



**Overview and Summary:  
Completion and Learning Reviews for the Pacific Island Countries<sup>1</sup>**

<b>Country:<sup>2</sup> Pacific Island Countries of Kiribati, Marshall Islands, Micronesia, Samoa, Tonga, and Tuvalu</b>	
<b>CAS/CPS Year:</b> FY11	<b>CAS/CPS Period:</b> FY11 – FY17
<b>CLR Period:</b> FY11-FY17	<b>Date of this review:</b> [date submitted to CODE]
<b>A. Context</b>	
<p>1. This is a summary of six CLR reviews covering the World Bank Group (WBG) programs for the Pacific Island Countries (PICs) of Kiribati, Marshall Islands, Micronesia, Samoa, Tonga, and Tuvalu. The summary is based on IEG’s individual country assessments of the completion and learning reviews prepared for each country. During the period under review, each country prepared a stand-alone Country Assistance/Partnership Strategy (CAS/CPS), in contrast to previous engagements that were done under an umbrella regional strategy for the Pacific Islands. Except for Tuvalu’s country program, all CPSs were joint programs between the Bank and IFC. The assessments are based on the original CPSs, since no Performance and Learning Reviews (PLRs) were undertaken for any of the countries.</p> <p>2. These countries have populations ranging from 10,000 (Tuvalu) to over 200,000 (Samoa)—Tuvalu is the smallest WBG member country. They are among the most remote and geographically dispersed countries in the world, and range from low middle income (Kiribati, US\$3,390 GNI per capita in current dollars) to upper middle income (Tuvalu, US\$6,120 GNI per capita in current dollars). Some of them joined the WBG as recently as 2010 (Tuvalu).</p> <p>3. The high cost of operating in these small, remote countries, and limited resources from IDA, constrained the World Bank Group to engage with them at the regional level or through multi-country platforms until 2008, when the governments of Australia and New Zealand decided to enter into funding partnerships with the WBG. These partnerships—combined with significant increases in IDA</p>	

<sup>1</sup> IEG recently completed a country program evaluation on Small States that includes the Pacific Island Countries (*Cluster Country Program Evaluation (CCPE) on Small States – Pacific Island Countries Program Evaluation (FY05-15)*, IEG, 2016). The CCPE covers the Pacific Island Countries generally, and contains a specific assessment of the Samoa and Tonga programs. There may be some differences between the analysis and ratings in the CCPE and in this CLR review primarily for two reasons: (i) the CCPE covers the period FY05-FY15 and this CLR review is circumscribed to a much shorter period—the latest 3-year WBG programs of Kiribati, Marshall Islands, Micronesia, Samoa, Tonga, and Tuvalu, and (ii) in the specific case of Samoa, the program was still in progress for the CCPE evaluation, which uses FY15 information, while the CLR review had the benefit of FY16 information when the program was concluded, and its results could be assessed in full.

<sup>2</sup> CAS/CPS year, CLR period, and CAS/CPS period is not the same for all the countries. Please refer to the individual CLR reviews for the exact dates in each country.

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allocations to small states, availability of IDA regional grant funding, and access to trust funds for disaster risk management and climate change—gave the WBG the capacity to operate at scale in the Pacific Island Countries.

4. For most of the countries—except Samoa and Tonga—this program was the first direct engagement with the WBG. All programs were financed by IDA and trust-funds, and some of the countries (Marshall Islands, Micronesia, and Tuvalu) had to be granted an exception for small islands to qualify for IDA funds in light of their high per capita income.

**B. Development Challenges**

5. The challenges for the six countries are common to many small islands: small size, relative isolation and remoteness, distance to markets, dispersion over wide oceanic areas as archipelagos, vulnerability to natural disasters—including tsunamis and cyclones—and global economic downturns which lead to volatile economic growth, limited private sector opportunities, and large—and in some cases inefficient—public sectors. All the countries share middle income status with some hardship, but little extreme poverty, and thin administrative capacity.

**C. World Bank Group Engagement with the Six Pacific Island Countries**

6. In response to these challenges governments have introduced development plans aimed to achieve sustained economic growth through development strategies that generally prioritize macroeconomic stability, good governance, developing outward-oriented, private sector-led economies, investing in human resources (improved health and education services), and in infrastructure, including connectivity with the world and within the islands, and long-term environmental sustainability.

7. In support of these development plans the WBG prepared country assistance strategies shaped by four overarching themes: (a) strengthening regional and global integration; (b) building resilience to economic shocks, natural disasters, and climate change; (c) encouraging economic reform and private sector development; and (d) improving education, health, and social services.

8. These four themes were interpreted for individual country strategies and partnerships in light of each country’s circumstances, their development priorities, ongoing WBG activities in cases where the WBG had prior engagements, implementation experience, and the complementarity of WBG assistance with activities of other development partners.

**D. Program Performance<sup>3</sup>**

	<i>Ratings<sup>4</sup></i>	Kiribati	Marshall Islands	Micronesia	Samoa	Tonga	Tuvalu
<b>Development Outcome</b>	CLR	MU	U	MS	S	S	MS
	IEG	U	HU	MU	MU	S	MU
<b>WBG Performance</b>	CLR	Fair	Fair	Fair	Good	Good	Good
	IEG	Fair	Fair	Fair	Good	Good	Good

<sup>3</sup> Please refer to individual country CLR reviews that accompany this overview.

<sup>4</sup> For Development Outcome: S=Satisfactory, MS=Moderately Satisfactory, MU=Moderately Unsatisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory.



(i) Kiribati

9. The program under review was the first WBG direct engagement in Kiribati, as previous engagements were through regional programs for the Pacific Islands. The Bank's program was in line with WBG's engagement in the Pacific Islands. As such, it focused on building resilience against external shocks—particularly through climate change adaptation—and mitigating economic isolation by encouraging regional and global integration. Despite some progress, these remain key challenges facing the country today.

10. The two focus areas—building resilience and mitigating economic isolation—were aligned with key country priorities. The results framework comprising fourteen outcomes for six objectives was too complex for a country of Kiribati's size and policy implementation capacities. A number of interventions supporting the objectives were delayed or did not perform as Kiribati was just learning how to implement a WBG program—including dealing with Bank procedures—and its remote location added to the difficulties of program supervision. The program showed some success on improving resilience to climate change and natural disasters, and improving transport infrastructure and telecommunication services. But results fell short of target in other areas. Virtually no progress was made on improving the capacity to transport food to remote outer islands, or reducing reliance on imported fuel and increasing energy affordability. Interventions to create greater opportunities for temporary labor migrations were implemented after the CAS period. On balance, IEG rates Kiribati's development outcome as *Unsatisfactory*.

(ii) Marshall Islands

11. The Bank program reflected government priorities and broad Bank Pacific Islands themes through: (i) liberalizing the ICT sector to foster market competition and to increase access to ICT services; (ii) reducing reliance on expensive fuel through significant energy reform; (iii) increasing the net economic benefits from fisheries, and (iv) enhancing capacity to manage the Post-Compact transition to increased budgetary self-reliance.

12. The CPS objectives were aligned well with the country development goals and with the main themes of EAP's regional priorities for Pacific Island Countries, focusing on economic governance to improve living standards and enhance service delivery. Broadly, the areas of engagement and instruments were well chosen. But starting the Bank engagement in the ICT sector—a difficult area to reform in the Marshall Islands—with a DPO was probably premature. The Bank underestimated the political economy limitations that shaped the client's poor commitment to reform in key areas in the program, such as in the energy and ICT sectors. In addition, it did not have a strategy to address opposition to reforms in these areas during the program period. In the end, progress was negligible at best across the four objectives of the Marshall Islands program. There was no Performance and Learning Review, which was a missed opportunity in light of the poor results shown at the beginning of the program. On balance, IEG rates the Marshall Islands' development outcome as *Highly Unsatisfactory*.

(iii) Micronesia

13. In support of Micronesia's development plan, the WBG program focused on two themes: (i) strengthening the enabling environment for private sector development; and (ii) promoting a sustainable medium term fiscal situation to improve service delivery. The two focus areas selected aligned with key country priorities. The results framework is compact and adequate, although it fails to include an objective discussed in the text about managing the impact of climate change and natural hazards. The areas of engagement and instruments were well chosen, and appropriate to pursue the WBG's corporate goals. In general, interventions were appropriate to achieve program objectives.

14. The program ends in FY17. Thus some objectives that are not achieved as of this assessment could materialize beyond FY17. The program showed limited progress so far on strengthening the business climate, improving the management of fisheries resources, and managing fiscal adjustment



through the compact of transition. No progress was made on improving the efficiency of infrastructure and lowering the cost of services. On balance, IEG rates Micronesia's development outcome as *Moderately Unsatisfactory*.

(iv) Samoa

15. The Bank's support was in line with Samoa's development program and reflected the broader theme of strengthening resilience. The Bank supported the government in: (i) rebuilding macroeconomic resilience and encouraging inclusive growth; (ii) generating opportunities from global and regional integration; and (iii) strengthening resilience against natural disasters and climate change. There was no mid-term progress report to adjust to changing priorities.

16. The areas of engagement and instruments were well chosen, and appropriate to pursue the WBG's corporate goals. The use of DPOs was appropriate given Samoa's strong performance, policy reform experience, and relative familiarity with the Bank compared with other island countries. Some progress was observed on rebuilding macroeconomic resilience and improving agriculture productivity while strengthening opportunities for medium and small scale farmer, but no tangible progress in infrastructure service delivery. And while limited progress was made in creating opportunities for Samoa's temporary migration, there was no perceptible improvement of connectivity. On focus area III, uneven progress across outcomes was observed in strengthening resilience against natural disasters and climate change. On balance, IEG rates Samoa's development outcome as *Moderately Unsatisfactory*.

(v) Tonga

17. The Bank supported the government in: (i) reforming policies to strengthen growth prospects and improve service delivery; (ii) generating opportunities through greater global and regional integration; and (iii) building resilience against shocks.

18. The three focus areas—building fiscal resilience and stability, generating opportunities through greater integration with the world, and building resilience against shocks—aligned with key country priorities. The use of DPOs was appropriate given Tonga's relative familiarity with the Bank compared with other island countries and its commitment to reform in some areas, such as macroeconomic management, fiscal policy, and energy development. Substantial progress was observed in building fiscal resilience and stability, and in generating opportunities through greater integration with the world, both areas in which a majority of targeted outcomes were fully achieved. On focus area III, uneven progress across outcomes was observed in strengthening resilience against natural disasters. On balance, IEG rates Tonga's development outcome as *Satisfactory*.

(vi) Tuvalu

19. The Bank program focused on: (i) mitigating economic isolation by encouraging regional and global integration, and (ii) building resilience against exogenous shocks.

20. The CPS objectives aligned well with the country development goals as well as with the main themes of EAP's regional priorities for Pacific Island Countries. It appropriately had two focus areas and five targeted outcomes with a simple design. Progress was made on improving operational safety and oversight of airport infrastructure, although ICAO certification was not obtained as of October 2015, and on strengthening fiscal management and improving the fiscal position. However, on the objective of creating opportunities for Tuvaluans from overseas temporary labor migration, the CLR notes progress that is difficult to attribute to Bank interventions and IEG could not verify the progress. There was no progress on improving resilience to climate change and natural disasters. On balance IEG rates Tuvalu's development outcome as *Moderately Unsatisfactory*.



## **E. World Bank Group Performance**

21. WBG performance was mixed, with a rating of *Fair* in three countries (Kiribati, Marshall Islands, and Micronesia), and *Good* in the other three (Samoa, Tonga, and Tuvalu).

### Design

22. WBG programs were generally selective and relevant. The Bank used multi-country platforms where they were a good fit for the program, such as aviation (Kiribati, Samoa, Tonga, and Tuvalu) and fisheries (Micronesia, Marshall Islands, and Tuvalu). The WBG provided selective support across countries in areas where it has capacity that other donors lack such as measuring education achievement.

23. At the same time, there were shortcomings in program design. The most significant problem in design was that the Bank underestimated the issues arising from its first direct engagement with a country. In general, the areas of involvement were in line with country priorities and broad WBG guidelines for WBG engagement in the Pacific Islands, and Bank interventions were adequate. But a number of interventions supporting the targeted outcomes were delayed or did not perform as several countries were just learning how to implement a WBG program—including dealing with Bank procedures—and their remote location added to the difficulties of program supervision.

24. DPOs—as noted by the CCPE and in this review—generally helped build consensus for key areas of policy reform, led to lower transactions costs than investment lending (a significant problem in all Pacific Island Countries), and provided a convening instrument for donors. The evidence in this CLR review indicates also that while the use of DPOs was appropriate in countries with Bank experience and policy reform (notably, Samoa and Tonga), in others—such as the Marshall Islands—starting the Bank engagement with a DPO in the ICT sector—a difficult area to reform—was premature, probably too risky, and not the best decision. In the Marshall Islands, a more robust analytical work was required given that it was the Bank’s first direct engagement in the country.

25. Another key weakness of design in most programs was the inability to estimate properly the time required to process and implement new supporting activities that would deliver results. A more prudent option would have been to design results chains by relying more on the portfolio of ongoing activities already approved and under implementation. The more successful programs embraced this approach, and focused on areas where there was evidence of reform momentum. In countries where the WBG had its first engagement, the Bank would rely on development partners for learning and promoting the dialogue needed for successful reform of policies, but the CLR is terse about how these partnerships worked in practice.

### Implementation

26. Implementation of WBG programs in the Pacific Islands is difficult—starting with the remoteness of the islands, the significant costs to operate there, and the difficulties of maintaining Bank presence through professional Bank staff assigned to work on the islands. The Bank tried to respond to the challenge with innovative solutions such as liaison offices shared with the ADB in Samoa and Tonga.<sup>5</sup> These offices were instrumental in improving the dialogue with governments, encouraging better cooperation with the ADB and other development partners, and providing back-up capacity. The liaison office in Tonga has been particularly effective as evidenced by WBG program results.

27. Yet—with the exception of Tonga—the limited progress across objectives in programs that performed poorly reflected primarily problems of implementation. According to the CLR, start-up activities (including budgets, project operations manuals, and procurement plans) were not thorough, detailed and advanced enough before project approval. In many instances, this was compounded by local limitations in policy-making and project implementation. The Bank is likely to have

<sup>5</sup> The Bank was exploring establishing liaison offices in other islands.



overestimated local commitment to the programs, and also assumed that some regional agencies—the Forum Fisheries Agency in the case of Micronesia—would provide coordination and fiduciary support, but that turned out not to be realistic. This was compounded in most programs by not having Bank staff on the ground, who could have helped with Bank procedures.

28. Interventions were in general appropriate to achieve objectives—with some exceptions noted in the discussion of design. But results frameworks could have been more focused in terms of targeted outcomes (in Samoa, the agriculture sector alone—for example—had four targeted outcomes) and some frameworks were confusing because items classified as outcomes were really process indicators. At the same time a number of frameworks lacked appropriate indicators with well-defined baselines and quantified targets, which made program performance difficult to assess, and results frameworks weak in their usefulness as program management tools.

29. Performance and Learning Reviews (PLRs) were not undertaken for any of the Pacific Island programs, and would have helped address some of the issues that appeared during the first few years of program implementation. The CLRs did not explain why the PLRs were not prepared.

30. Procurement is a major challenge in the Pacific Island Countries with a limited number of procurement staff, and the Bank has made considerable efforts to simplify rules and provide support as noted by the CCPE on Small Islands.<sup>6</sup> But these efforts have been uneven across the Pacific Islands. The smaller islands in particular, face significant capacity constraints – both on the government side as well as the private sector side – as the market is very limited and projects tend to be small. At the same time support by the Bank is limited owing to cost, size of projects, and remoteness. For example, in the case of fiduciary issues, INT notes that the number of complaints and cases for the amount of commitments is high, and minor things slip through that could easily be prevented by capacity building and monitoring. The impact of not building fiduciary capacity is likely to reduce the quality if not increase the cost of the goods and services procured, or both.

31. Not building in-country capacity on safeguards is having similar adverse effects for the countries in the Pacific Islands. The application of safeguards policies, for example, face similar issues as in the fiduciary area: (i) unfamiliarity with Bank policies and procedures; (ii) extremely low country capacity revealed by considerable skills and technical constraints; and (iii) absence of social specialists during project identification and preparation, leading to extensive delay in operations.

#### IFC Role<sup>7</sup>

32. During the review period, IFC had a limited role in the PICs. There was no investment project, and only three advisory service (AS) projects. The AS projects supported microfinance networks in Samoa and Tonga, a hotel in Kiribati, and—during an eight-month period in 2010—post-Tsunami rehabilitation of hotels in Samoa. All three AS projects were rated successful or mostly successful for development effectiveness. IFC and WB collaboration appears to have been satisfactory. However, IFC's attempt to mobilize private investments through PPPs in Kiribati, Samoa, and Tonga, was generally hindered by lack of government support, except in the case of a Kiribati hotel. In addition, lack of private sector interest has been a major limitation to competitive bidding in this area.

33. The CLR presents a more positive view of IFC's involvement in the PICs. This view is partly based on IFC's work on the Tonga Tourism Yearbook and on Samoan air connectivity, which IEG

<sup>6</sup> The Bank tried several implementation models in its projects including recruitment of implementation support specialists, a regional implementation unit, and outsourcing to a private consulting firm in Samoa. The recent piloting of the “implementation support specialist initiative” is supposed to provide responsive, hands-on assistance to small states. The Bank's country team added that the Bank also ran workshops on safeguards, financial management, and procurement attended by PICs officials.

<sup>7</sup> Please refer to the CCPE on Small States for a longer term perspective on IFC's involvement—the discussion in this overview refers exclusively to the latest program period. According to the CCPE, based on the evidence over FY05-FY15, the donor community perceives IFC's longer term involvement in the Pacific Island Countries as a success story.



could not validate. In addition, the CLR presents project performances that overstate what was available in IFC project level records. Examples of such discrepancies include the work on solid waste management in Samoa.<sup>8</sup>

## **F. Lessons and Issues for the Next Strategy**

### Regional vs Country Specific Approach<sup>9</sup>

34. *The first lesson is that program design can be regional (owing to scale in some cases) but implementation is always country specific. The Bank will need to find ways to make regional projects as effective as country specific interventions when it comes to implementation.*

35. The Bank used multi-country platforms where they were a good fit for the program, for example in aviation (Kiribati, Samoa, Tonga, and Tuvalu) and fisheries (Micronesia, Marshall Islands, and Tuvalu). The quality of implementation of the aviation project was weak in Kiribati, and modest in Tonga and Tuvalu.<sup>10</sup> On fisheries, results were weak in Marshall Islands and Micronesia.<sup>11</sup>

36. Tonga had fairly strong results across the objectives of the program (except for education), while results from the regional aviation program were weak. A tentative conclusion is that it is easier to promote ownership of program objectives when those are country specific—in the case of Tonga macroeconomic management, fiscal policy, and energy development, all supported by DPOs—rather than based on a regional program, such as aviation. In turn, government ownership of program objectives results in better implementation.

37. Another issue relates to the role of regional institutions in program implementation. In Marshall Islands, Micronesia, and Tuvalu the Bank assumed that a regional agency—the Forum Fisheries Agency—would provide coordination and fiduciary support to the regional fisheries project, but that turned out not to be realistic. According to IEG’s Cluster Country Program Evaluation of Small States,<sup>12</sup> the Pacific islands see regional institutions as competing with their own, and they have limited ownership of these institutions, most of which depend on donor support. Therefore, relying on regional institutions to implement a Pacific Islands regional program may run into resistance from individual countries, with adverse performance consequences. At a minimum, the WBG will need to strengthen regional institutions in its coordinating function—including through training—to support country development programs more effectively. Moreover, the Bank may also need to invest in promoting a more individual country-friendly approach by regional institutions.

