PFM improved
* Environment for private sector is stronger

Reforms support stronger   
growth and governance

JPAM supports each of the four priority areas from the SDS: economic, social, infrastructure and the environment. JPAM reforms contribute to outcomes under the economic area including increasing macroeconomic resilience, increasing exports, developing tourism and enhancing the participation of the private sector in development. JPAM also has a strong focus on strengthening resilience to climate change and natural disasters.

**3.1.5 What reforms will be targeted by JPAM?**

The 2017–2018 JPAM matrix is attached as Attachment 4. The matrix currently contains reforms covering five development outcomes from the SDS: climate resilience, growth and macroeconomic resilience, service delivery, efficiency and transparency and human development. Not all JPAM reforms will fall within the two outcomes sought by the Samoa Fiscal Resilience Program. Section 4.2.3 discusses how this issue will be dealt with operationally by the program.

JPAM reforms are nominated by GoS, not DPs, although DPs are engaged in the policy dialogue which often leads to suggestions for reform. Reforms are mapped out on a multi-year basis.

## 3.2 Delivery approach

#### 3.2.1 Delivery options considered and rationale for chosen approach

A 2018 evaluation of DFAT’s engagement in JPAM[[53]](#footnote-53) considered two alternative modalities to support reforms (options (1) and (2) on the next page).66 The evaluation noted the following:

DFAT should continue to use the modality of budget support delivered through JPAM. Budget support is the preferred modality of the Samoan government; has strong support from DFAT officials; and there are not alternative modalities that would better incentivise economic and PFM reforms in Samoa.[[54]](#footnote-54)

The JPAM Program will be based on the principles contained in the Australia-Samoa Aid Partnership Arrangement 2016–2019. These include Samoa’s ownership and leadership of its own policies and strategies for development; and mutual responsibility for results including regular and evidence-based review of progress.

Noting the comments from the evaluation; and with the above partnership principles in mind, the design team considered three modality options:

1. Re-direct budget support funding to the Samoa Technical Assistance Facility.
2. Establish a standalone economic/PFM reform project.
3. Maintain the existing modality of general budget support funding delivered via JPAM.

Options 1 and 2 were rejected by the JPAM Program design team as not the most appropriate option for Samoa. A key reason is the strong GoS preference for aid to be delivered via budget support. This preference is encapsulated in both the Australia-Samoa Aid Partnership Arrangement 2016–2019[[55]](#footnote-55) and the DFAT Aid Investment Plan for Samoa.[[56]](#footnote-56) There was no evidence to support a standalone reform project (option 2) being a preferred GoS option over and above budget support. GoS are supportive of the Samoa TA Facility however there was no evidence to suggest that budget support funding should be redirected to the facility (option 1).

Options 1 and 2 would also have disadvantages for DFAT compared to option 2. These disadvantages include limited policy dialogue and no leveraging of combined DP funding and World Bank technical expertise. Options 1 and 2 would also only incentivise reform through the provision of TA.

Option 3 was chosen as being the most appropriate to the current conditions in Samoa. GoS preferred modality is budget support. JPAM has been operating in different forms since 2009. Section 2.2 outlines the lessons learned since JPAM began operating in 2009. JPAM has evolved into a mechanism that has strong support from GoS, DFAT and other participating DPs. JPAM has been evaluated to be successful by recent evaluations from DFAT, World Bank and ADB.[[57]](#footnote-57)

#### 3.2.2 Value for money

The modality of budget support has been assessed as the best practical option for achieving the intended outcome (see section 3.2.1 for more details).

The program represents value for money for DFAT for the following reasons:

* The Samoa Fiscal Resilience Program leverages a combined DP funding pool ($19.4 million in the year 2018–2019) substantially larger than DFAT’s annual funding of $3 million.
* The Samoa Fiscal Resilience Program leverages the technical skills and convening power of the World Bank. To a lesser extent, the Samoa Fiscal Resilience Program also leverages the technical skills of the ADB.
* The Samoa Fiscal Resilience Program is cost-effective to administer. The Samoa Fiscal Resilience Program does not require day-to-day inputs from DFAT staff and does not require a managing contractor. The inputs of DFAT staff are needed in relation to JPAM missions, mission preparation and debrief; monitoring and evaluation (M&E); and risk mitigation.

#### 3.2.3 Resources

The budget for this investment consists of AU$3 million funding each financial year for JPAM budget support.

JPAM reforms are supported in some instances by technical assistance funded by DFAT under the Samoa Technical Assistance Program. This funding is separate to the Samoa Fiscal Resilience Program. Section 3.2.4 discusses further the link between the two programs.

The Samoa Fiscal Resilience Program will be managed by a locally engaged program manager at Apia Post. The Samoa Fiscal Resilience Program manager will report to the First Secretary for Development.

Post staff will work with an assigned economist from the DFAT Development Economics Unit.[[58]](#footnote-58) The role of the economist will be to provide technical support to Post staff. This technical support increases the credibility of DFAT’s engagement in the JPAM policy dialogue.

The Samoa Fiscal Resilience Program will use internal DFAT resources from the PFM Advisory

Services Section when needed. During the first year of the Samoa Fiscal Resilience Program, the Government of Samoa will undertake a PEFA[[59]](#footnote-59) Assessment. Following the PEFA Assessment, Post staff will work with PFM Advisory Services Section staff to formulate Post PFM priorities. These priorities will in turn inform DFAT’s engagement in JPAM.

Apia Post will need to devote at least 30 per cent of the Program Manager’s time for the following tasks: liaison with internal DFAT stakeholders; JPAM DP coordination; JPAM missions; ad hoc meetings with GoS; collection and reporting of M&E data; internal coordination with other DFAT programs in Samoa. The design notes the recommendation from the evaluation that an increase in staff time is allocated to following up on JPAM issues in between missions.

Ad hoc staff time will be required from Development Economics Unit staff to provide backup, technical review, participation in JPAM missions and JPAM DP coordination teleconferences and meetings. PFM Advisory Services Section staff time will be requested on an ad hoc basis.

#### 3.2.4 Link with Samoa Technical Assistance Facility

Technical assistance plays an important role in JPAM reforms. DP funding of TA enables GoS to use consultants where its own discretionary budget is not sufficient to purchase consultant time.

The Samoa Technical Assistance Facility (the Facility) is a DFAT-funded program. The program is expected to run over three years with a funding envelope of AU$9 million.

The Facility contributes to achieving the strategic priorities of the Australia-Samoa Aid Partnership by providing quality, timely and flexible technical assistance for progressing policy and institutional reforms. The Facility is designed to complement Australia’s other aid investments in Samoa, including the Fiscal Resilience Program. Australian aid investments through the Facility will assist GOS to develop and strengthen policies and institutions that enable sustainable and inclusive economic growth, especially private sector-led growth.

The Facility aims to provide quality, timely and flexible technical assistance support to complex policy and institutional reforms The Facility is already established and has 20 TA engagements that are either completed, in progress, endorsement pending or in-discussion. The Facility contracts external consultants to fulfil TA requirements. A managing contract manages the facility and is charged with coordinating recruitment of consultants.

The Samoa Fiscal Resilience Program and the Facility are mutually supporting investments. The

Facility plays an important role in the financing and delivery of TA requests from Ministries involved in JPAM. In return, JPAM provides a structured mechanism to pursue reforms and generates requests for TA to the Facility. The Facility supports technical assistance in four priority areas: economic reforms, economic infrastructure, PFM and public service delivery. The four priority areas are aligned with the content of the JPAM matrix.

**Figure 5 Link between Samoa Fiscal Resilience Program and Samoa TA Facility**

|  |  |
| --- | --- |
| JPAM provides mechanism for  reform + informs prioritisation of  requests for the TA  Facility | TA Facility provides  TA that assists in achieving JPAM reforms |

The Samoa Fiscal Resilience Program will ensure that program staff responsible for TA Facility and JPAM share information on priorities on a regular basis. DFAT staff on JPAM missions should continue to use the missions to raise awareness of the facility amongst GoS Ministries.

# 4 Implementation Arrangements

## 4.1 Management and governance arrangements and structure

#### 4.1.1 Management and governance arrangements of Samoa Fiscal Resilience Program

This investment is for DFAT to provide budget support to GoS delivered via JPAM. DFAT representing the Government of Australia (GoA) will enter into a funding arrangement with GoS to formalise a three-year commitment to budget support delivered via JPAM. Budget support funding will be disbursed if performance targets are met (see section 4.2.3 for more details). This investment will be managed by staff at Apia Post supported by an assigned economist from the Development Economics Unit (see section 3.2.3 above).

The role of DFAT in the investment will be to:

* Provide funding as agreed with GoS in the funding agreement.
* Participate in policy dialogue utilising staff from Apia Post and specialist staff from the Development Economics Unit.
* Communicate updates from policy dialogues to relevant staff at Apia Post, Pacific Division and the Development Economics Unit.
* Participate in donor coordination meetings and teleconferences.
* Collect M&E data and make this available to a wider DFAT internal audience. See Section 4.3 for more details.

The counterpart within the Government of Samoa for this investment will be the Ministry of Finance

(MoF). The contact point within MoF will be the Finance Sector Coordination and PFM Division. The Finance Sector Coordination and PFM Division are the internal coordinating division for the JPAM and serve as the contact point for all DPs funding budget support through JPAM.

The role of GoS in the Samoa Fiscal Resilience Program will be to:

* Carry out their roles in JPAM as described in Section 4.1.2 below.
* Approve and sign the funding agreement between the Government of Australia (GoA) and GoS.

#### 4.1.2 Management and governance arrangements of JPAM

The Samoa Fiscal Resilience Program uses JPAM as its mechanism to deliver the program. The management and governance arrangements of JPAM are therefore crucial to the investment design of the Samoa Fiscal Resilience Program. JPAM is not governed by a formal program document or design. The structure of JPAM and the roles and responsibilities of the different stakeholders have evolved over time.

DFAT will work with other DPs participating in the JPAM. At the time of design, participating DPs are the World Bank, Asian Development Bank (ADB), Ministry of Foreign Affairs and Trade (MFAT) and DFAT.

The World Bank play an important role as coordinator of DPs and focal point to GoS. Section 4.6 discusses the risks to the DFAT Fiscal Resilience Program if the World Bank’s participation in JPAM or staffing allocated to coordination activities changed.

The roles and responsibilities of the different institutions involved in JPAM are listed in the table below.

|  |  |
| --- | --- |
| **Institution** | **Roles and responsibilities in JPAM** |
| Minister of Finance | ▪ Minister with responsibility for JPAM. |
| Ministry of Finance, CEO | * Chairs mission meetings and policy dialogue * Link between MoF/Ministries and politicians |
| Ministry of Finance, Finance  Sector Coordination and PFM  Division | * Focal point from GoS to DPs (represented by World Bank) * Contact point for DPs for funding issues or other discussions * Coordinate other participating Ministries and institutions |
| Other participating Ministries and institutions | * Participate in policy dialogue * Enact policy reforms included in the matrix |
| World Bank | * Focal point for DPs in communicating with GoS. * Coordinate DP participation in JPAM missions and teleconferences. Coordinate and lead discussions with GoS during JPAM missions and teleconferences. * Coordinate and lead negotiation with GoS regarding the setting and revision of results indicators (performance targets) to be included in the JPAM. |
| **Institution** | **Roles and responsibilities in JPAM** |
|  | * Provide funding * Ensure JPAM reforms are linked to other projects funded by World Bank |
| Other DPs: ADB, MFAT, DFAT | * Provide funding. * Participate in policy dialogue. * Participate in DP coordination meetings and teleconferences. * Ensure JPAM reforms are linked to other projects funded by each DP. |

GoS and DPs have agreed to redesign the matrix before 1 July 2019. The redesigned matrix will include policy reforms and results indicators covering two years (2018/19 and 2019/20). World Bank will coordinate DP input into the redesign of the matrix and will work with MoF to document the new matrix.

#### Response to recommendations of independent evaluation of DFAT’s engagement in JPAM

The evaluation made several recommendations that relate to the operation of JPAM as-a-whole as opposed to DFAT’s role in the mechanism. DFAT should ensure that these recommendations are discussed and implemented by GoS and DPs as soon as practicable.

## 4.2 Implementation plan

#### 4.2.1 Critical path interventions

The Samoa Fiscal Resilience Program can ensure several activities occur within the first twelve months. The critical path interventions include:

* Ensuring the M&E system is operational and that M&E data is being collected. ▪ Ensuring that the time of specialist personnel from Canberra is secured.
* Actively participate in the ‘lead-up’ phase to the JPAM re-design.
* Ensure that the recommendations from the evaluation are adopted.
* Use the results of Samoa’s updated PEFA Assessment[[60]](#footnote-60) to inform the Samoa Fiscal Resilience Program’s priorities in JPAM.

#### 4.2.2 Use of partner government systems

The Samoa Fiscal Resilience Program will provide general budget support funding to GoS linked to performance measures (see next section for further details on disbursement arrangements). The budget support funding will therefore use all parts of the GoS public financial management system. Budget support funding is not earmarked and so the eventual use of funds could be on procurement of goods and services, payment of salaries or any other purpose.