<sup>8</sup> The CLR on page 8 claims: “In Samoa, IFC has also assisted the government in establishing a PPP concession to develop an integrated solid waste management system ...” However, project supervision reports indicate a different picture, with the latest PSR indicating: “The project has been on hold and that IFC was informed by way of letter in June 2016 that it (the Government) would require a further period of twelve months to conduct its due diligence and to assess the merits of the Project for Samoa and its people”.

<sup>9</sup> IEG’s CCPE on Small States takes a more optimistic view than this CLR review on moving back to a regional approach to the Pacific Island Countries. It notes that the tension between the evident need for a regional framework on the one hand and a deeper examination and presentation of some of the countries with relatively large support programs could be resolved by combining the regional approach with short notes on selected countries. In particular, any results framework at the regional level can at best be a partial reflection of the Bank’s support for Pacific Island Countries objectives, and needs to be supplemented by results frameworks for the larger country programs.

<sup>10</sup> The Samoa program did not have objectives on aviation.

<sup>11</sup> Tuvalu did not have a specific program objective in this area.

<sup>12</sup> Cluster Country Program Evaluation on Small States – Pacific Island Countries Program Evaluation (FY05-15), IEG, 2016.



#### The Role of DPOs

38. *Broad ownership—beyond the government—of proposed reforms, appropriate preparation of analytical work—including on the political economy of reforms involved, and ability to maintain an ongoing dialogue on reforms are essential for the success of DPOs.*

39. DPOs can be a good instrument in countries with Bank experience and a policy reform record. Tonga put them to good use to improve macroeconomic management, strengthen fiscal policy, and develop the energy sector—including alternative sources of energy. IEG's ICRRs for the DPOs note that the government played a key role in defining the reform agenda underpinning macroeconomic management and strengthening fiscal policy, and pursued an open and constructive dialogue with donors on these issues. A similar assessment is provided on the role of the government in the energy sector operation.

40. But they can be frustrating and unproductive in a context where countries are starting their engagement with the WBG. For example, starting the Bank engagement in the Marshall Islands with a DPO for the ICT sector—a difficult area to reform—was probably too risky, without a robust analytical underpinning to understand the political economy context of the country/sector and without a backup strategy. The first DPO was part of a series, where subsequent DPOs would complement the initial prior actions to enhance ICT access. Activities under the TA grant and the subsequent DPO operations did not get off the ground despite Ministry of Finance (MoF) leadership. According to the CLR, the MoF faced heavy local opposition, primarily led by the current telecommunications operator, to any discussion on strengthening the telecommunications sector, market reforms, and liberalization.

41. Limited knowledge of the Marshall Islands, and no Bank presence on the ground hindered the ability of the Bank to have the intensive, ongoing, and regular dialogue to implement a DPO.

#### The Role of Development Partners

42. *Development partners remain an essential component of Bank success in the PICs, and the Bank's convening role needs to be further enhanced.*

43. The evidence in Tonga shows that one of the reasons for the success of the program was the ability of the Bank to have interventions (DPOs) that explicitly convened development partners, and minimized bureaucratic requirements for the government through a joint matrix of policy actions that could be used in the policy dialogue.

44. A regional or multi-country approach will put a substantial premium in future to cooperation with other development partners, and the WBG will need to be proactive in ensuring that the partnerships produce the results expected at the country level.<sup>13</sup>

#### The Role of IFC

45. *PICs will need to improve their game in developing the private sector with IFC support, including by finding ways to develop private sector interest in competitive selection bids for PPPs.*

46. Improving the business climate was an explicit objective in Micronesia, Samoa, and Tonga. With the exception of Tonga—where the objective was achieved—results were weak. In Micronesia it was partially achieved and in Samoa not achieved (planned investments in energy and tourism).

47. Private sector development remains central to the sustainability of growth in Pacific Island countries. IFC appears to have had a limited involvement in the five island programs where it participated during the review period—and with modest results. IEG hopes for a more prominent role

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<sup>13</sup> Based on discussions with interlocutors, IEG's CCPE on Small States comments favorably on the WB leadership in the context of development policy operations, and in sectors where the government and other donors asked it to take the lead. These efforts should be continued and intensified within a regional approach to Pacific Island Countries.



for IFC in the future of these five Pacific Island countries, in line with some transformational investments made in the past (DIGICEL in Tonga) and discussed in IEG's CCPE on Small States.<sup>14</sup>

Performance and Learning Reviews to Improve Program Implementation

48. *PLRs are important program milestones to respond to changing realities on the ground and adjust Bank programs.*

49. Although PLRs are a key part of good program implementation under the Bank's new country engagement model, none were prepared for the countries reviewed here. This is an issue that cannot be ignored in future.

Tonga: Some Specific Lessons from Good Program Performance

50. There are good lessons to be learnt from different models in the Pacific Island Countries.<sup>15</sup> During the program period assessed in this CLR review, Tonga showed broadly better program ownership than the other islands and had an excellent liaison officer who helped ensure program implementation. In light of a significantly better program performance than the other islands, these are specific lessons from the Tonga program to improve performance in the other Pacific Islands.

51. While Tonga's program had shortcomings,<sup>16</sup> progress in achieving program objectives was fairly uniform across objectives, with some exceptions in the area of building resilience against shocks. But even that area is rated as moderately satisfactory, with half of the four objectives rated mostly achieved. The use of DPOs in Tonga was appropriate given Tonga's relative familiarity with the Bank compared with other island countries and its ownership of reforms in macroeconomic management, fiscal policy, and energy development. The design of the program was realistic in terms of taking into account local capacities for implementation. Moreover, a strong results framework was a useful tool to prepare an ex-post assessment of the program and manage it during implementation. The challenge of capacity constraints did not hurt implementation of the Tonga program in a visible way, and—in contrast to other Pacific Islands—targeted program outcomes were generally achieved. IEG gets the sense that the broad program ownership in Tonga—especially when compared with the other Pacific Island Countries—made a tangible difference in performance and results.

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<sup>14</sup> Please refer to IEG's CCPE on Small States for a longer term perspective on IFC's involvement—the discussion in this overview refers exclusively to the latest program period. According to the CCPE, based on evidence over FY05-15, the donor community perceives IFC's longer term involvement in the Pacific Island Countries as a success story.

<sup>15</sup> See the CCPE on Small Islands for broader lessons over a longer period of WBG program implementation.

<sup>16</sup> For example, poor performance in the education sector. In addition, the CCPE on Small States notes some reforms that are still fragile—outsourcing for road maintenance continues to be a source of tension and needs to be sustained, and disaster risk management has created social and political challenges.





**IEG**  
INDEPENDENT  
EVALUATION GROUP

**CLR Review**  
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**Attachment 1: CLRR – Kiribati**

**Attachment 2: CLRR – Marshall Island**

**Attachment 3: CLRR – Micronesia**

**Attachment 4: CLRR – Samoa**

**Attachment 5: CLRR – Tonga**

**Attachment 6: CLRR – Tuvalu**





<b>1. CAS Data</b>		
<b>Country: Republic of Kiribati</b>		
<b>CAS Year:</b> FY11	<b>CAS Period:</b> FY11 – FY14	
<b>CLR Period:</b> FY11-FY14	<b>Date of this review:</b> [date submitted to CODE]	
<b>2. Ratings</b>		
	<b>CLR Rating</b>	<b>IEG Rating</b>
<b>Development Outcome:</b>	<i>Moderately Unsatisfactory</i>	<i>Unsatisfactory</i>
<b>WBG Performance:</b>	<i>Fair</i>	<i>Fair</i>
<b>3. Executive Summary</b>		
<p>i. Kiribati is one of the most remote and geographically dispersed countries in the world, with 33 islands spread over 3.5 million square kilometers of ocean. It is classified as a lower middle income country with a GNI per capita of \$3,390 in current dollars. One in three households have per capita incomes below the poverty level of \$3.1 a day in 2011 \$PPP. Its extreme small size (about 100,000 people), remoteness, geographical dispersion, environmental fragility, and high exposure to shocks are the main challenges facing the country.</p> <p>ii. This was the first direct engagement undertaken by the WBG in Kiribati, as previous engagements were through regional programs for the Pacific Islands. The Bank’s program was in line with WBG’s engagement in the Pacific Islands. It focused on building resilience against external shocks—particularly through climate change adaptation—and mitigating economic isolation by encouraging regional and global integration.</p> <p>iii. The two focus areas—building resilience and mitigating economic isolation—aligned with key country priorities. The results framework comprising fourteen outcomes for six objectives was too complex for a country of Kiribati’s size and implementation capacities. A number of interventions supporting the outcomes were delayed or did not perform as Kiribati was just learning how to implement a WBG program—including dealing with Bank procedures—and its remote location added to the difficulties of program supervision. The program showed some success on improving resilience to climate change and natural disaster, and improving transport infrastructure and telecommunication services. But results fell short of target in other areas. Virtually no progress was made on improving the capacity to transport food to remote outer islands, or reducing the reliance on imported fuel and increasing energy affordability. Interventions to create greater opportunities for temporary labor migrations were implemented after the CAS period.</p> <p>iv. Outcome indicators in the program did not have baselines or quantified targets which weakened the results framework as a monitoring tool. Moreover, the program overestimated the ability of the country to develop and implement the activities required to achieve program objectives. Many of Bank interventions yielded results well short of target during the CAS program. The slow pace of implementation reflected the limited engagement that the WBG had with Kiribati prior to this program, domestic capacity constraints (including on public finance management), difficulties in securing political consensus for reform, and the Bank’s limited country knowledge. Most problems related to capacity constraints, slow take-up of project activities, and the general underestimation of the pace and speed of change and development activities in a remote, isolated country proved insurmountable to achieve targeted results during the CAS period. There was no mid-term progress report or a Performance and Learning Review, which was a missed opportunity for mid-course correction.</p>		



#### **4. Strategic Focus**

##### Relevance of the WBG Strategy:

1. **Congruence with Country Context and Country Program.** Kiribati is one of the most remote and geographically dispersed countries in the world, with 33 islands spread over 3.5 million square kilometers of ocean. The capital—South Tarawa—is about 4,000 kilometers from Australia, Hawaii, and New Zealand. With the exception of the sparsely populated Banaba Island, the highest point is only a few meters above sea level, and sea level rises are already causing erosion that is threatening several atolls. It is classified as a lower middle income country (US\$3,390 GNI per capita in current dollars) and in the IDA category for WBG lending. One in three households have per capita incomes below the poverty level of \$3.1 a day in 2011 \$PPP. Data on income trends of the bottom 40 percent is scant and unreliable. The main challenges in ending poverty and promoting shared prosperity refer to extreme small size (about 100,000 people), remoteness, geographical dispersion, environmental fragility, and high exposure to shocks.

2. The Bank's program reflected development priorities as set out in the Kiribati Development Plan 2008-2011, and in line with WBG's engagement in the Pacific Islands. As such, it focused on building resilience against external shocks—particularly through climate change adaptation—and mitigating economic isolation by encouraging regional and global integration. Despite some progress, these remain key challenges facing the country today.

3. **Relevance of Design.** The two focus areas—building resilience and mitigating economic isolation—aligned with key country priorities. The results framework comprising fourteen outcomes for six objectives was too complex for a country of Kiribati's size and policy implementation capacities. Kiribati was just learning how to implement a WBG program—including dealing with Bank procedures—and its remote location added to the difficulties of program supervision. In this context, the targeted program results were overambitious. Specifically, the program overestimated the ability of the country to develop and implement the activities required to achieve program objectives.

##### Selectivity

4. Selectivity was appropriate in terms of focus areas, but too dispersed regarding interventions and targeted outcomes.

##### Alignment

5. The program was well aligned with corporate goals. Strengthening the ability to respond to climate risks is a way to deal with poverty because disasters and climate risks affect disproportionately the poor and the most vulnerable people. Another focus area of the Bank program—increasing connectivity, including the poor—is also essential to mitigating the socioeconomic vulnerability of Kiribati, and thus reduce poverty and promote shared prosperity.

#### **5. Development Outcome**

##### Overview of Achievement by Objective:

##### **Focus Area I: Building Resilience Against Climate Change and External Shocks**

6. This focus area had three objectives: (i) improve resilience to climate change and natural disasters; (ii) improve capacity to transport food to remote outer islands; and (iii) reduce reliance on imported fuel and increase energy affordability.



**Objective 1: Improve Resilience to Climate Change and Natural Disasters**

7. Progress under this objective was mixed. On improved coastal resilience, the country developed an island-wide hazard risk assessment, as well as an ecosystem-based coastal protection activity, rain collection systems, and a pilot for water supply. In addition, a program of mangrove planting was completed in 5 of the 7 planned outer islands, but not much progress was made on planned shoreline protection in South Tarawa—the capital. On strengthened water resources and management, only two rainwater harvesting systems were installed in Bairiki, South Tarawa, against a target of 20, and there was no progress on the expansion of groundwater abstraction systems in Tarawa. Some progress was made on disaster risk reduction (DRR) systems but well short of having a greater integrated capacity to manage DRR and climate change adaptation.

8. Bank support was through the GEF Kiribati Adaptation Project (KAP) phases II (FY08) and III (FY11) with activities to improve resilience to climate change on freshwater supply and coastal infrastructure, on which there was uneven progress. In addition, the project contemplated training and development of tools used by ministries for disaster risk management and climate change adaptation, where progress has been less than envisaged by the Bank program. *(Partially Achieved)*

**Objective 2: Improve Capacity to Transport food to Remote Outer Islands**

9. The CLR notes that the Import Levy Fund (ILF) was recapitalized during the food and fuel crisis. However, reforms to ensure a more sustainable and efficient approach to subsidizing the transport of food to the outer islands—the key target of this objective—were not achieved because the corresponding technical assistance was put on hold owing to safety concerns in the government-owned ship used for inter-island shipping, which is the main use of ILF funds. *(Not Achieved)*

**Objective 3: Reduce Reliance on Imported Fuel and Increase Energy Affordability**

10. The petroleum supply chain to reduce price and volatility of energy supply through solar energy made little progress because the solar equipment was not installed. Project implementation started very late in the program as the project manager was appointed only in June 2014. Therefore, the target to increase renewable energy to 5 percent of grid supplied power by 2014 was not met. As a result, direct reduction of emissions as envisaged under the program did not materialize. *(Not Achieved)*

11. Virtually all of the work under this objective was to be supported by the Kiribati Grid Connected PV Project – approved in FY13 but whose effectiveness was delayed significantly in part owing to delays in the recruitment of a local project manager.

12. Based on the rating of its objectives IEG rates **Focus Area I** as Highly Unsatisfactory. The program showed some progress on improving resilience to climate change and natural disasters, but virtually no progress on improving the capacity to transport food to remote outer islands, or reducing the reliance on imported fuel and increasing energy affordability.

**Focus Area II: Mitigating Economic Isolation by Encouraging Regional and Global Integration**

13. This focus area had objectives to improve transport infrastructure and civil aviation, enhance telecommunication services, and create opportunities for temporary labor migration.

**Objective 4: Improve Transport Infrastructure for Remote Populations and Provide Countercyclical Employment Opportunities**

14. Progress on maintaining a functioning road system was mixed. During the program period only 5 km out of the planned 31 km were rehabilitated. Work on rehabilitation has continued, and by the last supervision report (May 2016) a segment of 28 km was rehabilitated. In addition, a planned reform of road sector management and financing was only partially developed after the CAS period, and a final plan still needs to be prepared. Information about temporary employment in the CLR could not be verified.



15. In the area of aviation, international civil aviation certifications for the Bonriki and Cassidy airports were not obtained as programmed, and there was no progress in the implementation of an annual work plan for Kiribati, which is part of an overall institutional strengthening plan for the Pacific Aviation Safety Office. While an Air Transport Master Plan was adopted, negligible progress was made in the installation of navigation and safety aids at Bonriki and Cassidy airports.

16. Bank support comprised the Road Rehabilitation Project (FY11) and its additional financing (FY15), whose implementation was delayed, the Pacific Aviation Investment (FY11), and the Pacific Aviation Safety Office Reform project (FY13). (*Partially Achieved*)

**Objective 5: Improve access to telecommunications services to provide growth opportunities**

17. While licenses were awarded to a new service provider, restructuring of the incumbent mobile operator was slow, and mobile penetration increased to 18 percent by 2014 compared with the 40 percent target. Prices for local and international calls were reduced—significantly for local calls and modestly for international calls—but the reduction fell short of target. Cost for local calls are still twice the target, and for international calls 20 percent higher than target. The price for internet services has increased compared to the baseline, and is 43 percent higher than target. The regulatory environment now promotes improved competition with new rules for licensing approved and secondary legislation under preparation. However, outer islands connectivity remain limited as the targeted Community Service Obligations for outer island services were not implemented.

18. Bank support consisted of the Telecoms and ICT Development project (FY12), and Development Policy Operations in FY13 and FY14. (*Partially Achieved*)

**Objective 6: Create Greater Opportunities for Temporary Labor Migration**

19. The CLR reports some increase in the number of workers participating in the Australia and New Zealand temporary labor programs. The team provided additional information indicating that the Bank organized workshops and a forum on arrangements for migration in the Pacific Islands, which were attended by Kiribati. (*Partially Achieved*)

20. Based on the rating of its objectives IEG rates **Focus Area II** as Unsatisfactory. The program had limited progress in improving transport infrastructure and access to telecommunications, but results fell well short of targets. Interventions to create greater opportunities for temporary labor migrations were implemented after the CAS period.

Overall Assessment and Rating

21. IEG rates the overall development outcome of this CAS as *Unsatisfactory*. The two focus areas—building resilience and mitigating economic isolation—aligned with key country priorities. The results framework comprising fourteen outcomes for six objectives was too complex for a country of Kiribati's size and implementation capacities. A number of interventions supporting the outcomes were delayed or did not perform as Kiribati was just learning how to implement a WBG program—including dealing with Bank procedures—and its remote location added to the difficulties of program supervision. The program showed some progress on improving resilience to climate change and natural disaster, and improving transport infrastructure and telecommunication services. But results fell well short of target in other areas. Virtually no progress was made on improving the capacity to transport food to remote outer islands, or reducing the reliance on imported fuel and increasing energy affordability. Interventions to create greater opportunities for temporary labor migrations were implemented after the CAS period.



Objectives	CLR Rating	IEG Rating
<b>Focus Area I: Building Resilience Against Climate Change and External Shocks</b>		<b>Highly Unsatisfactory</b>
<i>Objective 1: Improve Resilience to Climate Change and Natural Disasters</i>		<i>Partially Achieved</i>
<i>Objective 2: Improve Capacity to Transport food to Remote Outer Islands</i>		<i>Not Achieved</i>
<i>Objective 3: Reduce Reliance on Imported Fuel and Increase Energy Affordability</i>		<i>Not Achieved</i>
<b>Focus Area II: Mitigating Economic Isolation By Encouraging Regional and Global Integration</b>		<b>Unsatisfactory</b>
<i>Objective 4: Improve Transport Infrastructure for Remote Populations and Provide Countercyclical Employment Opportunities</i>		<i>Partially Achieved</i>
<i>Objective 5: Improve access to telecommunications services to provide growth opportunities</i>		<i>Partially Achieved</i>
<i>Objective 6: Create Greater Opportunities for Temporary Labor Migration</i>		<i>Partially Achieved</i>

## 6. WBG Performance

### Lending and Investments

22. The CAS proposed a combination of IDA (IDA15 and IDA16 periods) and trust funds to support the WBG program for a total financing range of US\$47-64 million. The program comprised a Road Rehabilitation project (US\$24 million), a Pacific Aviation Investment project (US\$10-15 million), a Telecoms and ICT Development project (US\$3-5 million), and a Climate Change Adaptation project (US\$10-20 million). Trust fund activities supported the climate adaptation program, road rehabilitation, civil aviation, telecommunications, solar energy, and improving services of gender based and domestic violence.