DFAT’s 2014 Assessment of National Systems (ANS) found overall low-moderate (pre-mitigation) and low (residual) fiduciary risks and low corruption risk. The ANS recommended that DFAT should use all GoS systems provided that appropriate risk mitigation measures have been put in place and satisfactory progress has been made on the implementation of the PFM Reform Program III.74 DFAT will update its ANS in July/August 2017. The updated ANS should inform the operation of the Samoa Fiscal Resilience Program.

**4.2.3 Disbursement arrangements**

#### Disbursement triggers

The Samoa Fiscal Resilience Program will use the results indicators in the JPAM matrix as the triggers for disbursement of fund. JPAM results indicators are agreed between GoS and participating DPs at the commencement of each financial year. The current JPAM matrix is included as Attachment 4. The matrix uses a three-year timeframe and indicators are set on a rolling basis.

Funding is agreed between individual DPs and GoS before the commencement of the financial year. Funding is disbursed if DPs are satisfied that results indicators are met. GoS and DPs jointly organise three to four missions per year. Missions are used to collect evidence on results indicators.

The Samoa Fiscal Resilience Program will use one of two methods to assess if results indicators (triggers) have been met.

#### Option one: World Bank Board approval

This is the preferred option and will be used wherever possible. The World Bank will make a technical assessment as to if the JPAM results indicators have been met. This assessment is based on information provided by GoS before and during JPAM missions. As DFAT also participates in these missions then there should be no ‘surprises’ to DFAT as to the likely outcomes of the World Bank assessments.

The World Bank formalises their assessment by submitting the results indicators to their Board for approval. This approval is in the form of approving the subsequent iteration of their Development Policy Operation(DPO). A DPO is the program structure used by the World Bank to deliver their budget support funding via JPAM.

World Bank staff will notify DFAT that the results indicators have been approved by their Board. This approval is then the trigger for DFAT to release budget support funding.

#### Option two: DFAT assessment

If option (1) is not available, then Samoa Fiscal Resilience Program staff will assess progress based on information collected during JPAM missions. This assessment will be informed by: updates on reforms through missions; mission aide memoires; and the informed judgement by DPs and GoS on likelihood of results indicators being met.

Once the assessment has been completed, the relevant DFAT delegate will sign off on the disbursement based on the recommendations from the assessment.

The recent DFAT evaluation recommended that DFAT should work with DPs and GoS to increase alignment between DPs of evidence-gathering cycles and disbursement schedules. Option one aligns DFAT with the World Bank. However, DFAT needs to ensure that option one allows DFAT to disburse funding within the planned financial year. This is important to maintain predictability of funding for GoS and to ensure execution of planned expenditure for DFAT.

#### Banking arrangements and funding flows

GoA will deposit the annual tranche of the JPAM budget support into a foreign currency account with the Central Bank of Samoa, which will be set up by the MoF for this purpose. The Central Bank will immediately convert the funds in the account to Samoan Tala[[61]](#footnote-61) and transfer them to the main Treasury development revenue account.

JPAM budget support will only be reported in the revenue section of the budget estimates, with no requirement for an acquittal. There will be no earmarking of the funds and no DP-specific tracking of how they were spent.

DFAT funding will be provided to GoS Treasury Account and funding is given to support GoS priorities as outlined in the Strategy for the Development of Samoa (SDS) and the Samoan National Budget.

JPAM budget support funding will be subject to the same financial management procedures as national funds. Accountability for budget support funds will be based on:

* JPAM matrix updates contained in the Aide Memoires from JPAM missions.
* Annual government accounts and subsequent audit reports showing that expenditure is in line with the budget that the GoS and DPs had agreed to finance, that reasonable standards of public financial management are being observed, and that any problems in financial management are being detected and resolved through appropriate action.

#### 4.2.4 Policy dialogue

A key benefit for DFAT of delivering budget support funding via JPAM is participation in the JPAM policy dialogue. The policy dialogue is chaired by MoF and involves other Ministries and Institutions that have reforms included in the JPAM matrix.

Section 3.2.3 outlined the importance of DFAT contributing staff from both Apia Post and the Development Economics Unit to participate in the policy dialogue. Apia Post staff contribute local knowledge and an in-depth understanding of the political economy of reforms. Apia Post staff are also the conduit to connect JPAM with other DFAT programs and projects in Samoa.

Development Economics Unit staff contribute technical expertise to the policy dialogue. This technical expertise strengthens the credibility of DFAT’s engagement in JPAM.

The policy dialogue is an opportunity for a discussion of the key economic and policy risks identified through JPAM. The structure of the policy dialogue should be made more explicit to ensure it captures these risks.

## 4.3 Monitoring and evaluation

#### 4.3.1 Monitoring and evaluation of the Samoa Fiscal Resilience Program

This section discusses arrangement for monitoring and evaluation (M&E). Attachment 5 provides further details on the approach to M&E including a draft M&E framework for the Samoa Fiscal Resilience Program.

The M&E framework monitors the Program at five levels:

* **Activity**: actions taken or work performed through which inputs may be mobilised.
* **Output**: the products, goods and services invested in
* **Intermediate outcome**: the short and medium-term effects
* **End of investment outcome**: the desired change in knowledge action of condition ▪ **Development outcome**: higher order purpose

Table 2 below outlines the key evaluation and monitoring questions to be used at each of the five levels in the M&E framework.

**Table 2 Key evaluation and monitoring questions**

|  |  |
| --- | --- |
| **Framework level** | **Key evaluation/monitoring questions** |
| **Development outcome: higher order purpose** | * Has a JPAM Impact Evaluation been completed? What have been the impact of JPAM reforms? * To what extend have there been changes in sustainable and inclusive economic growth and the structure of the economy as targeted by JPAM reforms? * To what extent have there been changes in governance as targeted by JPAM reforms? |
| **End of investment outcome: the desired change in knowledge action of condition** | * Has fiscal discipline been maintained? * Has the enabling environment for economic growth improved? * Is public debt being managed in-line with the medium term debt strategy? * Has climate and disaster resilience increased? * What instances are there of reforms relating to the above four end of investment outcomes? E.g. * Legislation passed in Parliament * Policies, legislation and regulations passed by Cabinet * Policies implemented * Institutions and SOEs reformed |
| **Intermediate outcome: the short and medium-term effects** | * Instances of improved policy and implementation including intermediate measures * Draft legislation, policies and regulations * Intermediate steps for implementation * Intermediate steps for reform of institutions and SOEs▪ Is JPAM incentivising economic and governance reforms? * Is JPAM an efficient mechanism for GoS? * Is JPAM contributing to a stronger bilateral relationship between GoA/GoS? |
| **Output: the products, goods and services invested in** | * Is JPAM funding delivered by DFAT in a predictable manner? * Is JPAM policy dialogue including the key economic risks to Samoa? * Is JPAM policy dialogue robust? Does the policy dialogue allow for discussion and critique of key policy issues? * Are Ministries participating in JPAM aware of the Samoa TA Facility? Is the TA Facility being used to actively support reforms? * Are JPAM DPs/GoS considering or implementing a JPAM reform with a gender focus? * Are JPAM DPs/GoS considering disability inclusiveness in JPAM reforms that may have a disability component? * Do DFAT internal stakeholders understand JPAM and the impact of reforms? |
| **Activity: actions taken or work performed through which inputs may be mobilised** | * Are JPAM missions attended by both Post and Development Economics Unit staff? * Are JPAM DPs well-coordinated? * Are JPAM updates communicated back to JPAM internal stakeholders at Post and in Canberra? |

#### Users of M&E data

The primary users of M&E data are staff at Apia Post and from the Development Economics Unit. Data should inform staff about the progress in meeting program objectives. Data should also enable staff to consistently and clearly tell the story about JPAM funding to the internal DFAT audience.

Secondary users of M&E data are other DFAT-internal stakeholders including at Apia Post; Pacific Division; Development Policy Division; Development Economic Unit.

Investment Design

#### Sources of M&E data

Sources of data include:

* JPAM matrix updates and aide memoires.
* Parliamentary and Cabinet records.
* Records of DFAT participation in JPAM activities and meetings; and ▪ GoS data on economic performance.

#### 4.3.2 Monitoring and evaluation of JPAM

The previous section outlined M&E arrangements for the Samoa Fiscal Resilience Program. This section notes M&E arrangements for JPAM.

The JPAM matrix is the tool used by GoS and DPs to monitor and evaluate JPAM. The matrix uses results indicators to note if GoS has successfully achieved its intended reforms. The matrix is updated after each JPAM mission (usually 3 to 4 times per year).

A weakness identified in the independent evaluation of DFAT’s engagement in JPAM is that GoS does not systematically collect data on previous reforms (once they are no longer on the matrix). This issue impacts on the ability of all JPAM stakeholders (GoS and DPs) to properly measure the impact of JPAM reforms.

#### Impact evaluation

DFAT should engage consultants to carry out an impact evaluation of JPAM reforms. This impact evaluation could more thoroughly examine the impact of JPAM reforms on Samoa’s governance and economic growth. The best timing for this evaluation would be in February 2020. The results of this evaluation could then be used to inform the planning for the next matrix re-design (due in June 2020). Note that this evaluation should be conducted jointly between all DPs and GoS. The impact evaluation would be a separate exercise to a future evaluation of the Samoa Fiscal Resilience Program.

## 4.4 Sustainability

The Samoa Fiscal Resilience Program provides budget support funding via JPAM. Without DFAT funding, the program is not sustainable and would end. However, the program is designed to ensure the sustainability of the underlying GoS institutions and reform processes that it supports.

There are three aspects to sustainability of this investment: financial sustainability of GoS budget in the absence of budget support; institutional sustainability of GoS systems; and the sustainability of JPAM reforms.

**Financial sustainability:** The Samoa Fiscal Resilience Program will provide general budget support. Budget support funding means that GoS can provide more goods and services than it can otherwise – the funding is additional to revenue available via revenue or borrowing. As a developing country, Samoa is likely to have a range of development needs that require financing beyond that available domestically or through borrowing.[[62]](#footnote-62) Budget support financing assists to fill this gap.

**Institutional sustainability:** The sustainability of systems and procedures is supported by designing the DFATJPAM Program around the well-established institutional planning and budgeting processes of GoS. By providing general budget support and engaging in policy dialogue, DFAT is contributing to the long-term sustainability of GoS institutions.

**Sustainability of JPAM reforms**: The sustainability of JPAM reforms will be an ongoing question for monitoring and evaluation of the program. The recent JPAM evaluation found that the current design of JPAM could not adequately monitor the implementation of reforms. The evaluation recommended that a JPAM monitoring tool should be developed to assist GoS and budget support DPs to track previous reforms. Tracking whether previous reforms are being implemented would provide valuable information for GoS/DPs in assessing the sustainability of reforms.

## 4.5 Cross-cutting issues

#### 4.5.1 Gender equality

Budget support funding supports the priorities of GoS. One of these priorities is gender equality as set out in the National Policy on Women. Section 2.1.1 gives further details on this policy.

The Samoa Fiscal Resilience Program will work with GoS and other DPs to identify suitable gender mainstreaming reforms to include in the JPAM. If requested by GoS, the Samoa Fiscal Resilience Program should contract a gender consultant or a DFAT-gender specialist to work with DPs and GoS. This work should occur at the appropriate time when reforms and results indicators are being discussed and agreed upon for future years.

It is important that the above work is carried out collaboratively between DFAT, DPs and GoS. Any potential gender reforms to be included in JPAM will need to demonstrate that JPAM is the best modality to enact the chosen reform as opposed to an alternative modality (for example, a project based modality such as Samoan Women Shaping Development[[63]](#footnote-63)). A potential ‘reform could be the completion of a gender and social inclusion analysis of all sector plans. JPAM could add value to this reform by elevating it from a Ministry of Women, Community and Social Development (MoWCSD) initiative to a whole-of-government initiative’.[[64]](#footnote-64)

The Samoa Fiscal Resilience Program will also work to ensure that all reforms included under JPAM are:

* Collecting data that is disaggregated by gender.
* Designing policy consultations that are inclusive of women and girls; and of people with a disability.

#### 4.5.2 Disability inclusiveness

DFAT will work to promote disability inclusiveness wherever possible in JPAM reforms.79 Some JPAM reforms (such as taxation reform) are less likely to include opportunities for disability inclusiveness. Others, such as the reforms to Building Codes in the 2017–2018 matrix[[65]](#footnote-65), contain opportunities to promote disability inclusiveness within the scope of the individual reforms. DFAT staff should closely monitor opportunities to promote disability inclusiveness and be prepared to offer technical assistance to assist GoS capitalise on these opportunities.

#### 4.5.3 Climate change and disaster resilience

Section 2.1.5 outlined the context for climate change and natural disasters in Samoa.

The current JPAM matrix includes Climate and Disaster Resilience as one of five pillars. This responds to the high priority placed on Climate and Disaster Resilience in the SDS. It is likely that future iterations of the SDS will place an even stronger emphasis on climate and disaster resilience – this is because of the high vulnerability of Samoa to climate induced natural disasters and the significant impacts on economic and human development.

The 2017 Climate Change Stocktake identified JPAM as JPAM as a climate financed investment to contributing to DFAT Climate Change financing commitments. DFAT will continue to work with GoS and DPs to ensure that JPAM integrates climate and disaster resilience reforms into the future. DFAT will also ensure that JPAM actions in this area are coordinated with other climate financing provided by DFAT in Samoa, particularly the Samoa Economic Infrastructure Program.