23. IDA approved projects in line with the program, except that the climate adaptation project was dropped, and a DPO on Economic reform was added in FY14 for US\$5.2 million. The total amount approved was US\$49.1 million, close to the lower end of the financing range of US\$47-64 million proposed at CAS time.

24. The Kiribati portfolio showed a higher risk than the EAP Region and Bank wide portfolios. During FY11-14, the Kiribati portfolio had 25 percent of the projects at risk compared to 18 percent for the EAP Region and 20 percent Bank-wide. On a commitment basis the Kiribati portfolio showed even higher risk, with 38 percent of the commitments at risk compared to 14 percent for the EAP region and 18 percent Bank-wide. IEG reviewed the ICRs of one project that closed during the FY11-FY16 period and rated it as moderately unsatisfactory. With respect to active projects, management assessments report that all three projects were making satisfactory progress towards achieving their development objectives, which appears disconnected with the significant implementation delays of ongoing operations.

### Analytic and Advisory Activities and Services

25. Four pieces of technical assistance were delivered: support to economic reform (FY13) telecommunications and ICT development (FY14), telecoms reform (FY14), and review of the Import



Levy Fund (FY14). The TA was in line with CAS plans but were delivered in FY14, much later than the planned FY11 and FY12, a timing more appropriate to support the WBG program.

26. IFC's Kiribati Hotel Advisory Services project—rated Mostly Successful for Development Effectiveness by IEG—was not part of any CPS objective in the results framework.

#### Results Framework

27. The design of the program reflected the country's development goals, issues and obstacles, and outcomes to which the WBG expected to contribute. However, the results framework could have been more focused in terms of targeted outcomes given limited capacity on the ground, and better synchronized with the timing of Bank interventions. While outcome indicators generally reflected the targeted outcomes, baselines or quantified targets were not included which weakened the results framework as a monitoring tool.

#### Partnerships and Development Partner Coordination

28. The Bank cooperated with the ADB, and with Australia and New Zealand, who are the most important donors in Kiribati.

#### Safeguards and Fiduciary Issues

29. On safeguards, the GEF Adaptation Program Phase II (FY08) triggered both an Environmental Assessment and the Involuntary Resettlement policies. IEG's review reports that the project undertook activities to help the government monitor and control the coastal construction and impacts, but did not succeed in establishing adequate policies to mitigate impacts. The seawalls and freshwater abstraction galleries involved land acquisition, and were implemented according to WBG procedures. IEG notes that compliance with resettlement policies was achieved after a social specialist was added to the team.

30. Please refer to paragraph 32 under the section of WBG implementation in the Overview for a general statement on fiduciary issues in Pacific Island Countries. In the specific case of Kiribati, there were fiduciary issues referred to INT—and eventually dealt with—in three projects.<sup>17</sup>

#### Ownership and Flexibility

31. This was Kiribati's first WBG program. The program reflected to a large extent issues on which the authorities are interested, and had the support of the government and civil society organizations with which it had been discussed. Yet, the negligible progress in some of the areas indicates that ownership was uneven across areas, and that the authorities may have been overwhelmed by the multiplicity of outcomes they had to achieve with an administration whose capacity is not well developed for policy design and implementation.

#### WBG Internal Cooperation

32. The CLR does not discuss internal WBG cooperation, and IFC's role was fairly marginal during the program period. A hotel AS project was not designed to contribute to any of the CPS outcomes, which shows the weakness of the results framework and indicates a disconnection of IFC's minor contribution with the rest of the WBG program.

#### Risk Identification and Mitigation

33. The main risks identified by the CAS were limited engagement that the WBG had with Kiribati prior to this program, domestic capacity constraints (including on public finance management), difficulties in securing political consensus for reform, and the Bank's limited country knowledge. Mitigation would be in the form of co-financing investments with partners with a longer track record in

<sup>17</sup> The Adaptation Phase III project, the Grid Connected Solar PV project, and the Pacific Aviation Investment – Kiribati.



Kiribati. Implementation was supposed to be strengthened by the establishment of a joint liaison office in Kiribati expected to provide a basis on which to build more regular dialogue and a nuanced country understanding. But mitigating measures were insufficient to contain risks. Most problems related to capacity constraints, slow take-up of project activities, and the general underestimation of the pace and speed of change and development activities in a remote, isolated country, proved insurmountable to achieve targeted results during the CAS period.

#### Overall Assessment and Rating

34. IEG rates WBG performance as *Fair*. The two focus areas—building resilience and mitigating economic isolation—were aligned with key country priorities. The results framework comprising fourteen outcomes for six objectives was too complex and overambitious for a country of Kiribati’s size and policy implementation capacities. Kiribati was just learning how to implement a WBG program—including dealing with Bank procedures—and its remote location added to the difficulties of program supervision. In this context, the targeted program results were overambitious. Specifically, the program overestimated the ability of the country to develop and implement the activities required to achieve program objectives. Many of Bank interventions yielded results well short of target during the CAS program. This slow pace of implementation reflected the limited engagement that the WBG had with Kiribati prior to this program, domestic capacity constraints (including on public finance management), difficulties in securing political consensus for reform, and the Bank’s limited country knowledge. While establishing a joint liaison office with ADB in Kiribati helped program implementation somewhat, most problems related to capacity constraints, slow take-up of project activities, and the general underestimation of the pace and speed of change and development activities in a remote, isolated country proved insurmountable to achieve targeted results during the CAS period. There was no mid-term progress report or a Performance and Learning Review, which was a missed opportunity for mid-course correction.

### **7. Assessment of CLR Completion Report**

35. The CLR presented a candid assessment of Kiribati’s program based on the CAS results framework. It would have been helpful if it discussed cooperation with other development partners.

### **8. Findings and Lessons**

36. Please refer to general lessons and issues for the next strategy under Section F of the Overview.



**Annex Table 1: Summary of Achievements of CPS Objectives – Kiribati**

**Annex Table 2: Kiribati Planned and Actual Lending, FY11-FY14**

**Annex Table 3: Analytical and Advisory Work for Kiribati, FY11-FY14**

**Annex Table 4: Kiribati Grants and Trust Funds Active in FY11-FY14**

**Annex Table 5 IEG Project Ratings for Kiribati, FY11-FY14**

**Annex Table 6: IEG Project Ratings for Kiribati and Comparators, FY11-FY14**

**Annex Table 7: Portfolio Status for Kiribati and Comparators, FY11-FY14**

**Annex Table 8: Disbursement Ratio for Kiribati, FY11-FY14**

**Annex Table 9: Net Disbursement and Charges for Kiribati, FY11-FY14**

**Annex Table 10: Total Net Disbursements of Official Development Assistance and Official Aid for Kiribati**

**Annex Table 11: Economic and Social Indicators for Kiribati**



**Annex Table 1: Summary of Achievements of CPS Objectives – Kiribati<sup>18</sup> *Unsatisfactory*<sup>19</sup>**

	CAS FY11-FY14 – Focus Area 1: Building Resilience against Climate Change and External Shocks ( <i>Highly Unsatisfactory</i> )	Actual Results	IEG Comments
<b>Major Outcome Measures</b>	<b>CAS Objective 1: Improve resilience to climate change and natural disasters</b> ( <i>Partially Achieved</i> )		
	<p><u>Outcome 1: Improved coastal resilience</u></p> <p><b>Indicator 1:</b> Comprehensive strategy developed and under implementation to address climate change adaptation (CCA)/ water issues on South Tarawa</p> <p>Baseline: no strategy Target: strategy developed and under implementation</p> <p><b>Indicator 2:</b> (i) Shoreline protection completed at key sites in South Tarawa (ii) and mangrove replanting on 5 outer islands</p> <p>Baseline: no works and no planting Target: shoreline protection works and mangrove replanting on 5 outer islands</p>	<p>Progress towards this objective was supported by the GEF Kiribati Adaptation Projects (KAP) Phases II (P089326, FY08, <a href="#">IEG: MU</a>) and III (P112615, FY11).</p> <p><b>Indicator 1:</b> An island-wide hazard risk assessment was prepared on the basis of the developed Coastal Hazard and Risk Diagnosis and Planning tools. An ecosystem-based coastal protection activity, rain collection systems and a pilot for water supply were developed (KAP II, P089326, <a href="#">IEG: MU</a>). <b>The target was achieved.</b></p> <p><b>Indicator 2:</b> (i) At the end of the CAS period, the target was not achieved (current was 0.70km for a target of 1.60km) (KAP III, <a href="#">ISR: MS</a>). (ii) Mangrove replanting on 6 outer islands developed; over 37,000 mangrove seedlings were planted (KAP II, <a href="#">IEG: MU</a>). The latest ISR of the CAS period for projects KAP III reported the replanting on 5 of the 7 planned 9 Outer Islands (<a href="#">ISR: MS</a>). <b>The target was achieved.</b></p>	<p><b>Mention of other operations:</b> the CLR-RF mentions that the Kiribati - Road Rehabilitation Project (P122151, FY11) and Kiribati Aviation Investment Project (P128938, FY11) supported Outcome 1. The project's ISRs do not permit to establish a contribution of those projects to Outcome 1 although the latest <a href="#">ISR</a> of the CAS period and the most recent <a href="#">ISR</a> for KAP Phase III (after the end of the CAS period), mention that coastline asset conditions and designs were critical to the Road Rehabilitation Project (P122151) and that some remaining leak repair works would be done along the road improved under this project.</p> <p>The completed shoreline protection works (1.29km) exceeded the target (1.20km) in September 2016 (KAP III, P112615, <a href="#">ISR: MS</a>). (ii) The most recent <a href="#">ISR</a> (September 2016) reports that planting has been completed in 9 Outer Islands.</p>
	<p><u>Outcome 2: Strengthened water resources and management with greater access to clean water</u></p> <p>Baseline: 48% of the population with access to clean water Target: not reported</p> <p><b>Indicator 1:</b> (i) Rainwater harvesting systems in place in Banaba island and (ii) 5 sites in South Tarawa, including Tungaru hospital (ii)</p>	<p>Progress towards this target was supported by the GEF Kiribati Adaptation Projects (KAP) Phases II (P089326, FY08, <a href="#">IEG: MU</a>) and III (P112615, FY11).</p> <p><b>Indicator 1:</b> (i) Only two systems were installed in Bairiki, South Tarawa, out of the target of 20 (P089326, <a href="#">IEG: MU</a>). (ii) At the end of the CAS period, 5 harvesting systems out of 15 (target for all islands)</p>	<p><b>Comment on baseline/target:</b> the projects do not report on such baseline/target (see (P089326, <a href="#">IEG: MU</a>). Likewise, the last <a href="#">ISR: MS</a> of the period for project P112615, mentions different indicators related to the volume of potable water provided.</p> <p><b>Indicator 1:</b> It is unclear if the same part of the Tarawa Atoll is targeted under this Indicator: Indicator 1 reports on harvesting systems for <i>South Tarawa</i> while the CLR-RF</p>

<sup>18</sup> No Performance and Learning Review (PLR) was prepared for this CAS. Indicators are called “Milestones” in the CAS.

<sup>19</sup> IEG rating.

	<b>CAS FY11-FY14 – Focus Area 1: Building Resilience against Climate Change and External Shocks (Highly Unsatisfactory)</b>	<b>Actual Results</b>	<b>IEG Comments</b>
	<p>Baseline: no harvesting systems Target: rainwater harvesting systems in place in Banaba island and 5 sites in South Tarawa</p> <p><b>Indicator 2:</b> Rainwater run-off from South Tarawa road replenishing water lens</p> <p>Baseline: not reported Target: not reported</p> <p><b>Indicator 3:</b> Expansion of groundwater abstraction in Tarawa</p> <p>Baseline: not reported Target: not reported</p>	<p>were installed (P112615, <a href="#">ISR</a> : MS). It could not be verified from the ISR whether the system was developed in Tungaru hospital as well. <b>The target was not achieved.</b></p> <p><b>Indicator 2: Dropped</b></p> <p><b>Indicator 3:</b> The civil works for the North Tarawa village-based groundwater abstraction systems had not started at the end of the CAS period (P112615, <a href="#">ISR</a> : MS). The most recent ISR, after the CAS period, indicates that the works had recently started and were scheduled to be completed by January 2017 (P112615, <a href="#">ISR</a> : MS). <b>The target was not achieved.</b></p>	<p>and the last <a href="#">ISR</a> for project P112615 mentions <i>North</i> Tarawa. The text sections of the CLR also mentions “North” Tarawa (page 35).</p> <p>The CLR-RF reports that “Potential interventions were investigated under KRRP and rejected by Environmental Safeguards due to the risk of contaminating the lenses further from diesel and other vehicle contaminants”.</p>
	<p><u>Outcome 3: Greater integrated capacity to manage DRR and CCA issues</u></p> <p>Baseline: not reported Target: not reported</p>	<p>Progress towards this objective was supported by the GEF Kiribati Adaptation Project Phase II – through trainings and the development of tools used by Ministries in South Tarawa (P089326, <a href="#">IEG</a>: MU). At the end of the CAS period, the development of National Key Performance Indicators (KPI) on CCA and DRM (frame of the Kiribati Joint Implementation Plan on DRM and CCA) was under preparation (P112615, <a href="#">ISR</a>: MS). The KPI were developed after the end of the CAS period (P112615, <a href="#">ISR</a> : MS). <b>The target was partially achieved.</b></p>	<p><b>Mention of other operations:</b> the CLR-RF reports the Pacific Resilience Programs SPC (P147839) and PIFS (P155542). However, both were approved after the end of the CAS period.</p>
<b>CAS Objective 2: Improved Capacity to transport food to remote outer islands (Not Achieved)</b>			
	<p><u>Outcome 1: ILF reforms ensure more sustainable and efficient approach to subsidizing transport of food to outer islands</u></p>	<p>Progress towards this outcome was supported by the recommendations for reforms integrated in the Review of the Import Levy Fund and Price Control Ordinance delivered in June 2013 (<a href="#">P127619</a>). However, the technical assistance was put on hold because of safety concerns in the government-owned ship used for inter-island shipping (main</p>	

	<b>CAS FY11-FY14 – Focus Area 1: Building Resilience against Climate Change and External Shocks (Highly Unsatisfactory)</b>	<b>Actual Results</b>	<b>IEG Comments</b>
	<p><b>Indicator 1:</b> Recapitalization of Import Levy Fund</p> <p>Baseline: no recapitalization Target: fund recapitalized</p>	<p>use of ILF funds). <b>The target was not achieved.</b></p> <p><b>Indicator 1:</b> According to the CLR-RF the ILF was recapitalized using special crisis response fund (the Food Price Crisis Response, part of the Global Food Crisis Response Program planned in the CAS – see CLR, page 36). Progress could not be validated by IEG.</p>	
	<p><b>CAS Objective 3: Reducing reliance on price volatile imported fuel and increase affordability of energy (Not Achieved)</b></p>		
	<p><u>Outcome 1: Improve petroleum supply chain to reduce price and Volatility of energy supply.</u></p> <p>Baseline: not reported Target: not reported</p>	<p>The Kiribati Grid Connected Solar PV Project (P121878, FY13) has been delayed; the last <a href="#">ISR</a> : MS, prepared after the CAS period (December 2014), reports that project implementation had not started and that the project manager was only appointed in June 2014. <b>The target was not achieved.</b></p>	<p><b>Typo in CLR-RF:</b> Project P212878 does not exist (typo); the correct PID is P121878 (FY13).</p>
	<p><u>Outcome 2: Increase renewable energy to 5% of grid supplied power by 2014</u></p> <p><b>Indicator 1:</b> 500 kW on-grid solar PV generation capacity to be introduced</p> <p>Baseline: 0 kW on grid-solar PV Target: 500 kW on-grid solar PV</p>	<p>The Kiribati Grid Connected Solar PV Project (P121878, FY13) has been delayed; the last <a href="#">ISR</a> : MS, prepared after the CAS period (December 2014), reports that project implementation had not started. <b>The target was not achieved.</b></p> <p><b>Indicator 1:</b> project implementation had not started and no outcome was reported (see the last <a href="#">ISR</a> : MS of December 2014 for project P12187). Progress was not achieved.</p>	
	<p><u>Outcome 3: Direct reduction of GHG emissions of 10 ktCO2 over 20 years</u></p> <p>Baseline: not reported Target: not reported</p>	<p>Project (P121878, FY13) has been delayed; the last <a href="#">ISR</a> : MS, prepared after the CAS period (December 2014), reports that that project implementation had not started. <b>The target was not achieved.</b></p>	

	CAS FY11-FY14 – Focus Area 2: Mitigating economic isolation by encouraging regional and global integration ( <i>Unsatisfactory</i> )	Actual Results	IEG Comments
<b>CAS objective 4: Improve transport infrastructure for remote populations and provide countercyclical employment opportunities (<i>Partially Achieved</i>)</b>			
<p><u>Outcome 1: Functioning road system on South Tarawa, with continuing maintenance undertaken by domestic private sector contractors</u></p> <p><b>Indicator 1:</b> 31 km of roads rehabilitated</p> <p>Baseline: 0km of roads rehabilitated Target: 31 km of roads rehabilitated</p> <p><b>Indicator 2:</b> Agreed plan for reform of road sector management and financing under implementation</p> <p>Baseline: no road sector plan Target: plan for road sector reform</p>		<p>Progress for this Outcome was supported by the Kiribati Road Rehabilitation Project (P122151, FY11 and Additional Financing P154012, FY15) which implementation has been delayed. Progress permitted the rehabilitation of the roads but no domestic micro-enterprises for road maintenance had been employed (<a href="#">ISR</a>: MS, May 2014) during the CAS period.</p> <p><b>Indicator 1:</b> According the last <a href="#">ISR</a> (MS) of the CAS period (May 2014) for project P122151, 5km (out of the 39.50 planned km were rehabilitated for the project) The latest <a href="#">ISR</a> (after the end of the CAS period, in May 2016) reported that 27.9 km – (<a href="#">ISR</a>: MS). <b>The target was mostly achieved.</b></p> <p><b>Indicator 2:</b> in the last <a href="#">ISR</a> of the CAS period (MS) for project P122151 the plan was reported as “not applicable” given that the activity was reported to be undertaken under the Aviation Project (P128938), as a multi-sector study also including aviation and maritime. The most recent <a href="#">ISR</a> (MS, May 2016) reports that the plan was partially developed and that a final plan still needed to be provided. <b>The target was not achieved.</b></p>	
<p><u>Outcome 2: Bonriki and Cassidy airports moving from non-compliant to compliant with ICAO standards</u></p> <p>Baseline: no compliance with ICAO standards Target: compliance with ICAO standards</p>		<p>Progress towards this outcome was supported by the Pacific Aviation Investment (P128939, FY11). The ICAO certifications were not obtained for the at the end of the CAS period (June 2014, <a href="#">ISR</a>: MS) and are still not obtained (June 2016, <a href="#">ISR</a> : MS). Likewise, the Pacific Aviation Safety Office Reform project (P145057, FY13) supports the institutional strengthening of the Pacific Aviation Safety Office but reported no progress on the implementation of the annual work plan for Kiribati at the end of the CAS period (<a href="#">ISR</a>: MS). <b>The target was not achieved.</b></p> <p><b>Indicator 1:</b> At the end of the CAS period, the safety equipment and interventions for</p>	

	<b>CAS FY11-FY14 – Focus Area 2: Mitigating economic isolation by encouraging regional and global integration (Unsatisfactory)</b>	<b>Actual Results</b>	<b>IEG Comments</b>
	<p><b>Indicator 1:</b> Navigation and safety aids installed at Bonriki and Cassidy airports</p> <p>Baseline: not reported Target: not reported</p> <p><b>Indicator 2:</b> Civil aviation master-plan agreed and under Implementation</p>	<p>Bonriki airport were under way or expected to start soon (<a href="#">ISR</a> :MS for project P128938). The most recent ISR (after the end of the CAS period, in June 2016) reports a 10% progress on this indicator (<a href="#">ISR</a> : MS). <b>The target was not achieved.</b></p> <p><b>Indicator 2:</b> The Air Transport Master Plan has been adopted during the CAS period (project P128938: <a href="#">ISR</a>: MS). <b>The target was achieved.</b></p>	
	<p><u>Outcome 3: Temporary employment of 1,000 person months on road construction</u></p>	<p>The CLR-RF reports the contribution of the Kiribati Road Rehabilitation Project (P122151, FY11) to outcome 10. However, neither the last <a href="#">ISR</a> : MS of the CAS period (June 2014) nor the most recent <a href="#">ISR</a> : MS (June 2016) report on temporary employment. <b>The information reported in the CLR-RF is not verified.</b></p>	<p>The CLR reports “With an estimated 5,400 person-months of employment provided for local people even prior to completion, this development goal has already been significantly exceeded”.</p>
<p><b>CAS Objective 5: Improved access to telecommunications services to provide opportunities for growth (Partially Achieved)</b></p>			
	<p><u>Outcome 1: Mobile penetration to increase to 40% by 2014</u></p> <p>Baseline: 12% Target: 40%</p> <p><b>Indicator 1:</b> Second telecoms license granted to allow new private sector market participant (2012)</p>	<p>Progress for this outcome was supported by project P126324 Kiribati- Telecoms and ICT Development, FY12; mobile penetration increased to 18.40% at the end of the CAS period (see <a href="#">ISR</a> : S). <b>The target was not achieved.</b></p> <p><b>Indicator 1:</b> at the end of the CAS period, the restructuring of the incumbent operator was underway (project P126324, <a href="#">ISR</a>: S). <b>The target was not achieved.</b></p> <p>The most recent ISR, after the end of the CAS period (June 2016) indicates that a new telecommunications service provider was awarded the licenses (P126324, <a href="#">ISR</a>: S). The CLR-RF also mentions the contribution of the First (P144602, FY13) and Second (P149888, FY14) Economic Reform Development Policy Operations to this outcome. (<a href="#">ICRR</a>: S).</p>	<p>The baseline was not reported in the CLR-RF and was retrieved from the ISR of project P126324 Kiribati- Telecoms and ICT Development.</p>
	<p><u>Outcome 2: Reduced price for telecoms services</u></p>	<p>Progress for this outcome was supported by the Kiribati- Telecoms and ICT Development project (P126324, FY12) and the two DPO</p>	<p><b>Mention of AAA:</b> The contribution of the second AAA, the ICT Development (P118200), approved</p>

	<b>CAS FY11-FY14 – Focus Area 2: Mitigating economic isolation by encouraging regional and global integration (<i>Unsatisfactory</i>)</b>	<b>Actual Results</b>	<b>IEG Comments</b>
	<p>Baseline: AUD 0.90 for a 3-minute local mobile call and AUD 3 for a 3-minute call to Australia Target: AUD 0.20 for a 3-minute local mobile call and AUD 2.20 for a 3-minute call to Australia</p>	<p>operations. The last <a href="#">ISR</a> (S) of the CAS period reported a decrease in the price of telecom services:</p> <ul style="list-style-type: none"> <li>- AUD 0.45 for a 3-minute local mobile call</li> <li>- AUD 2.70 for a 3-minute call to Australia</li> </ul> <p>However, the price of monthly internet services has increased to AUD 75 compared to the baseline (AUD 70) and end target (AUD 53). <b>The target was partially achieved.</b></p>	<p>in FY13, to Outcome 11 is reported in the <a href="#">Operations Portal</a>.</p>
	<p><u>Outcome 3: Regulatory environment that allows competition with equal access by all market players</u></p> <p>Baseline: no competition in the market Target: competition in the market</p> <p><b>Indicator 1:</b> Transparent CSO for outer islands services</p> <p>Baseline: no transparent CSO Target: transport CSO</p>	<p>Progress for this outcome has been supported by the Kiribati- Telecoms and ICT Development project (P126324, FY12). The last <a href="#">ISR</a> (S) of the CAS period reported that new rules for licensing were finalized and approved and that work on secondary legislation was ongoing. <b>The target was achieved.</b></p> <p>The CLR-RF also mentions the contribution of the First (P144602, FY13) and Second (P149888, FY14) Economic Reform DPOs to this outcome. Support of those operations to this outcome is established (<a href="#">ICRR</a>: S).</p> <p><b>Indicator 1:</b> The last <a href="#">ISR</a> (S) of the CAS period for project P126324 reported that an options paper had been prepared for outer islands connectivity but it did not report on Community Service Obligations (CSO). Management: S of the First (P144602) and Second (P149888) Economic Reform DPO – reported to have contributed to this outcome, according to the CLR-RF – does not provide information on any Transport CSO for Outer Islands services. <b>The target was not achieved.</b></p>	<p><b>Mention of AAA:</b> The contribution of the second AAA, the ICT Development (P118200), approved in FY13, to Outcome 11 is reported in the <a href="#">Operations Portal</a>.</p>
<p><b>CAS Objective 6: Greater opportunities for Kiribati temporary labor migration (<i>Partially Achieved</i>)</b></p>			
	<p><u>Outcome 1: Increase in Kiribati workers participating in temporary labor migration schemes in Australia and NZ, with higher returns per worker as efficiency increases.</u></p> <p>Baseline: not reported</p>	<p>The projects reported in the CLR-RF to have contributed to this Outcome were approved, respectively, one (P130478) and two (P153894) years after the end of the CAS period so they could not contribute to it. The Bank conducted workshops and a forum on arrangements for labor migration in the</p>	<p><b>Comment from IEG:</b> Disproportion support/outcome: Indicator 1 seems over-ambitious if only one TA and one AS were planned.</p>

	<b>CAS FY11-FY14 – Focus Area 2: Mitigating economic isolation by encouraging regional and global integration (<i>Unsatisfactory</i>)</b>	<b>Actual Results</b>	<b>IEG Comments</b>
	<p>Target: not reported</p> <p><b>Indicator 1:</b> WB and Government to improve the competitiveness of Kiribati workers in Recognized Seasonal Employment (RSE) scheme</p> <p>Baseline: not reported Target: not reported</p>	<p>Pacific Islands which were attended by Kiribati. <b>The target was partially achieved.</b></p> <p><b>Indicator 1:</b> See comment above.</p>	

**Annex Table 2: Kiribati Planned and Actual Lending, FY11-FY14**

Project ID	Project Name	Proposed FY	Approved FY	Closing FY	Proposed Amount	Approved IDA Amount	Outcome Rating	Remark
<b>Project Planned Under CPS/CPSPR period</b>								
P122151	Kiribati Road Rehabilitation Project	2011	2011	2018	24.0	20.0	LIR: MS	
P128938	Pacific Aviation Investment - Kiribati	2012	2012	2019	10.0-15.0	22.9	LIR: MS	
P126324	KI: Telecomms and ICT Development	2013	2013	2017	3.0-5.0	1.0	LIR: S	
DROPPED	Kiribati Climate Change Adaption	2014			10.0-20.0			DROPPED
<b>Total Planned</b>					<b>47.0-64.0</b>	<b>43.9</b>		
<b>Project Unplanned Under CPS/CPSPR period</b>								
P144602	Kiribati Economic Reform Operation		2014	2014		5.2	LIR: S	
<b>Total Unplanned</b>						<b>5.2</b>		

**Annex Table 3: Analytical and Advisory Work for Kiribati, FY11-FY14**

Country	Proj ID	Economic and Sector Work	Fiscal year	Output Type
	<b>Proj ID</b>	<b>Technical Assistance</b>	<b>Fiscal year</b>	<b>Output Type</b>
Kiribati	P118200	KI: Telecommunications/ICT Development	FY14	Not assigned
Kiribati	P122888	KIRIBATI Telecoms Reform TA	FY14	Not assigned
Kiribati	P127619	Kiribati Review of the Import Levy Fund	FY14	Not assigned
Kiribati	P131403	Support to Economic Reform	FY13	Not assigned

Source: WB Business Intelligence 10/17/16

**Annex Table 4: Kiribati Grants and Trust Funds Active in FY11-FY14**

Countries	Project ID	Project name	TF ID	Approval FY	Closing FY	Approved Amount	Outcome Rating
Kiribati	P121878	Kiribati Grid Connected Solar PV Project	TF 14126	2013	2019	2,920,000	
Kiribati	P121878	Kiribati Grid Connected Solar PV Project	TF 14105	2013	2019	1,000,000	
Kiribati	P143773	Improving Services for Victims of Gender Based and Domestic Violence	TF 14048	2013	2016	400,000	
Kiribati	P126324	KI: Telecommunications and ICT Development Project	TF 11213	2012	2017	4,100,000	
Kiribati	P112615	Kiribati Adaptation Phase III (LDCF)	TF 11818	2012	2017	900,000	
Kiribati	P112615	Kiribati Adaptation Phase III (LDCF)	TF 11448	2012	2018	1,803,600	
Kiribati	P112615	Kiribati Adaptation Phase III (LDCF)	TF 11351	2012	2018	4,998,254	
Kiribati	P112615	Kiribati Adaptation Phase III (LDCF)	TF 10875	2012	2018	3,000,000	
Kiribati	P128938	Pacific Aviation Investment - Kiribati	TF 12678	2013	2019	5,630,000	LIR: S
Kiribati	P122151	Kiribati Road Rehabilitation Project	TF A2674	2016	2018	3,648,968	
Kiribati	P122151	Kiribati Road Rehabilitation Project	TF 99624	2011	2018	15,207,843	LIR: MS
Kiribati	P118552	Kiribati Food Crisis Response Operation	TF 99560	2011	2013	2,000,000	
Kiribati	P089326	Adaptation Program Phase II - Pilot Implementation Phase (KAP II)	TF 56594	2007	2011	1,054,733	
Kiribati	P089326	Adaptation Program Phase II - Pilot Implementation Phase (KAP II)	TF 56267	2006	2011	1,800,000	
Kiribati	P089326	Adaptation Program Phase II - Pilot Implementation Phase (KAP II)	TF 56115	2006	2011	2,206,309	
<b>Total</b>						<b>50,669,707</b>	

Source: Client Connection as of 01/30/17

\*\* IEG Validates RETF that are 5M and above

**Annex Table 5 IEG Project Ratings for Kiribati, FY11-FY14**

Exit FY	Country	Proj ID	Project name	Total Evaluated (\$M)	IEG Outcome	IEG Risk to DO
2011	Kiribati	P089326	KI-GEF-Adaptation Prog. Ph II-Pilot Imp	0.0	MODERATELY UNSATISFACTORY	MODERATE
<b>Total</b>				<b>0.0</b>		

Source: AO Key IEG Ratings as of 10/17/16

**Annex Table 6: IEG Project Ratings for Kiribati and Comparators, FY11-FY14**

Region	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	RDO % Moderate or Lower Sat (\$)	RDO % Moderate or Lower Sat (No)
Kiribati	-	1	-	-	-	100.0
EAP	20,830.1	230	79.1	72.5	73.1	61.1
World	120,815.0	1,418	82.1	71.3	62.1	48.9

Source: WB AO as of 10/17/16

\* With IEG new methodology for evaluating projects, institutional development impact and sustainability are no longer rated separately.

**Annex Table 7: Portfolio Status for Kiribati and Comparators, FY11-FY14**

Fiscal year	2011	2012	2013	2014	Ave FY11-14
<b>Kiribati</b>					
# Proj	2	3	4	4	3
# Proj At Risk			1	1	1
% Proj At Risk	-	-	25.0	25.0	12.5
Net Comm Amt	22.0	30.8	52.7	52.7	40
Comm At Risk			20.0	20.0	20
% Commit at Risk			38.0	38.0	38.0
<b>EAP</b>					
# Proj	335	357	351	354	349
# Proj At Risk	59	58	66	65	62
% Proj At Risk	17.6	16.2	18.8	18.4	17.8
Net Comm Amt	30,018.4	30,381.1	30,542.3	31,852.5	30,699
Comm At Risk	3,482.7	3,339.1	5,089.2	5,270.3	4,295
% Commit at Risk	11.6	11.0	16.7	16.5	14.0
<b>World</b>					
# Proj	2,059	2,029	1,964	2,048	2,025
# Proj At Risk	382	387	414	412	399
% Proj At Risk	18.6	19.1	21.1	20.1	19.7
Net Comm Amt	171,755.3	173,706.1	176,202.6	192,610.1	178,569
Comm At Risk	23,850.0	24,465.0	40,805.6	40,933.5	32,514
% Commit at Risk	13.9	14.1	23.2	21.3	18.1

Source: WB BI as of 10/17/16



**Annex Table 8: Disbursement Ratio for Kiribati, FY11-FY14**

Fiscal Year	2011	2012	2013	2014	Overall Result
<b>Kiribati</b>					
Disbursement Ratio (%)	96.3	4.4	10.0	19.0	20.1
Inv Disb in FY	0.2	0.9	4.9	8.8	36.3
Inv Tot Undisb Begin FY	0.2	19.7	49.5	46.2	180.4
<b>EAP</b>					
Disbursement Ratio (%)	20.5	25.9	24.2	22.8	22.3
Inv Disb in FY	2,806.4	3,498.4	2,925.8	2,612.0	16,782.7
Inv Tot Undisb Begin FY	13,682.5	13,495.7	12,113.7	11,467.5	75,130.4
<b>World</b>					
Disbursement Ratio (%)	22.4	20.8	20.6	20.8	20.9
Inv Disb in FY	20,933.4	21,048.2	20,510.7	20,757.7	126,256.6
Inv Tot Undisb Begin FY	93,516.5	101,234.3	99,588.3	99,854.3	603,138.6

\* Calculated as IBRD/IDA Disbursements in FY / Opening Undisbursed Amount at FY. Restricted to Lending Instrument Type = Investment.  
AO disbursement ratio table as of 10/17/16

**Annex Table 9: Net Disbursement and Charges for Kiribati, FY11-FY14**

Period	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
FY13	4,032,483.7	-	4,032,483.7	-	-	4,032,483.7
FY14	13,464,616.7	-	13,464,616.7	-	-	13,464,616.7
<b>Report Total</b>	<b>17,497,100.4</b>	<b>-</b>	<b>17,497,100.4</b>	<b>-</b>	<b>-</b>	<b>17,497,100.4</b>

World Bank Client Connection 10/18/16

\*No data from FY11-12



**Annex Table 10: Total Net Disbursements of Official Development Assistance and Official Aid for Kiribati**

<b>Development Partners</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Australia	40.98	30.35	29.55	24.53
Canada	0.72	..	..	..
Germany	0.05	..	..	..
Italy	..	..	..	0.27
Japan	3.9	17.38	12.91	8.68
Korea	0.64	0.51	0.01	0.57
New Zealand	12.9	12.58	6.76	15.89
United Kingdom	0.03	0.03	0.02	0.03
United States	..	..	..	..
<b>DAC Countries, Total</b>	<b>59.22</b>	<b>60.85</b>	<b>49.25</b>	<b>49.97</b>
AsDB Special Funds	0.36	-0.22	2.3	7.01
EU Institutions [EU]	3.31	2.21	3.52	6.75
Food and Agriculture Organisation [FAO]	..	..	0.13	..
Global Alliance for Vaccines and Immunization [GAVI]	0.06	0.14	0.05	0.1
Global Environment Facility [GEF]	0.32	0.07	0.61	0.34
International Bank for Reconstruction and Development [IBRD]	..	..	..	..
International Development Association [IDA]	0.2	0.88	8.25	13.34
International Finance Corporation [IFC]	..	..	..	..
International Labour Organisation [ILO]	..	0.14	0.23	..
UNDP	0.2	0.14	0.02	0.15
UNICEF	..	..	..	..
World Health Organisation [WHO]	0.32	0.59	0.44	0.47
<b>Multilateral, Total</b>	<b>4.77</b>	<b>3.95</b>	<b>15.55</b>	<b>28.16</b>
Thailand	..	..	..	..
Turkey	..	..	..	0.11
United Arab Emirates	..	..	..	0.87
<b>Non-DAC Countries, Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.98</b>
<b>Development Partners Total</b>	<b>63.99</b>	<b>64.8</b>	<b>64.8</b>	<b>79.11</b>

Source: OECD Stat, [DAC2a] as of 10/18/16



**Annex Table 11: Economic and Social Indicators for Kiribati**

Series Name	Kiribati				Kiribati	EAP	World
	2011	2012	2013	2014	Average 2011-2014		
<b>Kiribati</b>							
<b>Growth and Inflation</b>							
GDP growth (annual %)	2.7	2.8	3.0	3.7	3.1	4.3	2.6
GDP per capita growth (annual %)	0.8	0.9	1.1	1.9	1.2	3.6	1.4
GNI per capita, PPP (current international \$)	2,340.0	2,660.0	3,050.0	3,540.0	2,897.5	14,094.5	14,470.8
GNI per capita, Atlas method (current US\$) (Millions)	2,060.0	2,520.0	2,870.0	3,110.0	2,640.0	9,171.8	10,442.0
Inflation, consumer prices (annual %)	..	..	..	..		3.0	3.1
<b>Compositon of GDP (%)</b>							
Agriculture, value added (% of GDP)	26.2	26.2	25.6	..	26.0	5.5	3.9
Industry, value added (% of GDP)	6.2	6.2	7.7	..	6.7	34.9	28.2
Services, etc., value added (% of GDP)	67.5	67.6	66.7	..	67.3	59.5	67.9
Gross fixed capital formation (% of GDP)	..	..	..	..		31.6	23.2
Gross domestic savings (% of GDP)	..	..	..	..		33.8	24.5
<b>External Accounts</b>							
Exports of goods and services (% of GDP)	12.4	11.2	10.5	10.8	11.2	32.2	30.3
Imports of goods and services (% of GDP)	95.2	105.9	110.5	110.8	105.6	30.7	29.7
Current account balance (% of GDP)	(13.8)	(4.8)	9.2	26.8	4.3		
External debt stocks (% of GNI)	..	..	..	..			
Total debt service (% of GNI)	..	..	..	..			
Total reserves in months of imports	..	..	..	..		15.1	13.2
<b>Fiscal Accounts <sup>1</sup></b>							
General government revenue (% of GDP)	60.4	84.2	96.2	137.1	94.5		
General government total expenditure (% of GDP)	82.8	92.6	85.8	113.6	93.7		
General government net lending/borrowing (% of GDP)	(22.4)	(8.4)	10.4	23.5	0.8		
General government gross debt (% of GDP)	8.2	7.5	8.2	8.4	8.1		
<b>Health</b>							
Life expectancy at birth, total (years)	65.4	65.6	65.8	66.0	65.7	74.6	71.1
Immunization, DPT (% of children ages 12-23 months)	99.0	94.0	95.0	75.0	90.8	93.0	85.3



Series Name					Kiribati	EAP	World
	2011	2012	2013	2014	Average 2011-2014		
Improved sanitation facilities (% of population with access)	39.2	39.7	39.7	39.7	39.6	75.5	66.5
Improved water source (% of population with access)	49.9	50.6	50.6	50.6	50.4	87.9	83.0
Mortality rate, infant (per 1,000 live births)	47.5	46.6	45.6	44.6	46.1	15.6	33.8
<b>Education</b>							
School enrollment, preprimary (% gross)	..	..	..	..		66.6	52.8
School enrollment, primary (% gross)	..	..	..	113.1	113.1	116.9	108.2
School enrollment, secondary (% gross)	..	..	..	..		84.7	73.9
<b>Population</b>							
Population, total (Millions)	104,662	106,620	108,544	110,470	107,574	2,249,043,465	7,175,973,009
Population growth (annual %)	1.9	1.9	1.8	1.8	1.8	0.7	1.2
Urban population (% of total)	43.9	43.9	44.1	44.2	44.0	54.8	52.9