## 4.6 Risk management plan

The risk register is included as Attachment 2 and shows the most critical risks for the Samoa Fiscal Resilience Program and strategies for minimising those risks.

Key risks for Samoa include:

* Samoa’s vulnerability to natural disasters and external shocks.
* Lack of government commitment and support for JPAM reforms.
* World Bank funding and/or commitment to JPAM changes.
* MoF deprioritises further PFM reform.
* Non-disbursal of budget support funding impacts on the Samoa-Australia bilateral relationship.

Staff responsible for the Samoa Fiscal Resilience Program will review the risk register once per quarter. Any changes in risks will be reported to relevant staff at Post and communicated to the Samoa Fiscal Resilience Program’s internal DFAT stakeholders.

DFAT staff will take responsibility for identifying and monitoring risks. The donor coordination and JPAM policy dialogue are forums where DFAT staff can discuss risks with GoS and DPs. Note that most of risks are relevant for all DPs and not just DFAT.

It also should be noted that the risks relating to the World Bank will also be encountered by DFAT in other Pacific countries where they provide budget support funding. These risks include World Bank withdrawing from their role or devoting less resources; or the World Bank appointing inexperienced; inappropriate or less qualified staff to the role. These risks need to be mitigated by a whole-of-DFAT approach to the World Bank regarding budget support programs in the Pacific.

#### 4.6.1 Safeguards

No child protection, displacement and resettlement risks have been identified in the design.

There are no immediate environmental risks identified in the design. JPAM may contain infrastructure reforms that may in turn include environmental risks. Environmental impact in such reforms will be assessed in terms of GoS regulations and laws.

DFAT will ensure that any environmental risks are documented and mitigated when they are perceived to have arisen.

# Attachment 1 Key Points and Recommendations from DFAT Evaluation of JPAM

The Joint Policy Action Matrix (JPAM) is aligned with Government of Samoa (GoS) priorities. The direct outputs of JPAM for GoS are lower transaction costs, donor harmonisation and coordination of technical assistance (TA). JPAM provides a mechanism for policy dialogue and strengthens the bilateral relationship between GoS and DPs.

GoS officials and DPs are generally satisfied that sufficient reforms are occurring. This evaluation highlighted three case studies – debt management, pharmaceutical procurement and secured transactions – where important reforms have occurred. The debt management reforms have contributed to a reduction in Samoa’s external debt. Pharmaceutical procurement reforms have the potential to increase the efficiency of health spending.

JPAM does provide a financial incentive to reforms. The financial incentive is partially offset by the tendency of DPs to disburse funds if sufficient progress has been made and to adjust results indicators accordingly. JPAM also adds value to reform efforts by increasing the visibility and profile of reforms; accelerating reforms; incentivising Ministries by providing additional TA; and providing quality assurance and reform benchmarking.

DFAT should work with Development Partners and the Samoan Government to:

* Increase alignment between DPs of evidence-gathering cycles and disbursement schedules.
* Develop a JPAM monitoring tool to track implementation of previous reforms.
* Continue to use the SDS as the organising framework for the matrix. JPAM should then use assessments such as PEFA and IMF Article IV reports; and analytical projects such as Samoa Possible, to inform prioritisation.
* Base future PFM reforms on the 2018 PEFA Assessment.
* Only include sectoral reforms that are PFM-based or have a direct link to a central agency. DPs should actively reduce monitoring costs by better linking JPAM with their sectoral programs.
* Work together to identify a suitable gender mainstreaming reform to include in JPAM.
* Strengthen quality assurance by providing drafts of new regulations/legislation/policies to DPs earlier in the process.
* Strengthen stakeholder consultations by scheduling them earlier in the policy/legislative development process.
* Improve DP coordination by holding more frequent teleconferences between missions; and making better use of on-the-ground DPs to follow up on issues in-between meetings.
* JPAM is valuable to DFAT. JPAM incentivises reforms, the policy dialogue is highly valued and

JPAM strengthens Australia’s bilateral relationship with Samoa. The JPAM investment leverages both the combined DP funding pool and World Bank technical expertise.

* DFAT should:
* Continue to use the modality of budget support delivered through JPAM. Budget support is the preferred modality of the Samoan Government; has strong support from DFAT officials; and there are not alternative modalities that would better incentivise economic and PFM reforms in Samoa.
* Develop a program design document to structure future engagement in JPAM. This document should adopt two objectives for DFAT engagement in JPAM, to: 1) enable economic growth; and 2) strengthen governance. The document should also include a M&E framework.
* Ensure that the JPAM policy dialogue is structured more explicitly to capture key country risks such as GoS contracting additional debt outside of the medium-term debt strategy framework.
* Maintain the system of a single JPAM payment. Funds should be disbursed against the results indicators of the entire JPAM matrix wherever possible.
* Use World Bank approval processes as evidence for disbursement wherever possible. Where this is not possible, DFAT should establish alternative arrangements to ensure the efficient flow of resources.
* Continue to use JPAM missions to raise awareness of the TA facility amongst GoS ministries.

Samoa Fiscal Resilience Program – Investment Design

# Attachment 2 Risk Register

|  |  |  |  |
| --- | --- | --- | --- |
| **Value** | **Draft Risk Rating** | | |
| **Likelihood** | **Consequence** | **Rating** |
| **Operating environment: What factors in the operational or physical environment (political instability, security, poor governance, lack of essential infrastructure etc.) might impact directly on achieving the objectives?** | | | |
| Event: Budget support funding is not tracked and so could be diverted to uses not supported by DFAT. Source: GoS priorities change and so GoS expenditure of budget support funding changes.  Impact: DFAT funding is not used appropriately. | Unlikely | Moderate | Medium |
| Mitigation: DPs can monitor GoS government intentions through regular GoS publications including the annual budget statements and budget estimates. The SDS is updated every four years and provides a clear description of GoS priorities. | | | |
| Event: Samoa’s vulnerability to external shocks and natural disasters stall or interrupt Samoa’s economic development.  Source: Natural disasters; climate change; recession in OECD countries impacting on remittances and tourism. Impact: External shocks and natural disasters can cause loss of human life, damage to property and businesses.  Reforms may be de-prioritised to enable recovery from shocks to take place. | Possible | Moderate | Medium |
| Mitigation: Ongoing policy dialogue through JPAM encourages Samoa to take steps to prepare for natural disasters and prepare for external shocks. JPAM reforms focus on climate resilience and climate-proofing infrastructure. | | | |
| Event: Lack of government political commitment and support for JPAM reforms. Unlikely Major Medium  Source: Government of Samoa.  Impact: JPAM reforms do not proceed. DFAT funding is not supporting and incentivising economic and governance reforms. | Possible | Moderate | Medium |
| Mitigation: Ongoing policy dialogue through JPAM seeks to mitigate this risk by engaging GoS in the reform process. MoF leads JPAM and owns the reforms. GoS ownership of reforms is the most effective mitigation of political non-commitment to reforms. | | | |
| **Results: How realistic are the objectives and can they be achieved within the timeframe? Are the objectives/results sustainable? Would the failure to achieve the results in the proposed timeframe, or at all, affect the targeted beneficiaries directly?** | | | |
| Event: World Bank funding and/or commitment to the JPAM changes. World Bank appoint inexperienced, inappropriate or unqualified staff to coordinate JPAM. World Bank withdraw from their coordinating role or provide less frequent staff time. Source: World Bank  Impact: The Samoa Fiscal Resilience Program relies on the JPAM mechanism. World Bank have an important role as the focal point from DPs to GoS. | Possible | Moderate | Medium |
| Mitigation: Post to raise this issue directly with World Bank staff to ensure long-term commitment. Issue to be raised with DFAT staff in headquarters for communication to World Bank senior management. | | | |
| Event: Technical assistance is not provided to GoS to support JPAM reforms.  Source: DPs provide less TA due to lower spending in Samoa.  Impact: TA accelerates reforms and improves their quality. Not providing TA is likely to result in fewer reforms. | Possible | Moderate | Medium |
| Mitigation: DFAT’s Samoa TA Facility is one source of TA to support reforms. | | | |