Source: DDP as of 10/14/16

\*International Monetary Fund, World Economic Outlook Database, April 2016



<b>1. CPS Data</b>		
<b>Country: Republic of the Marshall Islands</b>		
<b>CPS Year:</b> FY13	<b>CPS Period:</b> FY13 – FY16	
<b>CLR Period:</b> FY13-FY16	<b>Date of this review:</b> [date submitted to CODE]	
<b>2. Ratings</b>		
	<b>CLR Rating</b>	<b>IEG Rating</b>
<b>Development Outcome:</b>	<i>Unsatisfactory</i>	<i>Highly Unsatisfactory</i>
<b>WBG Performance:</b>	<i>Fair</i>	<i>Fair</i>
<b>3. Executive Summary</b>		
<p>i. The Marshall Islands (RMI) is a small, isolated and vulnerable nation, which is already beginning to be affected by climate change. It is an upper middle income country with US\$4,800 per capita GNI in current dollars and qualifies for IDA funding under the exception for small island economies. Poverty appears to have worsened in recent years in both urban and rural areas, and the problem is more acute in the outer islands.</p> <p>ii. During the review period, the WBG’s strategy in RMI was aligned with the government’s strategic development plan outlined in “Vision 2018”. Its main objectives were improving governance, empowering people and communities, promoting innovation, mitigating the impact of climate change, and ensuring that outer islands get access to all needed services to enjoy a high quality of life.</p> <p>iii. The CPS objectives were aligned with the country development goals and with the main themes of EAP’s regional priorities for Pacific Island Countries, of economic governance to improve living standards and enhance service delivery. The areas of engagement and instruments were generally well chosen (with an exception discussed below). Analytical work—notably a telecoms assessment for RMI and Micronesia—focused on sectors in which the Bank was initiating engagement. The Bank could have done more to understand better the political economy of reforms, especially in the ICT sector. Outcome indicators generally reflected the targeted outcomes, and contained baselines and quantified targets. The targets were overambitious in light of limited implementation capacity.</p> <p>iv. The Bank underestimated the political economy limitations that shaped the client’s poor commitment to reform in key areas in the program, such as in energy and ICT. In addition, it did not have a strategy to address opposition to reforms in these areas during the program period. In the end, progress was negligible at best across the four objectives of the Marshall Islands program. There was no mid-term progress report or a Performance and Learning Review, which was a missed opportunity in light of the poor results shown at the beginning of the program with the DPO and other interventions.</p>		
<b>4. Strategic Focus</b>		
<p><u>Relevance of the WBG Strategy:</u></p> <p>1. <b>Congruence with Country Context and Country Program.</b> The Marshall Islands is a small, isolated and vulnerable nation, which is already beginning to be affected by climate change. Despite its upper middle income country classification—US\$4,800 per capita GNI in current dollars—it is in the IDA category for WBG lending under the exception for small island economies. The country consists</p>		



of 29 atolls and 5 isolated islands, and has a total mass of just 181km<sup>2</sup> set in an ocean area of over 1.9 million km<sup>2</sup>. The population is estimated at about 53,000 of which over half are residents of the capital city of Majuro.

2. The last household survey (2002) identified the official poverty rate at 51 percent, and the Systematic Country Diagnostic<sup>20</sup> estimated a poverty (below US\$3.1 PPP a day) rate of 35 percent and extreme poverty (below US\$1.9 PPP a day) rate of 14 percent. Economic growth has been driven by the expansion in government expenditure and payments to land-owners in certain islands, benefiting disproportionately urban populations and those with a land title, with populations in the outer islands left behind. Poverty appears to have worsened in recent years in both urban and rural areas, and the problem is more acute in the outer islands.

3. RMI faced the challenges typical to small, remote islands. No economies of scale, high costs of economic activities, transport costs that increase the costs of trade and constrain competitiveness. RMI also is one of the least connected countries in the world, with only 35 percent of the population having internet access. All these factors increase the cost and complexity of providing public services.

4. Under the Compact of Free Association, the Marshall Islands receives annual funding and access to domestic US Federal Government programs. Although the “Compact” does not expire until 2023, the Bank wanted to provide targeted technical assistance to strengthen the management of Compact assets and start preparations for a “post Compact” future.

5. The Marshall Islands strategic development plan was outlined in “Vision 2018”<sup>21</sup> and its main objectives were: improving governance, empowering people and communities, promoting innovation, mitigating the impact of climate change, and ensuring that outer islands get access to all needed services to enjoy a high quality of life.

6. The Bank program supported RMI through: (i) seeking to liberalize the ICT sector to foster market competition and to increase access to ICT services; (ii) reducing reliance on expensive fuel through significant energy reform; (iii) increasing the net economic benefits from fisheries, and (iv) enhancing capacity to manage the Post-Compact transition to increased budgetary self-reliance. There was no progress report to adjust the strategy mid-way.

7. **Relevance of Design.** The CPS objectives aligned well with the country development goals and with the main themes of EAP’s regional priorities for Pacific Island Countries. It had a broad theme of economic governance to improve living standards and enhance service delivery. The areas of engagement and instruments were generally well chosen. But starting the engagement in the ICT sector—a difficult area to reform in RMI—with a DPO was probably premature and not the best decision.

#### Selectivity

8. The program was selective, focusing on four objectives and five outcomes that addressed important government development priorities.

<sup>20</sup> *Systematic Country Diagnostic (SCD) for Eight Small Pacific Island Countries: Priorities for Ending Poverty and Boosting Shared Prosperity*, World Bank Group; January 20, 2016.

<sup>21</sup> Republic of the Marshall Islands, National Strategic Plan 2015-2017, June 2014.



Alignment

9. The program generally aligned with the objectives to reduce poverty and enhance shared prosperity. The Compact Trust Fund is critical for poverty reduction and boosting shared prosperity. Therefore, helping devise an appropriate investment strategy and improve governance of the CTF would be an important element of the program in support of the twin goals. Support of the fisheries sector also helps subsistence fishermen.

**5. Development Outcome**

Overview of Achievement by Objective:

**Focus Area I: Strengthening Economic Governance to Improve Living Standards and Enhance Service Delivery**

10. This focus area had four objectives: (i) increase economic competitiveness, and enhance regional and global integration through ICT reform and market liberalization; (ii) enhance energy security through effective regulation, management and governance of the energy sector; (iii) increase net economic benefits from fisheries through transparent and sustainable management of ocean resources; and (iv) enhance capacity to manage the Post-Compact transition to increased budgetary self-reliance.

**Objective 1: Increase Economic Competitiveness, and Enhance Regional and Global Integration Through ICT Reform and Market Liberalization**

11. There were three indicators for this objective: increase in the number of mobile phone subscribers from 26 percent to 40 percent of the population; increase internet subscriptions from 2 percent to 30 percent of the population; and carry out a quantitative analysis on the impact of ICT reform on vulnerable and undeserved groups, including women. Progress could not be verified for any of the indicators because there are no supervision reports available or ICR for the closed ICT DPO. The CLR reported that neither phone nor internet access have improved. The main reason for this poor outcome was that the Ministry of Finance faced heavy local opposition, led by the current telecommunications operator, which impeded any serious discussion on strengthening the sector, including through market reforms and liberalization. Therefore, milestones on adopting a new sector policy and establishing an independent regulator with operational capacity were not achieved.

12. The main proposed channel of Bank was a three series of ICT Development Policy Operations, of which only the first one materialized, and the subsequent series were discontinued owing to disagreements between WBG and the government about the pace of ICT reform. The Bank prepared a Telecoms Assessment with recommendations on market liberalization and regulatory capacity building. *(Not Achieved)*

**Objective 2: Enhance Energy Security Through Effective Regulation, Management and Governance of the Energy Sector**

13. This objective had two indicators: reform Marshalls Energy Company's fuel prices such that full costs of supply are recovered, and invest to upgrade MEC's fuel tank farm to safe standards; and technical and non-technical losses by the energy operator are reduced from 18 percent (2010) to 14 percent over a 4-year period. The CLR reported that there was no progress on either indicator because discussions held with the government and the electricity company did not lead to Bank support. As a result, a planned Energy Sector Development project was dropped from then WBG program. *(Not Achieved)*



**Objective 3: Increase Net Economic Benefits From Fisheries Through Transparent and Sustainable Management of Ocean Resources**

14. The main targeted outcome was that via the sale of access rights increase the percentage of landed value of the tuna caught in Marshall Islands waters that is retained by the country from 10 percent to 12 percent. Progress could not be verified by IEG from supervision reports. The CLR reports that the Marshall Islands component of the Pacific Islands Regional Oceanscape Program was approved only in December 2014, becoming effective in September 2015. The latest ISR of December 2016 is rated MU indicating significant implementation delays. Therefore, the objective and the targeted outcome was not achieved.

15. The primary Bank support to this objective came from the Pacific Islands Oceanscape Program (FY15) that has a Marshall Islands component. *(Not Achieved)*

**Objective 4: Enhance Capacity to Manage the Post-Compact Transition to Increased Budgetary Self-Reliance**

16. The main targeted outcomes under this objective were to have Compact Trust Fund objectives, strategic assets allocation, and investment management strategies reviewed and options identified to improve long-term sustainability in response to economic and financial volatility; and introduce legislative and regulatory improvements to the investment climate. There was an analytical study on select trust funds and Pacific Possible prepared by the Bank. A review of CTF objectives and performance was completed according to the CLR. On investment climate, there were no legislative and regulatory improvements to enhance the investment climate. *(Partially Achieved)*

17. Based on the rating of its objectives IEG rates **Focus Area I** (and the program as a whole) as Highly Unsatisfactory. Progress was negligible at best across the four objectives of the Marshall Islands program.

Objectives	CLR Rating	IEG Rating
<b>Focus Area I: Strengthening Economic Governance to Improve Living Standards and Enhance Service Delivery</b>	<i>N/A</i>	<i>Highly Unsatisfactory</i>
<i>Objective 1: Increase Economic Competitiveness, and Enhance Regional and Global Integration Through ICT Reform and Market Liberalization</i>	<i>Not Achieved</i>	<i>Not Achieved</i>
<i>Objective 2: Enhance Energy Security Through Effective Regulation, Management and Governance of the Energy Sector</i>	<i>Not Achieved</i>	<i>Not Achieved</i>
<i>Objective 3: Increase Net Economic Benefits From Fisheries, Through Transparent and Sustainable Management of Ocean Resources</i>	<i>Not Achieved</i>	<i>Not Achieved</i>
<i>Objective 4: Enhance Capacity to Manage the Post-Compact Transition to Increased Budgetary Self-Reliance</i>	<i>Partially Achieved</i>	<i>Partially Achieved</i>



## **6. WBG Performance**

### Lending and Investments

18. The CPS proposed a combination of IDA (IDA16 and IDA17 periods) and trust funds to support the WBG program for a total financing range of US\$20-25 million without specific financing assigned to the program projects. The program comprised a series of three ICT Development Policy Operations (in FY13-FY14), a Pacific Islands Ocean Operation (PROP, in FY14), an Energy Sector Development Project (in FY14), and a project on Addressing Gender-based Violence (in FY14).

19. IDA approved the first ICT DPO for US\$3 million in FY13 but did not go ahead with the remaining DPOs in the series because of lack of progress on ICT policies. A PROP for the Marshall Islands was approved in FY14 with financing of US\$6.8 million. The Energy Sector Development project and gender projects were dropped. Instead a Pacific Resilience Program project was approved in FY15 for the Marshall Islands with US\$1.5 million in financing. In all the Marshall Islands received about half (US\$11.3 million) under the Bank program of the available IDA envelope for the program period.

20. Although the first ICT DPO closed in FY13, no ICR has been submitted to IEG for review. With respect to active projects, management assessments report that two projects were making satisfactory progress towards achieving their development objectives.

### Analytic and Advisory Activities and Services

21. There was some analytical work connected with the ICT DPO as noted in the program document and analytical work related to the CTF as part a study on select trust funds and Pacific Possible prepared by the Bank. But the Bank's system (Business Intelligence) has no information on any of the AAA work done for FMI.

### Results Framework

22. The results framework reflected the country's development goals, issues and obstacles, outcomes to which WBG expects to contribute, intermediate indicators or milestones. Outcome indicators generally reflected the targeted outcomes, and had baselines and quantified targets. But the targets were overambitious in light of implementation capacity and weak commitment to reforms.

### Partnerships and Development Partner Coordination

23. Although the CPS mentioned a range of donors operating in the Marshall Islands, the CLR does not say much about joint work with other donors or coordination with them.

### Safeguards and Fiduciary Issues

24. IEG is not aware of safeguard or fiduciary issues in the Bank portfolio.

### Ownership and Flexibility

25. The CPS noted the government commitment to the Bank program. But from program implementation it is fairly clear that the government did not have the will to reform the ICT or energy sectors, which were key components of the Bank's program.

### WBG Internal Cooperation

26. Although this was formally a joint IDA-IFC program, IFC was not involved in any significant way. Plans to have IFC involvement on investment climate issues did not materialize as an AS on the subject focused on Fiji, Solomon Islands, and Vanuatu.



#### Risk Identification and Mitigation

27. The CPS identified risks to the program related to country remoteness, spatial dispersion, and capacity constraints. It intended to work with other donors to overcome some of the issues, but it is unclear from the CLR as to how this collaboration worked. The Bank underestimated the political economy limitations that shaped the client's poor commitment to reform of key areas in the program, such as in the energy and ICT sectors. In addition, it did not have a strategy to address opposition to reforms in these areas during the program period.

#### Overall Assessment and Rating

28. IEG rates WBG performance as *Fair*. The focus area--strengthening economic governance to improve living standards and enhance service delivery—was aligned with key country priorities. The results framework comprising four objectives was well focused, and the outcome indicators generally reflected the targeted outcomes, and contained baselines and quantified targets, but the targets were overambitious. Broadly, interventions were appropriate to achieve program objectives. But starting the engagement in the ICT sector—a difficult area to reform in the Marshall Islands—with a DPO was probably premature and not the best decision. The Bank underestimated the political economy limitations that shaped the client's poor commitment to reform of key areas in the program, such as in the energy and ICT sectors. In addition, it did not undertake sufficient analytical work to deepen its knowledge of the country and the political economy of reforms. As a result, the WBG lacked a strategy to address opposition to reforms in the energy and ICT areas during the program period. In the end, progress was negligible at best across the four objectives of the RMI program. There was no a Performance and Learning Review, which was a missed opportunity in light of the poor results shown at the beginning of the program and delayed program start-up and implementation.

### **7. Assessment of CLR Completion Report**

29. The CLR was fairly candid in analyzing the evidence on this program using the original CPS framework. It would have been useful to have an assessment of donor coordination, which appears a key necessity for this program.

### **8. Findings and Lessons**

30. Please refer to general lessons and issues for the next strategy under Section F of the Overview.

**Annex Table 1: Summary of Achievements of CPS Objectives – MARSHALL ISLANDS – RMI**

**Annex Table 2: Marshall Islands Planned and Actual Lending, FY13-FY16**

**Annex Table 3: Marshall Islands Grants and Trust Funds Active in FY13-FY16**

**Annex Table 4: IEG Project Ratings for Marshall Islands and Comparators, FY13-FY16**

**Annex Table 5: Portfolio Status for Marshall Islands and Comparators, FY13-FY16**

**Annex Table 6: Disbursement Ratio for Marshall Islands, FY13-FY16**

**Annex Table 7: Net Disbursement and Charges for Marshall Islands, FY13-FY16**

**Annex Table 8: Total Net Disbursements of Official Development Assistance and Official Aid for Marshall Islands**

**Annex Table 9: Economic and Social Indicators for Marshall Islands**



**Annex Table 1: Summary of Achievements of CPS Objectives – MARSHALL ISLANDS – RMI <sup>22</sup> Highly Unsatisfactory<sup>23</sup>**

	CPS FY13-FY16 – Focus Area 1: Strengthening economic governance to improve living standards and enhance service delivery ( <i>Highly Unsatisfactory</i> )	Actual Results	IEG Comments
<b>CPS Objective 1: Increase economic competitiveness and enhanced regional and global integration through ICT reform and market liberalization (<i>Not Achieved</i>)</b>			
<p><b>Major Outcome Measures</b></p>	<p><u>Outcome 1: Improved access of population to ICT services:</u></p>	<p>The CLR reports that progress for Outcome 1 was supported by the First ICT Sector Development Operation (P128013, FY13) that did not start although the prior actions of operation P128013 were achieved. No ISR or ICR have been prepared so progress could not be verified.</p>	<p><b>IEG' comment on P128013:</b> this project was the first phase of a programmatic DPO. The <a href="#">second phase was dropped</a> less than a year after Board Approval of the first phase. It was decided to prepare an ICR, which obtained a <a href="#">6-month extension</a>.</p>
	<p><b>Indicator 1.1:</b> increase in number of mobile phone subscribers from 26% of the population to 40% of the population.</p> <p>Baseline: 26% of the population is mobile subscribers Target: 40% of the population is mobile subscribers</p>	<p>The CLR-RF also reports the contribution of the RMI Telecoms Assessment (<a href="#">P122736</a>, FY14); <a href="#">The final report</a> includes an assessment and recommendations on market liberalization and regulatory capacity building in RMI.</p>	<p><b>IEG comment on progress on prior actions:</b> as reported in the CLR, the prior actions of operation P128013 were achieved and evidence is provided in the CLR (page 53):</p> <ul style="list-style-type: none"> <li>- Policy Development to Guide Reform and Development of the ICT Sector: the Recipient has endorsed a new ICT sector policy and committed to liberalize the ICT sector introducing a modern legal and regulatory framework in the Recipient's territory and restructuring the National Telecommunications Authority (NTA)</li> </ul>
	<p><b>Indicator 1.2:</b> Increase in internet subscriptions from 2% of the population to 30% of the population.</p> <p>Baseline: 2% of the population subscribed to the Internet Target: 30% of the population subscribed to the Internet</p> <p><b>Indicator 1.3:</b> Quantitative analysis on the impact of ICT reform on vulnerable and underserved groups including women</p> <p>Baseline: No analysis</p>	<p><b>Indicator 1.1:</b> No ISR has been prepared for project P128013 and the ICR has not been prepared yet. The CLR reports that phone access has not improved. <b>Progress could not be verified.</b></p> <p><b>Indicator 1.2:</b> No ISR has been prepared for project P128013 and the ICR has not been prepared yet. The CLR reports that phone access has not improved. <b>Progress could not be verified.</b></p> <p><b>Indicator 1.3:</b> No ISR has been prepared for project P128013 and the ICR has not been prepared yet. <b>Progress could not be verified.</b></p>	<ul style="list-style-type: none"> <li>- Strengthened Legal Framework: the Recipient has, through the Office of its Attorney General, prepared, satisfactory to IDA, a draft Communication Bill backstopping the new ICT policy framework adopted by the Recipient</li> </ul> <p><b>IEG comment:</b> the CLR-RF also reports the contribution of the Regulatory Resources Center TA (<a href="#">P118670</a>, FY16) that supported the sharing of experiences on telecommunications and ICT</p>

<sup>22</sup> No PLR was prepared for this CPS.

<sup>23</sup> IEG rating.