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|  |  |  |  |
| --- | --- | --- | --- |
| **Value** | **Draft Risk Rating** | | |
| **Likelihood** | **Consequence** | **Rating** |
| **Safeguards (see the checklist below): Do any of the activities involved in this investment have the potential to cause harm relative to safeguard issues (child protection, displacement and resettlement and environmental protection)?** | | | |
| Event: No safeguard risks identified.  Source:  Impact: | N/A |  |  |
| Mitigation | | | |
| **Fraud/Fiduciary: Are there any significant weaknesses which mean funds may not be used for intended purposes, not properly accounted for or do not achieve value for money? (Fraud Control and Anti-Corruption Strategies and Assessments of National Systems will assist in identifying significant risks.)** | | | |
| Event: MoF deprioritises PFM Reform Plan. Source: MoF (GoS)  Impact: Deprioritisation results in PFM performance declining and this increases the risk for DFAT in using budget support as a modality. | Unlikely | Moderate | Medium |
| Mitigation: Ongoing policy dialogue ensures that DFAT (and DPs) are briefed on MoF’s intentions regarding PFM. PFM reforms are included in the JPAM matrix and hence budget support funding is dependent on PFM reforms being carried out. | | | |
| **Reputation: Could any of the risks, if they eventuated, cause damage to DFAT’s reputation? Could any aspect of implementation damage bilateral relations?** | | | |
| Event: Budget support funding not disbursed as performance indicators not met.  Source: DFAT/GoS  Impact: GoS may have expectations that budget support funding will be disbursed. If performance indicators are not met and funding not disbursed this may impact on the bilateral relationship between Samoa and Australia. | Possible | Moderate | Medium |
| Mitigation: JPAM missions aim to provide sufficient information to ensure that there are ‘no surprises’ with respect to the achievement of performance indicators. If GoS will meet the indicators should be known well in advance of any deadlines by both GoS and DPs. | | | |
| **OVERALL RISK RATING: MEDIUM** | | | |

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# Attachment 3 Terms of Reference for Investment Design

Joint Policy Action Matrix

Investment Design - Draft Terms of Reference

### Background

The Aid Investment Plan guides Australia’s development program in Samoa. The Aid Investment Plan (AIP) has three strategic pillars which includes i) enabling economic growth, ii) progressing health and education outcomes, and iii) strengthening governance. The first and third pillars are supported through investments in the Joint Policy Action Matrix (JPAM) and the Samoa Technical Assistance

Facility.

The Joint Policy Action Matrix (JPAM) is a matrix of economic, structural and PFM reforms negotiated between officials from World Bank, ADB, New Zealand, Australia and the GoS which aims to support the Government of Samoa's fiscal consolidation as it recovers from the impacts of external shocks. It also helps to build Samoa's economic resilience against future shocks. In order to build economic resilience, a healthy and stable macroeconomic situation, strengthened Public Financial Management (PFM) systems and an open competitive private sector led economy are needed. Australia and other partners provide budget support to incentivise the implementation of agreed reforms.

The Samoa Technical Assistance Facility provides technical assistance support to the Government of Samoa in areas related to economic and PFM reforms, public sector management, and monitoring and evaluation. The facility has been in operation since October 2016 and will be completed in June 2018. The design process for phase two is underway and is expected to be finalised by June 2018. Although not clearly articulated anywhere, several technical assistance projects under the facility support the implementation of several JPAM reforms.

In February 2018, the Australian Department of Foreign Affairs and Trade (DFAT) conducted an independent evaluation of DFAT’s engagement in the Joint Policy Action Matrix (JPAM). The evaluation found that overall JPAM provides a valuable forum for development partners to engage in policy dialogue with the Government of Samoa in a coordinated manner, increase the visibility, profile and monitoring and evaluation (M&E) of reforms, and enable government agencies to access technical assistance from development partners. The evaluation also recommended options to strengthen development partner engagement in the JPAM process, and improving the quality and M&E of agreed reforms.

DFAT is commissioning an investment design for its future commitments to JPAM, building upon the findings of the independent evaluation.

### Objectives

This terms of references sets out the consultant services required by DFAT to prepare an Investment Design to guide DFAT’s future investment in the JPAM. The investment design should prepared in line with DFAT’s Investment Design Quality Criteria (attached) and conforms to DFAT’s documentary standards. It is envisaged that the investment design will provide a strategic framework to govern DFAT’s engagement in JPAM, and provide an overarching framework to align agreed and potential JPAM activities with other DFAT funded investments aimed at strengthening governance. This includes the Samoa Technical Assistance Facility and a potential future Aid for Trade investment.

### Scope of Services

Based on findings of the independent evaluation and in accordance with DFAT’s Investment Design Quality Criteria, the design should address, but not limited to the, following areas:

* Problem or needs analysis for the development issue to be addressed by the investment;
* Consideration of how Australia’s development policy intentions will be supported, including innovation and private sector engagement requirements;
* Consideration of how the JPAM links with the Samoa Technical Assistance Facility and other

DFAT funded investments aimed at strengthening governance;

* Full exposition of the rationale for the investment;
* Confirmation of the partners involved in the delivery of the investment, partner resources committed to the investment including DFAT’s proposed future commitments to the investment; ▪ A thorough technical analysis;
* Governance arrangements, including roles and responsibilities of partners;
* Confirmation and refinement of achievable and sustainable outcomes in line with a focus on performance and results;
* Analysis and integration of cross-cutting issues such as gender, anti-corruption, disability inclusiveness, indigenous peoples and partnerships;
* Full risk assessment using the DFAT aid risk register template and development of a risk management strategy; and
* A monitoring and evaluation framework, outlining the main evaluation approaches/techniques to be used for outcome or impact evaluation for the investment, including for identified social and environmental impacts, safeguard plans and ensuring it contains gender and disability sensitive indicators.

### Duration and Phasing

The findings of the evaluation conducted in February 2018 will largely inform the content of the investment design. The design should clearly address the recommendations from the independent evaluation. Preparation of the investment design is expected to require desk-based input only. DFAT may support an in-country mission if deemed necessary for the successful completion of the investment design.

A total of 15 days has been allocated in April 2018 to prepare the full investment design. This includes presentation of the draft design for DFAT review and subsequent finalisation following inputs from DFAT.

### Reporting and Deliverables

This design consultant will produce the following outputs:

* Draft Investment Design, submitted by 18 April 2018 for DFAT comments.
* Final Investment Design, submitted by 27 April 2018 incorporating DFAT comments.

### Design Team

The design team will be comprised of a Design Consultant, DFAT economist and DFAT Post.

* Demonstrated experience on the design and M&E of economic policy programs, economic public finance programs and other public policy programs, preferably with familiarity with Budget Support Programs.
* At least 5 years’ experience working with international development, preferably with experience in the Pacific with demonstrated experience to draw on international best practice.
* Preferably have sounds knowledge of DFAT corporate policy on quality reporting systems and business processes for aid delivery, and be conversant with DFAT development assistance procedures, regulations and policies.
* Excellent communications and interpersonal skills. ▪ English proficiency.

### Annexes

DFAT will share the following documents with the design team:

* Good Practice Guide: DFAT-led Design.
* Aid Investment Design Quality Assurance and Scoring Guidance. ▪ Invest Design Document Template.

Samoa Fiscal Resilience Program

# Attachment 4 JPAM Matrix

JPAM Matrix as at November 2017 (no later version was available as at 17 May 2018).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **FY16/17 (by end-May 2017)** | **FY17/18 (May 2018)** | **FY18/19 (May 2019)** | **Results indicators** |
| **Climate Resilience** | | | | |
| Building codes/standards | [1] Climate-resilient building codes and standards updated and adopted by government, including provisions for disability access.  [Evidence: copy of cabinet submission and decision approving the new codes] | Building codes and standards made effective, and guidelines and manuals for their application are finalised and issued to key stakeholders such as MWTI staff, building inspectors, builders, and engineers. | Registration requirements for building-related trades and regulations governing the building industry are updated and strengthened. | Updated codes and standards implemented and monitored.  Baseline (FY17): Updated codes and standards not yet in place Target (FY19): Compliance with updated codes and standards confirmed for at least 90 per cent of new building plans |
| Critical infrastructure | [2] CDC approval of recommendations from roads vulnerability assessment and climate resilient roads strategy, which set out the priority investments necessary to improve the resilience of the roads network and provide guidelines for maintenance requirements and engineering standards.  [Evidence: copy of CDC submission and decision] | Cabinet/CDC approval of i) national infrastructure asset management strategy, to improve the life-cycle  management and maintenance of public infrastructure, and ii) national improvement list based on the NIAMS, including work to begin in FY18. |  | Number of approved road designs informed by the Vulnerability  Assessment  Baseline (FY17): zero  Target (FY19): 3 |
| Disaster risk  management |  | [Revised and updated CIM plans endorsed, and identified district level priorities reflected in sector work programs]  [Approval of national disaster management plan 2017-20]  [Approval of disaster risk financing  (DRF) strategy] | [Review and amendment of  Disaster and Emergency  Management Act 2007] |  |
| **Growth and Macroeconomic Resilience** | | | | |
| Financial sector | 1. Effectiveness of Personal Properties Securities Act and launch of new registry, to improve access to finance by allowing movable property to be used as collateral for loans. [Evidence: Copy of Act, documentation of new registry] 2. Cabinet approval and publication of national   strategy to manage AML/CFT risks [Evidence: copy of cabinet decision and strategy available on CBS website] | Completion of scoping study on possible credit bureau arrangements in Samoa (supported by ADB TA) and approval of recommendations. [Approval of Alienation of Customary  Land Amendment Bill] –  Approval of amendment to the Money  Laundering Prevention Act 2007 | Procurement and roll-out of electronic payments system [Establishment of credit bureau]. | Growth of 5 percent in registered security interests (excluding transitional filings) from FY18 to FY19, and growth of at least 5 percent for registrations of security  interests on movable collateral owned by women or women-owned businesses.  Improvement in compliance with the FATF recommendations, as assessed by the July 2018 follow-up |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **FY16/17 (by end-May 2017)** | **FY17/18 (May 2018)** | **FY18/19 (May 2019)** | **Results indicators** |
|  |  |  |  | to the 2015 Mutual Evaluation Report.  Baseline (FY17): APG status is  ‘Enhanced Follow-Up (Expedited)’ Target (FY19): APG status improves to ‘Enhanced Follow-Up’ |
| SOEs/PPPs | [5] Cabinet submission of the divestment proposals for SHC, PTO, and Samoa Post.  [Evidence: Cabinet submission]. | Completion of business plans for three PPPs (roads, airport, ports) in line with the approved PPP guidelines.  Cabinet approval of ROE and Dividend Policy | Implementation of PPP business plans  Implementation of ROE and  Dividend policy  [Implementation of divestment options] | At least [three] reforms to improve financial performance, efficiency, and service delivery of SOEs, via private sector participation or otherwise, by June 2019. |
| Debt management |  | Cabinet approval of policy to guide  Government on-lending operations to SOEs | Measures to implement onlending policy | Ongoing compliance with medium term debt strategy: minimum 35% grant element for new loans; publication of quarterly debt bulletins |
| **Service Delivery, Efficiency, and Transparency** | | | | |
| Revenue | [6] The Recipient has a) through its Cabinet, approved the recommendations of the 2016–17 Revenue Review, including increases to nontax fees and charges, the cessation of income tax holidays and the tourism tax credit scheme, the removal of certain income tax exemptions, including for churches and pastors, adjustments to the capital gains tax regime, and an increase in the income tax-free threshold; and b) adopted the Income Tax Amendment Act 2017, which enshrines a number of these decisions in legislation.  [Evidence: Cabinet decision, approved Cabinet submission, FY17/18 budget papers] | Amendment to legislation to clarify new Capital Gains Tax regime, and reform to improve enforcement.  Implementation of compliance reforms – including on on-time filing, audit, and  collection of land rents – as flagged in the Revenue Review and Compliance Improvement Plan. | Measures to improve compliance and reduce leakages | Realised domestic revenues as a percent of GDP increase in FY18 and FY19 from recent average levels. Baseline (FY12-FY16): Average ratio of domestic revenue to GDP = 24.8 percent  Target (FY18 and FY19): Domestic revenue to GDP > 26 percent |
| Procurement | [7] Approval of framework contracts for the procurement of pharmaceuticals, to increase the efficiency and reduce the cost of  procurement, and ensure access while reducing waste.[Evidence: copy of tender documents] | Finalisation of procedures for Complaints Mechanism | Establishment of independent complaints mechanism. | Average unit price of select purchased medicines in FY18 and  FY19 i) is lower than in FY17; and ii) compared with FY17, is lower as a proportion of international reference prices. |
| **Human Development and Opportunity For All** | | | | |
| Health | [8] Introduce excise duties for sugary and salty products to support health/nutrition and NCD policies, and approval of an annual increase in | Cabinet approval of the Alcohol Control Bill including change to implementation of alcohol excise taxes | Introduction of an inventory management system for pharmaceuticals to further | Increase in price of cigarettes, beer, instant noodles, and sweet biscuits from June 2016 to June 2019 is |
|  | **FY16/17 (by end-May 2017)** | **FY17/18 (May 2018)** | **FY18/19 (May 2019)** | **Results indicators** |
|  | excises on alcoholic and sweetened beverages and on tobacco of 3 percent and 5 percent respectively over the next three years.  [Evidence: 2016/17 budget papers and copy of amended excise act] |  | support their efficient purchase, storage, and use.  [Establish a mechanism to monitor the impact of taxes on prices, imports, and consumption.]  [Implementation of PER recommendations] | greater than overall increase in food and non-alcoholic beverages prices. |
| **Private Sector** |  |  |  |  |
| Labour |  |  | [Updated Labour and  Employment Relations Act] |  |
| Foreign investment |  |  | [Updated Foreign Investment Act, including amendments to the reserved list] |  |