CPS FY13-FY16 – Focus Area 1: Strengthening economic governance to improve living standards and enhance service delivery ( <i>Highly Unsatisfactory</i> )	Actual Results	IEG Comments
<p>Target: Analysis carried out</p> <p>Milestone 1.1: Government adoption of a sector policy implementing a new legal framework and introducing competition.</p> <p>Milestone 1.2: Establishment of an independent ICT regulator</p> <p>Milestone 1.3: Government approval of a financial, ownership and operational restructuring plan for the NTA</p> <p>Milestone 1.4: New licenses offered permitting a second national operator to supply services to the public using its own infrastructure</p>	<p>Milestone 1.1: The CLR-RF reports that “<i>the operations in RMI did not get off the ground and have not yet started due to local opposition to market reforms and liberalization</i>”. <b>The target was not achieved.</b></p> <p>Milestone 1.2: See comment above.</p> <p>Milestone 1.3: See comment above.</p> <p>Milestone 1.4: See comment above.</p>	<p>regulatory support (<a href="#">activity completion report</a>).</p>
<p><b>CPS Objective 2: Enhanced energy security through effective regulation, management and governance of the energy sector (<i>Not Achieved</i>)</b></p>		
<p><u>Outcome 1: Cost reflective fuel tariffs introduced</u></p> <p><b>Indicator 2.1:</b> Reform MEC’s fuel prices such that: a) the full cost of supply e.g. capital costs, depreciation and O&amp;M are recovered; b) capital expenses to upgrade MEC’s fuel tank farm to safe standards can be financed</p> <p>Baseline 1: No reform of the MEC Baseline 2: Reform of the MEC</p> <p><b>Indicator 2.2:</b> Technical and non-technical losses reduced from 18% (2010) to 14% over a 4-year period</p>	<p>As reported in the CLR-RF, no support was provided to the energy sector during the CAS period – the CLR reports that the government wanted all the IDA funds to be used for the ICT DPO (page 54) so the planned Energy Sector Development project was dropped from WBG program.</p> <p><b>Indicator 2.1:</b> No support was provided to the energy sector during the CAS period. <b>The target is not achieved.</b></p> <p><b>Indicator 2.2:</b> No support was provided to the energy sector during the CAS period. <b>The target is not achieved.</b></p>	<p><b>IEG comment:</b> As reported in the CLR-RF, no other type of support was provided to the energy sector during the CAS period – the CLR reports that the government wanted all the IDA funds to be used for the ICT DPO (page 54).</p> <p><b>IEG comment:</b> the CLR-RF reports that progress for this Outcome was also supported by the Regional Sustainable Energy Industry Development (P152653, FY16). However, the <a href="#">ISR</a> (S) prepared in June 2016 does not present RMI desegregated information for RMI.</p>

CPS FY13-FY16 – Focus Area 1: <b>Strengthening economic governance to improve living standards and enhance service delivery</b> ( <i>Highly Unsatisfactory</i> )	<b>Actual Results</b>	<b>IEG Comments</b>
<p>Baseline: all types of losses representing 18% Target: all types of losses at 14%</p> <p>Milestone 2.1: Government adoption of electricity tariff review Proposals</p> <p>Milestone 2.2: Undertake essential maintenance of auxiliary generators</p> <p>Milestone 2.3: Increase frequency of meter-reading, improve billing and collection rates</p>	<p>Milestone 2.1: N support was provided to the energy sector during the CAS period. <b>The target is not achieved.</b></p> <p>Milestone 2.2: See above.</p> <p>Milestone 2.3: See above.</p>	
<p><b>CPS Objective 3: Increased net economic benefits to the country from its fisheries, through transparent and sustainable management of ocean resources</b> (<i>Not Achieved</i>)</p>		
<p><u>Outcome 1: Increase in the percentage of the landed value of the tuna caught in RMI's waters that is retained by the country via sale of access rights, from 10% to 12%</u></p> <p>Baseline: landed value of the tuna remained by the country sale is 10% Target: landed value of the tuna remained by the country sale is 12%</p> <p>Milestone 3.1: Introduction of market mechanism permitting the trade of fishing licenses at international market rates</p>	<p>The CLR-RF reports the following activities contributing to outcome 1: the RMI- Pacific Islands Regional Oceanscape Program (P151760, FY15); the Pacific Islands Regional Oceanscape Program (P131655, FY15) and the Pacific Islands Regional Oceanscape Program Forum Fisheries Agency (P153429, FY15). The latest <a href="#">ISR</a> (MU) of project P131655 (December 2016) indicates implementation delays (com. <b>The target was not achieved.</b></p> <p>Milestone 3.1: The CLR-RF reports that the result is not attributable directly to the Bank project. Progress on the basis of the aforementioned projects could not be modified.</p>	<p><b>Mention of other operations:</b> the CLR-RF reports the following activities contributing to outcome 1: the Pacific Resilience Program (P155257, FY15); the Pacific Resilience Program - SPC (P147839, FY16) and the Pacific Resilience Program –PIFS (P155542, FY16). The last <a href="#">ISR</a> (S) of project P155257 (June 2016), the last <a href="#">ISR</a> (S) of project P147839 (June 2016) and the last <a href="#">ISR</a> (S) of project P155542 (June 2016) do not present indicators related to fisheries.</p>
<p><b>CPS Objective 4: Enhanced capacity to manage the Post- Compact transition to increased budgetary self-reliance</b> (<i>Partially Achieved</i>)</p>		
<p><u>Outcome 1: CTF (compact trust fund) objectives, strategic asset allocation and investment management strategies reviewed</u></p>	<p>The CLR-RF reports that progress for this Outcome was supported by the Asset Management Advisory in the Pacific TA (P147920, FY16) and by the Pacific Islands</p>	<p><b>IEG comment:</b> the information presented on the Operation Portal, for project <a href="#">P147920</a>, indicates that</p>

	<p><b>CPS FY13-FY16 – Focus Area 1: Strengthening economic governance to improve living standards and enhance service delivery (<i>Highly Unsatisfactory</i>)</b></p>	<p><b>Actual Results</b></p>	<p><b>IEG Comments</b></p>
	<p><u>and options identified to improve long-term sustainability in response to economic and financial market volatility</u></p> <p>Baseline: no review Target: review</p> <p>Milestone 4.1: Government and CTF stakeholders undertake review of Fund objectives and asset management framework</p>	<p>Capacity Support TA (P145802, FY16). No completion report was available in the Bank' systems for project <a href="#">P147920</a>. The <a href="#">completion report</a> for project P145802 does not report on support to the CTF. The information cannot be verified.</p> <p>Milestone 4.1: The CLR-RF refers to the Asset Management Advisory in the Pacific TA (P147920, FY16) when reporting (for Milestone 4.1) an “<i>analytical study on select Pacific trust funds and Pacific Possible (financing for development)</i>”. <b>The target was achieved.</b></p>	<p>the activities were developed for Kiribati – not RMI.</p>
	<p><u>Outcome 2: Legislative and regulatory improvements to investment climate</u></p>	<p>The CLR-RF reports that the IFC Investment Climate Rapid Response Project (597507, FY14), contributed to Outcome 2, with the aim of providing rapid assistance for investment climate advisory assistance. The last project' Supervision Report (FY16, Q4), does not indicate progress for RMI – the CLR reports that the assistance request has been put on hold in August 2015 (CLR, page 55). <b>The target was not achieved.</b></p>	

**Annex Table 2: Marshall Islands Planned and Actual Lending, FY13-FY16**

Project ID	Project Name	Proposed FY	Approved FY	Closing FY	Proposed Amount	Approved IDA Amount	Outcome Rating	Remark
<b>Project Planned Under CPS/CSPR period</b>								
P128013	First ICT Sector Development Operation	2013-2016	2013	2014		3.0	NR	
P151760	PROP for Marshall Islands	2014	2015	2021		6.8	LIR: S	
DROPPED	Energy Sector Development Project	2014						DROPPED
	<b>Total Planned</b>				<b>11.4</b>	<b>9.8</b>		<b>Total commitment is \$11.4 M, composed 3 projects</b>
<b>Project Unplanned Under CPS/CSPR period</b>								
P155257	Pacific Resilience Program - RMI		2015	2021		1.5	LIR: S	
	<b>Total Unplanned</b>					<b>1.5</b>		

**Annex Table 3: Marshall Islands Grants and Trust Funds Active in FY13-FY16**

Countries	Project ID	Project name	TF ID	Approval FY	Closing FY	Approved Amount	Outcome Rating
Marshall Islands	P152934	Pacific Islands Regional Oceanscape Program - Republic of Marshall Islands	TF 18606	2015	2021	1,826,484	
Marshall Islands	P132119	MH: ICT Technical Assistance Project	TF 15226	2014	2019	1,250,000	
		<b>Total</b>				<b>3,076,484</b>	

Source: Client Connection as of 10/17/16

\*\* IEG Validates RETF that are 5M and above

**Annex Table 4: IEG Project Ratings for Marshall Islands and Comparators, FY13-FY16**

Region	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	RDO % Moderate or Lower Sat (\$)	RDO % Moderate or Lower Sat (No)
Marshall Islands**						
EAP	20,830.1	230	79.1	72.5	73.1	61.1
World	120,815.0	1,418	82.1	71.3	62.1	48.9

Source: WB AO as of 10/17/16

\* With IEG new methodology for evaluating projects, institutional development impact and sustainability are no longer rated separately.

\*\* No data from FY13-16

**Annex Table 5: Portfolio Status for Marshall Islands and Comparators, FY13-FY16**

Fiscal year	2013	2014	2015	2016	Ave FY13-16
<b>Marshall Islands</b>					
# Proj		1	3	3	2
# Proj At Risk					
% Proj At Risk		-	-	-	-
Net Comm Amt		1.3	9.5	9.5	7
Comm At Risk					
% Commit at Risk					
<b>EAP</b>					
# Proj	351	354	344	337	347
# Proj At Risk	66	65	70	56	64
% Proj At Risk	18.8	18.4	20.3	16.6	18.5
Net Comm Amt	30,542.3	31,852.5	32,386.0	33,346.1	32,032
Comm At Risk	5,089.2	5,270.3	6,412.3	4,776.1	5,387
% Commit at Risk	16.7	16.5	19.8	14.3	16.8
<b>World</b>					
# Proj	1,964	2,048	2,022	1,975	2,002
# Proj At Risk	414	412	444	422	423
% Proj At Risk	21.1	20.1	22.0	21.4	21.1
Net Comm Amt	176,202.6	192,610.1	201,045.2	220,331.5	197,547
Comm At Risk	40,805.6	40,933.5	45,987.7	44,244.9	42,993
% Commit at Risk	23.2	21.3	22.9	20.1	21.9

Source: WB BI as of 10/17/16

**Annex Table 6: Disbursement Ratio for Marshall Islands, FY13-FY16**

Fiscal Year	2013	2014	2015	2016	Overall Result
<b>Marshall Island</b>					
Disbursement Ratio (%)				15.1	15.1
Inv Disb in FY				1.2	1.2
Inv Tot Undisb Begin FY				7.9	7.9
<b>EAP</b>					
Disbursement Ratio (%)	24.2	22.8	23.5	17.5	22.3
Inv Disb in FY	2,925.8	2,612.0	2,664.4	2,275.6	16,782.7
Inv Tot Undisb Begin FY	12,113.7	11,467.5	11,342.1	13,028.9	75,130.4
<b>World</b>					
Disbursement Ratio (%)	20.6	20.8	21.8	19.5	20.9
Inv Disb in FY	20,510.7	20,757.7	21,853.7	21,152.9	126,256.6
Inv Tot Undisb Begin FY	99,588.3	99,854.3	100,344.9	108,600.3	603,138.6

\* Calculated as IBRD/IDA Disbursements in FY / Opening Undisbursed Amount at FY. Restricted to Lending Instrument

Type = Investment.

AO disbursement ratio table as of 10/17/16

**Annex Table 7: Net Disbursement and Charges for Marshall Islands, FY13-FY16**

Period	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
FY16	1,200,000.0	-	1,200,000.0	-	-	1,200,000.0
<b>Report Total</b>	<b>1,200,000.0</b>	<b>-</b>	<b>1,200,000.0</b>	<b>-</b>	<b>-</b>	<b>1,200,000.0</b>

World Bank Client Connection 10/18/16

\*No data from FY13-15

**Annex Table 8: Total Net Disbursements of Official Development Assistance and Official Aid for Marshall Islands**

<b>Development Partners</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Australia	4.81	2.91	..
Canada	0.04	..	..
Japan	11.24	5.96	..
Korea	0.16	0.28	..
New Zealand	0.05	0.05	..
Norway	..	0.03	..
Slovenia	..	..	..
Sweden	0.04	0	0
Switzerland	0.02	..	..
United Kingdom	0	..	..
United States	70.57	47.41	..
<b>DAC Countries, Total</b>	<b>86.93</b>	<b>56.64</b>	<b>0</b>
AsDB Special Funds	2.89	-1.9	..
EU Institutions [EU]	0.3	0.77	..
Food and Agriculture Organisation [FAO]	0.18	..	..
Global Environment Facility [GEF]	0.32	0.16	..
International Bank for Reconstruction and Development [IBRD]	..	..	..
International Development Association [IDA]	3.03	..	..
International Finance Corporation [IFC]	..	..	..
International Labour Organisation [ILO]	0.15	..	..
UNDP	0.04	0.03	0.08
World Health Organisation [WHO]	0.22	0.06	0.24
<b>Multilateral, Total</b>	<b>7.13</b>	<b>-0.88</b>	<b>0.32</b>
Thailand	..	..	0.05
<b>Non-DAC Countries, Total</b>	<b>0</b>	<b>0</b>	<b>0.05</b>
<b>Development Partners Total</b>	<b>94.06</b>	<b>55.76</b>	<b>0.37</b>

Source: OECD Stat, [DAC2a] as of 10/18/16



**Annex Table 9: Economic and Social Indicators for Marshall Islands**

Series Name				MHL	EAP	World
	2013	2014	2015	Average 2013-2015		
<b>Marshall Islands</b>						
<b>Growth and Inflation</b>						
GDP growth (annual %)	2.3	(1.0)	..	0.7	4.3	2.6
GDP per capita growth (annual %)	2.1	(1.2)	..	0.5	3.6	1.4
GNI per capita, PPP (current international \$)	4,520.0	4,710.0	..	4,615.0	14,094.5	14,470.8
GNI per capita, Atlas method (current US\$) (Millions)	4,250.0	4,390.0	..	4,320.0	9,171.8	10,442.0
Inflation, consumer prices (annual %)	..	..	..		3.0	3.1
<b>Composition of GDP (%)</b>						
Agriculture, value added (% of GDP)	22.1	18.7	..	20.4	5.5	3.9
Industry, value added (% of GDP)	10.3	10.5	..	10.4	34.9	28.2
Services, etc., value added (% of GDP)	67.6	70.8	..	69.2	59.5	67.9
Gross fixed capital formation (% of GDP)	..	..	..		31.6	23.2
Gross domestic savings (% of GDP)	..	..	..		33.8	24.5
<b>External Accounts</b>						
Exports of goods and services (% of GDP)	..	..	..		32.2	30.3
Imports of goods and services (% of GDP)	..	..	..		30.7	29.7
Current account balance (% of GDP)	(15.2)	(2.6)	..	-8.9		
External debt stocks (% of GNI)	..	..	..			
Total debt service (% of GNI)	..	..	..			
Total reserves in months of imports	..	..	..		15.1	13.2
<b>Fiscal Accounts <sup>1</sup></b>						
General government revenue (% of GDP)	53.7	52.2	57.0	54.3		
General government total expenditure (% of GDP)	53.9	49.0	54.2	52.4		
General government net lending/borrowing (% of GDP)	(0.2)	3.2	2.7	1.9		
General government gross debt (% of GDP)	36.1	34.8	33.7	34.9		
<b>Health</b>						
Life expectancy at birth, total (years)	..	..	..		74.6	71.1
Immunization, DPT (% of children ages 12-23 months)	79.0	78.0	85.0	80.7	93.0	85.3



Series Name				MHL	EAP	World
	2013	2014	2015	Average 2013-2015		
Improved sanitation facilities (% of population with access)	76.7	76.8	76.9	76.8	75.5	66.5
Improved water source (% of population with access)	97.6	97.7	97.6	97.6	87.9	83.0
Mortality rate, infant (per 1,000 live births)	30.8	30.2	29.6	30.2	15.6	33.8
<b>Education</b>						
School enrollment, preprimary (% gross)	..	..	..		66.6	52.8
School enrollment, primary (% gross)	..	..	..		116.9	108.2
School enrollment, secondary (% gross)	..	..	..		84.7	73.9
<b>Population</b>						
Population, total (Millions)	52,786	52,898	52,993	52,892	2,249,043,465	7,175,973,009
Population growth (annual %)	0.2	0.2	0.2	0.2	0.7	1.2
Urban population (% of total)	72.2	72.4	72.7	72.4	54.8	52.9

Source: DDP as of 10/14/16

\*International Monetary Fund, World Economic Outlook Database, October 2016



<b>1. CPS Data</b>	
<b>Country: Federated States of Micronesia</b>	
<b>CPS Year:</b> FY14	<b>CPS Period:</b> FY14 – FY17
<b>CLR Period:</b> FY14-FY17	<b>Date of this review:</b> [date submitted to CODE]

<b>2. Ratings</b>		
	<b>CLR Rating</b>	<b>IEG Rating</b>
<b>Development Outcome:</b>	<i>Moderately Satisfactory</i>	<i>Moderately Unsatisfactory</i>
<b>WBG Performance:</b>	<i>Fair</i>	<i>Fair</i>

**3. Executive Summary**

- i. This is the first engagement of the Federated States of Micronesia (FSM) with the World Bank Group (WBG). FSM is a small, remote, geographically dispersed Pacific Island country (PIC), with a population of approximately 103,000 scattered over an ocean area of 1.6 million square kilometers. The country is heavily reliant on external assistance, with a budget grant income of about 43 percent of GDP. FSM has few resources, and its exports are heavily concentrated on fish. Its import dependency exposes the country to global economic shocks and price spikes. The country is particularly vulnerable to accelerated sea-level rise and is prone to natural hazards. With a GNI per capita of US\$3,560 (current US\$) it is classified as an IDA-eligible lower middle income country. The opportunities for income generation are limited, especially in the rural parts of the country. About 29 percent of the population is poor (less than US\$3.1 PPP per day) and 11 percent suffers extreme poverty (less than US\$1.9 PPP per day).
- ii. The government's vision for achieving sustained economic growth was presented in the FSM Strategic Development Plan 2004-2023. It prioritized six areas: (i) macroeconomic stability; (ii) good governance; (iii) developing an outward-oriented, private-sector led economy; (iv) investing in human resources (improved health and education services); (v) investing in infrastructure; and (vi) long-term environmental sustainability. In support of the FSM's development plan, the WBG program focused on two themes: (i) strengthening the enabling environment for private sector development; and (ii) promoting a sustainable medium term fiscal situation to improve service delivery.
- iii. The two focus areas selected aligned with key country priorities. The areas of engagement and instruments were well chosen, and appropriate to pursue the WBG's corporate goals. Analytical work focused on key sectors in which the Bank was engaged.
- iv. This review uses the latest information to assess progress to the extent possible up to the end of the review period (FY 17). The small portfolio consisting of three operations, including a regional project, is relatively young (FY14/15 approvals) and is likely to deliver results beyond FY17. The program showed limited progress so far on strengthening the business climate, improving the management of fisheries resources, and managing fiscal adjustment through the compact of transition. No progress was made on improving the efficiency of infrastructure and lowering the cost of services. The results framework is compact and adequate and for the most part had baselines and targets, but the targets are overambitious in view of limited implementation capacity and the time needed to deliver the targeted outcomes. It also did not contain an outcome about managing the impact of climate change and natural hazards, which is discussed in the text.
- v. The limited progress of the program reflects problems of preparation and implementation. According to the CLR, start-up activities and documentation (including budgets, project operations



manuals, and procurement plans) were not thorough, detailed and advanced enough before project approval. This was compounded by local limitations in policy-making, and in the case of the Regional Oceanscape Program, the complexity of project design as well as difficulties implementing a regional project that covers several countries and involves regional institutions. The CPS reported broad government commitment to the program and the limited progress observed under the program may indicate that the government became fully aware of the demands of program implementation (including required policy reform) once it started implementing the WBG program. The Bank also assumed that some regional agencies such as the Forum Fisheries Agency would provide coordination and fiduciary support, but that turned out not to be realistic. This was compounded by TL turnover of an important project and not having Bank staff on the ground, who could have helped the government with Bank procedures. A Performance and Learning Review was not undertaken — and would have addressed some of the issues that appeared during the first two years of program implementation.

#### **4. Strategic Focus**

##### Relevance of the WBG Strategy:

1. **Congruence with Country Context and Country Program.** The WBG's strategy in the Federated States of Micronesia (FSM) was relevant to the country context and priorities. The country is heavily reliant on external assistance, with a budget grant income of about 43 percent of GDP.<sup>24</sup> FSM has few resources, and its exports are heavily concentrated on fish. Its import dependency exposes the country to global economic shocks and price spikes. FSM is particularly vulnerable to accelerated sea-level rise and is prone to natural hazards.
2. FSM's remoteness from markets, large distances between its four states (islands), and the small and dispersed population mean that expanding economic opportunities is difficult. Therefore, activities that focus directly on improving the quality of life of the poor will also be critical for reducing hardship in FSM.<sup>25</sup> About 29 percent of the population is poor (less than US\$3.1 PPP per day) and 11 percent suffers extreme poverty (less than US\$1.9 PPP per day).
3. The government's vision for achieving sustained economic growth is presented in the FSM Strategic Development Plan 2004-2023. It prioritizes six areas: (i) macroeconomic stability; (ii) good governance; (iii) developing an outward-oriented, private-sector led economy; (iv) investing in human resources (improved health and education services); (v) investing in infrastructure; and (vi) long-term environmental sustainability.
4. In support of the FSM's development plan, the WBG program focused on two themes: (i) strengthening the enabling environment for private sector development; and (ii) promoting a sustainable medium term fiscal situation to improve service delivery.
5. **Relevance of Design.** The CPS objectives aligned well with the country development goals. The areas of engagement and instruments were well chosen, and appropriate to pursue the WBG's corporate goals. The program was selective—focusing on two broad themes—but in the end came up short of what the CPS proposed in the text. An outcome that refers to managing the impact of climate change and natural hazards—a very important theme for FSM—was omitted in the results framework. The absence of a PLR would have been an opportunity to incorporate some explicit targets for outcome # 6 in the results framework.

<sup>24</sup> The U.S. currently provides significant financing through Compact Sector Grants, which are scheduled to end in 2023 and be replaced by financing from the Compact Trust Fund (CTF).

<sup>25</sup> *Systematic Country Diagnostic for Eight Small Pacific Island Countries: Priorities for Ending Poverty and Boosting Shared Prosperity*, World Bank Group, January 20, 2016.



Selectivity

6. The selectivity and focus of the CPS on two key themes was appropriate, and also reflected in a clear and simple results framework.

Alignment

7. The CPS aligned broadly with the WBG's twin goals. The Bank's work initially concentrated on analytical aspects—such as a Public Expenditure Review and a Household Income and Expenditure Survey analysis—that would fill information gaps and help ensure that fiscal consolidation will be as pro-poor as possible in the two largest sectors of education and health. The program did not contain interventions specifically targeting the poor or promoting shared prosperity, but the areas supported are likely to contribute to poverty reduction and shared prosperity.

**5. Development Outcome**

Overview of Achievement by Objective:

**Focus Area I: Strengthening the Enabling Environment for Private Sector Development**

8. This focus area had two objectives: (i) improve the efficiency of infrastructure and lower the cost of services, and (ii) strengthen the business climate.

**Objective 1: Improve the Efficiency of Infrastructure and Lower the Cost of Services**

9. A significant outcome was to have more efficient and reliable electricity services. The first indicator for this outcome was a 7 percent increase in the efficiency of electricity supply, and an increase of over 20 percent in available power generation capacity. The second indicator for this outcome was that the direct number of project<sup>26</sup> beneficiaries reaches 50,000 of which 25,000 are female. No progress was reported under any of the two indicators—not achieved.

10. Another outcome was to have improved access to and reduced costs of ICT services. The first indicator for this outcome was an increase in mobile penetration from 30 percent in 2013 to 70 percent of the population by the end of the program. The second indicator targeted an increase in internet penetration from 2 percent in 2013 to 20 percent by the end of the program. No progress reported under any of the two indicators—not achieved.

11. The Bank supported this objective through the Energy Sector Development project (FY14) and the FSM-Palau Connectivity project (FY15) which are in the early stages of implementation. (*Not Achieved*)

**Objective 2: Strengthen the Business Climate**

12. There were two indicators for this objective: (i) harmonize state and national foreign investment approval processes, and (ii) fully document and harmonize at all levels of government on-shore fisheries investment approval requirements. On the first one, a legal review and assessment on investment management was carried out, and some draft laws were prepared to transfer the states' jurisdictions on investment matters to the national government. The National Investment Law is not yet completed. There is no discussion in supervision reports on the second indicator, and the CLR reports that this will take place after the Investment Law has been brought under national jurisdiction.

13. A legal review and a report of investment policies for the states of Micronesia were prepared in FY16 under IFC'S Investment Climate Rapid Response project. However, the latest project supervision report had no Outcome level results. (*Partially Achieved*)

14. Based on the rating of its objectives IEG rates **Focus Area I** as Unsatisfactory.

<sup>26</sup> The Energy Sector Development project (FY14).



**Focus Area II: Promoting a Sustainable Medium Term Fiscal Situation**

15. This focus area had two objectives: (i) improve management of fisheries resources, and (ii) manage fiscal adjustment through the Compact transition.

**Objective 3: Improve Management of Fisheries Resources**

16. The indicator targeted an increase in revenues from tuna fisheries by at least 30 percent while harvesting remains within sustainable levels. According to the CLR a functioning regional information management system is in place to ensure sustainability and the country is on track to meet the indicator with significant delay.

17. The main Bank intervention was the Pacific Islands Regional Oceanscape Program (FY15) which has a Micronesia component and is in the very early stages of implementation. *(Not Achieved)*

**Objective 4: Managing Fiscal Adjustment Through the Compact Transition**

18. There were two indicators for this objective: (a) the impact of fiscal adjustments reflected on policy documents; and (b) opportunities for efficiency gains in health and education identified and inform policy decisions. The CLR reports some progress based on Public Expenditure Analysis carried out in FY16, and poverty- and gender-disaggregated analysis of the 2014 Household Income and Expenditure Survey, although not all the information in the CLR could be verified based on available documents. *(Partially Achieved)*

19. Based on the rating of its objectives IEG rates **Focus Area II** as Moderately Unsatisfactory. Limited progress was made on improving the management of fisheries resources and managing fiscal adjustment through the Compact transition.

20. IEG rates the overall development outcome of this CPS as *Moderately Unsatisfactory*. The two focus areas—private sector development and managing fiscal adjustment—aligned with key country priorities. The results framework is compact and adequate, although it fails to include objectives for an outcome discussed in the text about managing the impact of climate change and natural hazards. As a result, the program showed limited progress so far on strengthening the business climate, improving the management of fisheries resources, and managing fiscal adjustment through the compact of transition. No progress was made on improving the efficiency of infrastructure and lowering the cost of services.

Objectives	CLR Rating	IEG Rating
<b>Focus Area I: Strengthening the Enabling Environment for Private Sector Development</b>	<i>N/A</i>	<i>Unsatisfactory</i>
<i>Objective 1: Improve the Efficiency of Infrastructure and Lower the Cost of Services</i>	<i>Not Achieved</i>	<i>Not Achieved</i>
<i>Objective 2: Strengthen the Business Climate</i>	<i>Partially Achieved</i>	<i>Partially Achieved</i>
<b>Focus Area II: Promoting a Sustainable Medium Term Fiscal Situation</b>	<i>N/A</i>	<i>Moderately Unsatisfactory</i>
<i>Objective 3: Improve Management of Fisheries Resources</i>	<i>Partially Achieved</i>	<i>Not Achieved</i>
<i>Objective 4: Managing Fiscal Adjustment Through the Compact Transition</i>	<i>Mostly Achieved</i>	<i>Partially Achieved</i>



## **6. WBG Performance**

### Lending and Investments

21. The CPS proposed a combination of IDA (IDA16 and IDA17 periods) and trust funds to support the WBG program for a total financing range of US\$53-62 million. The program comprised an Energy Sector Development project (for US\$14.4 million), a FSM-Palau ICT Regional Connectivity Project (US\$35-40 million), a Pacific Regional Oceanscape Project (for US\$3-7 million), a 2023 Technical Assistance project (for US\$1-1.5 million), and a Regional Disaster Risk Management Program. Trust fund activities supported the ICT project.

22. IDA approved projects were in line with the program. The total amount approved was US\$67.4 million, over the upper end of the financing range of US\$53-64 million, reflecting a higher approved amount for the ICT Regional Connectivity project (US\$47.5 million).

23. The Micronesia portfolio is quite small comprising three projects at an early stage of implementation. Management assessments report that all three projects are making satisfactory progress towards achieving their development objectives, which appears overoptimistic given the late start of the projects, limited implementation capacity and the government's unfamiliarity with Bank procedures.

### Analytic and Advisory Activities and Services

24. There was some analytic work on expenditure analysis and household survey. The planned 2023 TA project has not been delivered based on IEG information.

25. A legal review and a report of investment policies for the states of Micronesia were prepared under IFC'S Investment Climate Rapid Response project.

### Results Framework

26. The results framework reflected the country's development goals, issues and obstacles, outcomes to which WBG expects to contribute, intermediate indicators or milestones, and WBG instruments. It also identified donor partners that would work in the same area, but the CLR does not report on how collaboration with those partners evolved during program implementation. Outcome indicators generally reflected the targeted outcomes, and for the most part had baselines and quantified targets. Overall, the targets are overambitious owing to limited local capacity and in view of this being the first country engagement with the Bank. The results framework omitted to include objective and targets for the area of managing the impact of climate change and natural hazards, which the CPS considered an important area of Bank involvement.

### Partnerships and Development Partner Coordination

27. The CLR does not discuss coordination with other development partners, although the results framework identifies them for each area of WBG engagement.

### Safeguards and Fiduciary Issues

28. IEG is not aware of significant safeguards or fiduciary issues in the Bank portfolio.

### Ownership and Flexibility

29. This was the first engagement of Micronesia with the WBG, and as such a learning experience for both. The CPS reports broad government commitment to the program, but notes that a federation structure makes sustaining political commitment difficult. The limited progress observed under the program so far may indicate that the government became fully aware of the demands of program implementation (including required policy reform) once it started implementing the WBG program. Steps taken by the FSM national and state governments to allow the national government



jurisdiction over investment issues may indicate an increase in ownership as the program implementation progressed (even if very slowly).

#### WBG Internal Cooperation

30. The CLR does not discuss internal WBG cooperation. IFC's involvement was marginal, and related to the investment legal framework.

#### Risk Identification and Mitigation

31. The CPS identified risks to the program related to country remoteness and exogenous shocks, political commitment in a federation structure, significant capacity constraints, and cross-country coordination issues. It intended to deal with the federation/cross-country issues through TA grants from the Pacific Regional Infrastructure Facility to support sector reform and project preparation. The program is still evolving but some lessons about slow start-up are already evident – the program was overambitious in light of capacity constraints. The Bank underestimated the time it takes to prepare, appraise and implement projects in light of capacity constraints. It also counted on some regional agencies such as the Forum Fisheries Agency providing coordination and fiduciary support, but this presumption turned out to not be realistic. TTL turnover was also a contributing factor to problems in implementation as the TTL who prepared an important project left the Bank shortly after it was approved by the Board.

#### Overall Assessment and Rating

32. IEG rates WBG performance as *Fair*. The focus areas were aligned with key country priorities, and the results framework comprising four objectives was well focused. Moreover, outcome indicators generally reflected the targeted outcomes, and broadly contained baselines and quantified targets. In general, interventions were appropriate to achieve program objectives. Yet, the results framework omitted to include objectives and targets for the area of managing the impact of climate change and natural hazards, which the CPS considered an all-important area of Bank involvement. The targets, more broadly, were overambitious given implementation capacity. The Bank underestimated the time it takes to prepare and implement a project in a country with limited capacity and which is no familiarity with Bank procedures. This was compounded by local limitations in policy-making to result in limited progress across the objectives of the program. The CPS reports broad government commitment to the program, but notes that the nature of the federation structure makes sustaining political commitment difficult. The Bank also counted that some regional agencies such as the Forum Fisheries Agency would provide coordination and fiduciary support, but that turned out not to be realistic. This was amplified by not having Bank staff on the ground, who could have helped with Bank procedures. A mid-term progress report—which has not been prepared—would have helped address some of the issues that appeared during the first two years of program implementation.

### **7. Assessment of CLR Completion Report**

33. The CLR contained a candid description of program implementation based on available evidence and the results framework. It would have been useful to have a discussion of cooperation with other donors as well as internal WBG cooperation.

### **8. Findings and Lessons**

34. Please refer to general lessons and issues for the next strategy under Section F of the Overview.



**Annex Table 1: Summary of Achievements of CPS Objectives – Micronesia**

**Annex Table 2: Micronesia Planned and Actual Lending, FY14-FY17**

**Annex Table 3: Analytical and Advisory Work for Micronesia, FY14-FY17**

**Annex Table 4: IEG Project Ratings for Micronesia and Comparators, FY14-FY17**

**Annex Table 5: Portfolio Status for Micronesia and Comparators, FY14-FY17**

**Annex Table 6: Disbursement Ratio for Micronesia, FY14-FY17**

**Annex Table 7: Net Disbursement and Charges for Micronesia, FY14-FY17**

**Annex Table 8: Total Net Disbursements of Official Development Assistance and Official Aid for Micronesia**

**Annex Table 9: Economic and Social Indicators for Micronesia**





**Annex Table 1: Summary of Achievements of CPS Objectives – Micronesia<sup>27</sup> -- Moderately Unsatisfactory**

	<b>CPS FY17-FY14 – Focus Area 1: Strengthening the Enabling Environment for Private Sector Development (Unsatisfactory)</b>	<b>Actual Results</b>	<b>IEG Comments</b>
<b>CPS Objective 1: Improving Infrastructure Efficiency and Lowering Costs (Not Achieved)</b>			
<b>Major Outcome Measures</b>	<p><u>Outcome 1: More efficient and reliable electricity services</u></p> <p><b>Indicator 1:</b> 7% increase in efficiency of electricity supply, and &gt;20% increase in available power generation capacity (Baseline 21,204 kW)</p> <p>Baseline: 21,204 kW Target: 7% increase in efficiency of electricity supply, and &gt;20% increase in available power generation capacity</p> <p><b>Indicator 2:</b> Direct number of project beneficiaries is 50,000 of which 25,000 are female (Baseline 0) (G)</p> <p>Baseline: 0 project beneficiaries Target: 50,000 beneficiaries, including 25,000 women</p>	<p>This Outcome was supported by the Micronesia Energy Sector Development Project (P148560, FY14) and by the Regional Sustainable Energy Industry Development Project (P152653, FY16). However, the latest <a href="#">ISR</a> (S) of project P148560 and the latest <a href="#">ISR</a> (S) of project P152653 (June 2016) do not report any progress because these two projects are still in the early stage of implementation. <b>The target is not achieved.</b></p> <p><b>Indicator 1:</b> Projects P148560 and P148560 are still in early implementation. <b>The target is not achieved.</b></p> <p><b>Indicator 2:</b> Projects P148560 and P148560 are still in early implementation. <b>The target is not achieved.</b></p>	
	<p><u>Outcome 2: Improved access to and reduced costs of ICT services</u></p>	<p>This Outcome was supported by the FSM - Palau- Connectivity Project (P130592, FY15); by the Pacific Regional ICT Regulatory Development Project (P148238, FY15) and by the FSM - Telecoms and ICT TA Project (P132686, FY14). The last <a href="#">ISR</a> (MS) of project P130592 (October 2016) — reported no progress on access to and cost reduction of ICT services. The last <a href="#">ISR</a> (MS) of project P148238 (May 2016) reported no</p>	<p><b>Mention other operations:</b> the CLR-RF reports the contribution of the ASA FSM and RMI Telecoms Assessment (<a href="#">P122736</a>, FY14) to Outcome 2. The TA aimed at facilitating increased access to telecommunications and infrastructure and services and market liberalization and regulatory capacity building in the Federated States of Micronesia and RMI. The</p>

<sup>27</sup> No PLR was prepared for this CPS. Intermediate indicators are called “Milestones” in the CAS. The CPS covers FY14-17



	<b>CPS FY17-FY14 – Focus Area 1: Strengthening the Enabling Environment for Private Sector Development (<i>Unsatisfactory</i>)</b>	<b>Actual Results</b>	<b>IEG Comments</b>
	<p><b>Indicator 1:</b> Increase in mobile penetration from 30% in 2013 to 70% of the population (G)</p> <p>Baseline: Mobile penetration: 30% Target: Mobile penetration: 70%</p> <p><b>Indicator 2:</b> Increase in Internet penetration from 2% in 2013 to 20% of the population (G)</p> <p>Baseline: Internet penetration: 2% Target: Internet penetration: 20%</p> <p>Milestone 1: New ICT legislation Adopted</p> <p>Milestone 2: Modern ICT regulatory framework adopted</p> <p>Milestone 3: Independent telecommunications regulatory function established and maintained</p> <p>Milestone 4: At least 2 ICT service providers operational</p>	<p>progress of the impact of the WB TA on the IT and telecom sector. Finally, the <a href="#">ISR</a> (MS) of project P13286 (July 2016) reported no progress on the new licensing regime for the ICT sector. Projects are at early stage of implementation. <b>The target is not achieved.</b></p> <p><b>Indicator 1:</b> Not Achieved. Projects are at early stage of implementation. <b>The target is not achieved.</b></p> <p><b>Indicator 2:</b> Projects are at early stage of implementation. <b>The target is not achieved.</b></p> <p>Milestone 1: The last <a href="#">ISR</a> (MS) of project P130592 (October 2016) reported no progress.</p> <p>Milestone 2: The last <a href="#">ISR</a> (MS) of project P130592 (October 2016) reported no progress.</p> <p>Milestone 3: The last <a href="#">ISR</a> (MS) of project P130592 (October 2016) reported no progress.</p> <p>Milestone 4: The last <a href="#">ISR</a> (MS) of project P130592 (October 2016) reported no progress.</p>	<p>final <a href="#">report</a> includes an assessment and recommendations.</p>
	<p><b>CPS Objective 2: Strengthening the Business Climate (<i>Partially Achieved</i>)</b></p>		
	<p><u>Outcome 1: Improved business regulatory environment</u></p> <p><b>Indicator 1:</b> State and National foreign investment approval processes are harmonized</p>	<p>The IFC Investment Climate Rapid Response Project (597507, FY14), contributed to Outcome 1. The project aimed at providing rapid assistance to client requests for investment climate advisory assistance.</p> <p><b>Indicator 1:</b> The last Supervision Report (FY16, Q4) for IFC project 597507 indicates that a legal review and</p>	