# Attachment 5 Monitoring and Evaluation

Draft Monitoring & Evaluation framework for the DFAT JPAM Program

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Framework level** | **Expected outcome** | **Performance indicators** | **Data sources** | **Baseline data** | **Key evaluation/monitoring questions** |
| **Development outcome: higher order purpose** | Enabling environment for growth improved Governance is stronger | JPAM Impact Evaluation completed. Economic growth;   * External debt as % of   GDP   * Budget deficit Governance * Worldwide governance indicators * IMF Article IV reports on implementation of advice | GoS stats IMF Article IV reports  JPAM Impact  Evaluation | 2017–2018 data | Has a JPAM Impact Evaluation been completed? What have been the impact of JPAM reforms?  To what extend have there been changes in sustainable and inclusive economic growth and the structure of the economy as targeted by JPAM reforms?  To what extent have there been changes in governance as targeted by JPAM reforms? |
| **End of investment outcome: the desired change in knowledge action of condition** | JPAM reforms are achieved  JPAM incentivises economic and governance reforms JPAM modality is viewed as successful (low transaction cost, wellcoordinated, supports reforms) by GoS and DPs | Instances of new  policies/legislation/regulation Case studies on JPAM incentivising reform Transaction costs reduced | Parliamentary records  Cabinet records  Aide memoires | 2017–2018  JPAM matrix | What instances are there of improved policy and implementation? E.g.   * Legislation passed in Parliament * Policies, legislation and regulations passed by Cabinet * Policies implemented * Institutions and SOEs reformed   Is JPAM incentivising economic and governance reforms?  Is JPAM reducing transaction costs for GoS?  Is JPAM contributing to a stronger bilateral relationship between GoA/GoS? |
| **Intermediate outcome: the short and mediumterm effects** | JPAM draft reforms are achieved |  | Aide memoires and matrix updates |  | Instances of improved policy and implementation including intermediate measures   * Draft legislation, policies and regulations * Intermediate steps for implementation * Intermediate steps for reform of institutions and SOEs |
| **Output: the products, goods and services invested in** | DFAT benefits from  JPAM policy dialogue JPAM DPs are well coordinatedDFAT internal stakeholders understand  JPAM and its impact | $$ to GoS through JPAM | DFAT funding logs  Record of TA  DFAT funds for  JPAM |  | Is JPAM funding delivered by DFAT in a predictable manner?  Is JPAM policy dialogue including the key economic risks to Samoa? Is JPAM policy dialogue robust? Does the policy dialogue allow for discussion and critique of key policy issues?  Are Ministries participating in JPAM aware of the Samoa TA Facility?  Is the TA Facility being used to actively support reforms? |
| **Framework level** | **Expected outcome** | **Performance indicators** | **Data sources** | **Baseline data** | **Key evaluation/monitoring questions** |
|  |  |  | Logs of missions  attended by DFAT  staff |  | Are JPAM DPs/GoS considering or implementing a JPAM reform with a gender focus?  Are JPAM DPs/GoS considering disability inclusiveness in JPAM reforms that may have a disability component?  Do DFAT internal stakeholders understand JPAM and the impact of reforms? |
| **Activity: actions taken or work performed through which inputs may be mobilised** | Attending JPAM missions Donor coordination activities  Review of aide memories and matrices  Collection of M&E data | No of donor coordination telecon/meetings attended No of policy dialogue missions attended (broken down by Post + Canberra staff?  No of JPAM updates sent to internal stakeholders | DFAT staff Aide memoires and matrix updates JPAM missions |  | Are JPAM missions attended by both Post and Development Economics Unit staff?  Are JPAM DPs well-coordinated?  Are JPAM updates communicated back to JPAM internal stakeholders at Post and in Canberra? |

Samoa Fiscal Resilience Program – Investment Design

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11. Development Economics Unit is part of the Development Economics, Private Sector and Agriculture Branch within the Multilateral Development and Finance Division of DFAT. [↑](#footnote-ref-11)
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38. IMF (2017), p31. [↑](#footnote-ref-38)
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42. This section is included as Attachment 1. [↑](#footnote-ref-42)
43. Japanese International Cooperation Agency, the Government of Japan’s aid agency. [↑](#footnote-ref-43)
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61. The Tala is the official currency of the Independent State of Samoa. [↑](#footnote-ref-61)
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63. Samoa Women Shaping Development is a DFAT-funded 5-year program that commenced in March 2015. Funding is AU$3.8 million over the five years. The key implementing partner for the program is the Ministry of Women, Community and Social Development. [↑](#footnote-ref-63)
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65. In 2016–2017, GoS approved new Building Codes that were climate-resilient and included provisions for disability access. [↑](#footnote-ref-65)