	<p><b>CPS FY17-FY14 – Focus Area 1: Strengthening the Enabling Environment for Private Sector Development</b> (<i>Unsatisfactory</i>)</p>	<p><b>Actual Results</b></p>	<p><b>IEG Comments</b></p>
	<p>Baseline: no harmonization Target: systems harmonized</p> <p><b>Indicator 2:</b> On-shore fisheries investment approval requirements are fully documented and harmonized at all levels of government</p> <p>Baseline: no documentation and harmonization Target: processes are documented and harmonized</p> <p>Milestone 1: Passage of a revised national investment law</p> <p>Milestone 2: National foreign investment laws reflects international best practice</p> <p>Milestone 3: Mapping of State and National investment information requirements and approval processes</p> <p>Milestone 4: Mapping of State and National on-shore fisheries investment processes</p>	<p>assessment on investment management was carried out and that some draft laws were prepared to transfer the states' jurisdictions on investment matters to the national government. However, the National Investment Law is not yet completed. <b>The target is partially achieved.</b></p> <p><b>Indicator 2:</b> The last Supervision Report (FY16, Q4) for IFC project 597507 does not report on such indicator/topic and the CLR- reports that this will take place after the Investment Law has been brought into national jurisdiction. <b>The target is not achieved.</b></p> <p>Milestone 1: The National Investment Law is not yet completed. <b>The target is not achieved.</b></p> <p>Milestone 2: The last Supervision Report (FY16, Q4) for IFC project 597507 only indicates that some draft laws were prepared; the National Investment Law is not completed yet to verify its content.</p> <p>Milestone 3: The last Supervision Report (FY16, Q4) for IFC project 597507 does not report such information. Progress on Milestone 3 is not verified.</p> <p>Milestone 4: The last Supervision Report (FY16, Q4) for IFC project 597507 does not report such information. Progress on Milestone 4 is not verified.</p>	



CPS FY14-FY17 – CPS Focus Area 2: Promoting a Sustainable Medium Term Fiscal Situation (Moderately Unsatisfactory)	Actual Results	IEG Comments
<b>CPS objective 3: Improved Management of FSMs' Fisheries Resource (Not Achieved)</b>		
<p><u>Outcome 1: Increase economic benefits from fisheries sector</u></p> <p><b>Indicator 1:</b> Annual access revenues to FSM from the tuna fisheries increase by at least 30% while harvesting remains within sustainable levels. (Baseline US\$31 million CY2012)</p> <p>Baseline: annual revenues are USD31 million Target: annual revenues are USD 40.3 million</p> <p>Milestone 1: Functioning regional information management system to support the vessel day scheme (VDS) for the purse seine tuna fisheries</p> <p>Milestone 2: All purse seine fishing in FSM's waters is managed under the VDS</p>	<p>The CLR-RF reports that progress for Outcome 1 was supported under an investment lending regional operation: the - Pacific Islands Regional Oceanscape Program with a Micronesia component (P151754, FY15); The last <a href="#">ISR</a> (S) of project P151754 (May 2016) does not indicate progress on the selling of fisheries and other related indicators since the project is in the early stages of implementation. <b>The target is not achieved.</b></p> <p><b>Indicator 1:</b> The last <a href="#">ISR</a> (S) of project P151754 (May 2016) does not indicate progress on the selling of fisheries and other related indicators since the project is in the early stages of implementation. <b>The target is not achieved.</b></p> <p>Milestone 1: The last <a href="#">ISR</a> (S) of project P151754 (May 2016) does not indicate whether the regional information management system is functioning. The CLR reports that the information system is functioning, and the country is on track to meet indicator 1 with significant delay.</p> <p>Milestone 2: The last <a href="#">ISR</a> (S) of project P151754 (May 2016) indicates that 100% of purse seine fishing are being recorded annually according to agreed criteria. The target is achieved.</p>	
<b>CPS Objective 4: Managing the fiscal adjustments through the Compact transition (Partially Achieved)</b>		
<p><u>Outcome 1: Improved targeting and management of fiscal adjustment process</u></p>	<p>The CLR- reports that progress for this Outcome 1 was supported by 5 ASA: the FSM - Public Expenditure Analysis EW (P154605, FY16); the Pacific Islands Capacity Support TA (P145802, FY16); the Problem Driven PFM in PICs EW</p>	<p>No completion report was available in the Bank' systems for project <a href="#">P147920</a>.</p>



	<p><b>CPS FY14-FY17 – CPS Focus Area 2: Promoting a Sustainable Medium Term Fiscal Situation (Moderately Unsatisfactory)</b></p>	<p><b>Actual Results</b></p>	<p><b>IEG Comments</b></p>
	<p><b>Indicator 1:</b> The impact of fiscal adjustments on the poor is reflected in policy documents.</p> <p><b>Indicator 2:</b> Opportunities for efficiency gains in health and education are identified and inform policy decisions.</p> <p>Milestone 1: HIES and PER analysis completed and informs fiscal adjustment strategy</p> <p>Milestone 2: Adoption of reforms that would enhance domestic revenue generation and aid management</p> <p>Milestone 3: Incidence analysis of education and health analysis and poverty mapping informs budget decisions</p>	<p>(P156419, FY16) and by the Asset Management Advisory in the Pacific TA (P147920, FY16). A Public Expenditure Analysis (see <a href="#">report</a>) was prepared as a result of project P154605, to support the design of public expenditure policies in the context of the scheduled expiration of Compact Grants in 2023. The <a href="#">completion report</a> for project P145802 analyzed the state of revenue mobilization state in the country and a <a href="#">report</a> was prepared for project P156419, with recommendations for the reform of public finance management in Micronesia.</p> <p><b>Indicator 1:</b> the AAA completion reports or products do not permit to verify progress for Indicator 1 – the CLR-RF reports that the poverty analysis is being finalized. <b>Progress is not verified.</b></p> <p><b>Indicator 2:</b> the CLR- reports that benefit incidence analysis for health and education have been completed on the back of the Household Income and Expenditure Survey (HIES). <b>The target is achieved.</b></p> <p>Milestone 1: A PER (see <a href="#">report</a>) was prepared as a result of project P154605. The PER also reports that the HIES has been completed. <b>The target is achieved.</b></p> <p>Milestone 2: The CLR- reports that ODA policy has been adopted to enhance aid management. The reviewed AAA products do not permit to verify progress for Milestone 2. <b>Progress is not verified.</b></p> <p>Milestone 3: The CLR- reports that the poverty analysis is being finalized and that benefit incidence analysis for health and education have been completed on the back of the HIES. The reviewed AAA completion reports or products do not permit to verify progress for Milestone 3. <b>Progress is not verified.</b></p>	<p><b>IEG comment:</b> it is not clear which of the AAA reported in the CLR- under the activities that contributes to this Outcome supported the development of the HIES. The same applies to the reported poverty analysis (being finalized).</p>



**Annex Table 2: Micronesia Planned and Actual Lending, FY14-FY17**

Project ID	Project Name	Proposed FY	Approved FY	Closing FY	Proposed Amount	Approved IDA Amount	Outcome Rating	Remark
<b>Project Planned Under CPS/CSPSR period</b>								
P148560	Energy Sector Development	2014	2014	2019	14.4	14.4	LIR: S	
P130592	Palau-FSM Connectivity Project	TBC	2015	2020	35.0-40.0	47.5	LIR: MS	
P151754	PROP for Federated States of Micronesia	2015	2015	2021	3.0-7.0	5.5	LIR: S	
	2023 Technical Assistance Project	2016			1.0-1.5			Not delivered
<b>Total Planned</b>					<b>52.5-62</b>	<b>67.4</b>		

**Annex Table 3: Analytical and Advisory Work for Micronesia, FY14-FY17**

Country	Proj ID	Economic and Sector Work	Fiscal year	Output Type
Micronesia	P154605	Public Expenditure Analysis	FY16	Public Expenditure Review (PER)
	<b>Proj ID</b>	<b>Technical Assistance</b>	<b>Fiscal year</b>	<b>Output Type</b>

Source: WB Business Intelligence 10/17/16

**Annex Table 4: IEG Project Ratings for Micronesia and Comparators, FY14-FY17**

Region	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	RDO % Moderate or Lower Sat (\$)	RDO % Moderate or Lower Sat (No)
Micronesia, Federated States of **						
EAP	20,830.1	230	79.1	72.5	73.1	61.1
World	120,815.0	1,418	82.1	71.3	62.1	48.9

Source: WB AO as of 10/17/16

\* With IEG new methodology for evaluating projects, institutional development impact and sustainability are no longer rated separately.

\*\* No data from FY14-17



**Annex Table 5: Portfolio Status for Micronesia and Comparators, FY14-FY17**

Fiscal year	2014	2015	2016	Ave FY14-16
<b>Micronesia, Federated States of</b>				
# Proj	1	3	3	2
# Proj At Risk	1	2		2
% Proj At Risk	100.0	66.7	-	55.6
Net Comm Amt	14.4	67.4	67.4	50
Comm At Risk				
% Commit at Risk				
<b>EAP</b>				
# Proj	354	344	337	345
# Proj At Risk	65	70	56	64
% Proj At Risk	18.4	20.3	16.6	18.4
Net Comm Amt	31,852.5	32,386.0	33,346.1	32,528
Comm At Risk	5,270.3	6,412.3	4,776.1	5,486
% Commit at Risk	16.5	19.8	14.3	16.9
<b>World</b>				
# Proj	2,048	2,022	1,975	2,015
# Proj At Risk	412	444	422	426
% Proj At Risk	20.1	22.0	21.4	21.1
Net Comm Amt	192,610.1	201,045.2	220,331.5	204,662
Comm At Risk	40,933.5	45,987.7	44,244.9	43,722
% Commit at Risk	21.3	22.9	20.1	21.4

Source: WB BI as of 10/17/16



**Annex Table 6: Disbursement Ratio for Micronesia, FY14-FY17**

Fiscal Year	2014	2015	2016	Overall Result
<b>Micronesia, Fed</b>				
Disbursement Ratio (%)		7.7	13.6	12.6
Inv Disb in FY		1.0	8.6	9.6
Inv Tot Undisb Begin FY		13.1	62.8	75.9
<b>EAP</b>				
Disbursement Ratio (%)	22.8	23.5	17.5	22.3
Inv Disb in FY	2,612.0	2,664.4	2,275.6	16,782.7
Inv Tot Undisb Begin FY	11,467.5	11,342.1	13,028.9	75,130.4
<b>World</b>				
Disbursement Ratio (%)	20.8	21.8	19.5	20.9
Inv Disb in FY	20,757.7	21,853.7	21,152.9	126,256.6
Inv Tot Undisb Begin FY	99,854.3	100,344.9	108,600.3	603,138.6

\* Calculated as IBRD/IDA Disbursements in FY / Opening Undisbursed Amount at FY. Restricted to Lending Instrument Type = Investment.  
AO disbursement ratio table as of 10/17/16

**Annex Table 7: Net Disbursement and Charges for Micronesia, FY14-FY17**

Period	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
FY16	8,562,059.6	-	8,562,059.6	-	-	8,562,059.6
<b>Report Total</b>	<b>8,562,059.6</b>	<b>-</b>	<b>8,562,059.6</b>	<b>-</b>	<b>-</b>	<b>8,562,059.6</b>

World Bank Client Connection 10/18/16

\*No data from FY14-15



**Annex Table 8: Total Net Disbursements of Official Development Assistance and Official Aid for Micronesia**

<b>Development Partners</b>	<b>2014</b>	<b>2015</b>
Australia	3.66	..
Canada	..	..
France	..	..
Germany	0.01	..
Japan	6.23	..
Korea	0.1	..
Luxembourg	..	..
New Zealand	0.04	..
Slovenia	..	..
Switzerland	..	..
United States	104.34	..
<b>DAC Countries, Total</b>	<b>114.38</b>	<b>0</b>
AsDB Special Funds	0.52	..
EU Institutions [EU]	0.52	..
Food and Agriculture Organisation [FAO]	..	..
Global Environment Facility [GEF]	0.13	..
International Bank for Reconstruction and Development [IBRD]	..	..
International Development Association [IDA]	..	..
UNDP	..	..
World Health Organisation [WHO]	0.56	0.6
<b>Multilateral, Total</b>	<b>1.73</b>	<b>0.6</b>
Israel	..	..
Thailand	..	..
<b>Non-DAC Countries, Total</b>	<b>0</b>	<b>0</b>
<b>Development Partners Total</b>	<b>116.11</b>	<b>0.6</b>

Source: OECD Stat, [DAC2a] as of 10/18/16



**Annex Table 9: Economic and Social Indicators for Micronesia**

Series Name			FSM	EAP	World
	2014	2015	Average 2014-2015		
<b>Micronesia, Fed. Sts.</b>					
<b>Growth and Inflation</b>					
GDP growth (annual %)	(3.4)	..	-3.4	4.3	2.6
GDP per capita growth (annual %)	(3.7)	..	-3.7	3.6	1.4
GNI per capita, PPP (current international \$)	3,600.0	..	3,600.0	14,094.5	14,470.8
GNI per capita, Atlas method (current US\$) (Millions)	3,200.0	..	3,200.0	9,171.8	10,442.0
Inflation, consumer prices (annual %)	..	..		3.0	3.1
<b>Compositon of GDP (%)</b>					
Agriculture, value added (% of GDP)	27.0	..	27.0	5.5	3.9
Industry, value added (% of GDP)	6.3	..	6.3	34.9	28.2
Services, etc., value added (% of GDP)	66.8	..	66.8	59.5	67.9
Gross fixed capital formation (% of GDP)	..	..		31.6	23.2
Gross domestic savings (% of GDP)	..	..		33.8	24.5
<b>External Accounts</b>					
Exports of goods and services (% of GDP)	..	..		32.2	30.3
Imports of goods and services (% of GDP)	..	..		30.7	29.7
Current account balance (% of GDP)	7.0	..	7.0		
External debt stocks (% of GNI)	..	..			
Total debt service (% of GNI)	..	..			
Total reserves in months of imports	5.3	..	5.3	15.1	13.2
<b>Fiscal Accounts <sup>1/</sup></b>					
General government revenue (% of GDP)	71.4	62.8	67.1		
General government total expenditure (% of GDP)	60.2	59.8	60.0		
General government net lending/borrowing (% of GDP)	11.2	3.0	7.1		
General government gross debt (% of GDP)	26.1	26.3	26.2		
<b>Health</b>					
Life expectancy at birth, total (years)	69.1	..	69.1	74.6	71.1
Immunization, DPT (% of children ages 12-23 months)	77.0	72.0	74.5	93.0	85.3



Series Name			FSM	EAP	World
	2014	2015	Average 2014-2015		
Improved sanitation facilities (% of population with access)	57.1	57.1	57.1	75.5	66.5
Improved water source (% of population with access)	87.4	87.4	87.4	87.9	83.0
Mortality rate, infant (per 1,000 live births)	29.4	28.6	29.0	15.6	33.8
<b>Education</b>					
School enrollment, preprimary (% gross)	..	..		66.6	52.8
School enrollment, primary (% gross)	97.6	..	97.6	116.9	108.2
School enrollment, secondary (% gross)	..	..		84.7	73.9
<b>Population</b>					
Population, total (Millions)	104,044	104,460	104,252	2,249,043,465	7,175,973,009
Population growth (annual %)	0.3	0.4	0.4	0.7	1.2
Urban population (% of total)	22.4	22.4	22.4	54.8	52.9

Source: DDP as of 10/14/16

\*International Monetary Fund, World Economic Outlook Database, October 2016





<b>1. CPS Data</b>	
<b>Country: Samoa</b>	
<b>CPS Year:</b> FY12	<b>CPS Period:</b> FY12 – FY16
<b>CLR Period:</b> FY12-FY16	<b>Date of this review:</b> [date submitted to CODE]

<b>2. Ratings</b>		
	<b>CLR Rating</b>	<b>IEG Rating<sup>28</sup></b>
<b>Development Outcome:</b>	<i>Satisfactory</i>	<i>Moderately Unsatisfactory</i>
<b>WBG Performance:</b>	<i>Good</i>	<i>Good</i>

**3. Executive Summary**

i. Samoa is a lower middle income country, with a GNI per capita of US\$3,930 in current US dollars. Like the other Pacific Island Countries (PICs), it is small and remote from major markets. Its 200,000 population reside on two main islands—rather than dispersed over many small islands—which are approximately 3,000 km from New Zealand and 4,000 km from Australia. Its average rate of growth of 3 percent since the early 1990s is well above both Pacific and Caribbean comparators.

ii. During the review period, the main challenges for Samoa were to enhance economic resilience in the face of external shocks, maintain macroeconomic stability that has underpinned sustained growth, and increase integration with neighbors to maximize the gains from natural resources. In line with these challenges the key focus of the Government of Samoa’s 2012-2016 Strategy for Development was on strengthening economic resilience and encouraging inclusive growth through increasing investment in the productive sectors of the economy.

iii. The Bank’s support for Samoa was in line with the country’s development program and reflected the broader Bank approach across the small and remote Pacific Islands countries of strengthening resilience. In particular, the Bank supported the government in: (i) rebuilding macro-economic resilience and encouraging inclusive growth; (ii) generating opportunities from global and regional integration; and (iii) strengthening resilience against natural disasters and climate change. The WBG did not undertake a mid-term progress report to adjust to changing priorities.

iv. The areas of engagement and instruments were well chosen, and appropriate to pursue the WBG’s corporate goals. The use of Development Policy Financing (DPF) was appropriate given Samoa’s policy reform experience and relative familiarity with the Bank compared with other island countries. Moreover, they provided a channel through which development partners—such as Australia, New Zealand, Asian Development Bank (ADB), and European Union (EU)—could support policy development. Analytical work focused on sectors in which the Bank was initiating engagement and complemented analysis undertaken by other partners. A key weakness of design—common with the other PIC programs—was the inability to estimate properly the time

<sup>28</sup> IEG recently completed a *Cluster Country Program Evaluation (CCPE) on Small States – Pacific Island Countries Program Evaluation (FY05-15)*. The evaluation covers the Pacific Island Countries generally, and contains a specific assessment of the Samoa and Tonga programs. There may be some differences between the analysis and development outcome ratings in the CCPE and in this CLR review primarily for two reasons: (i) the CCPE covers the period FY05-FY15 and this CLR review is circumscribed to a much shorter period—the latest 3-year WBG programs of Kiribati, Marshall Islands, Micronesia, Samoa, Tonga, and Tuvalu, and (ii) in the specific case of Samoa, the program was still in progress for the CCPE evaluation, which uses FY15 information, while the CLR review had the benefit of FY16 information when the program was concluded, and its results could be assessed in full.



required to process and implement new supporting activities that would deliver results. A more prudent option where available would have been to design the results chains by relying more on the portfolio of ongoing activities already approved and under implementation.

v. The Bank tried to respond to implementation challenges with innovative solutions such as a liaison office shared with the ADB.<sup>29</sup> Unfortunately, the CLR does not discuss cooperation with other partners in detail, and in particular how the new liaison office mitigated some of the problems observed under the Bank program.

vi. Some progress was observed on rebuilding macroeconomic resilience and improving agriculture productivity while strengthening opportunities for medium and small scale farmer, but no observable progress in infrastructure service delivery. While limited progress was made in creating opportunities for Samoa's temporary migration, there was no observable progress on improving connectivity as the cost of whole bandwidth was not reduced as planned and there was no reduction in the prices for telecommunication services. On focus area III, uneven progress across outcomes was observed in strengthening resilience against natural disasters and climate change.

vii. The results framework could have been more focused in terms of targeted outcomes (16 in total, with 4 in the agriculture sector alone). In addition, some outcomes (see objective 1) lacked appropriate indicators with well-defined baselines and quantified targets, which makes the program difficult to assess, and the results framework weak in its usefulness as a program management tool. This was compounded by less-than-full government commitment to certain areas of reform under the WBG program (for example, improving connectivity under objective 4). While weak commitment to reforms may have played a role, the difficulty and complexity of implementation became the key constraint to the program. The process of consultations and community/stakeholder involvement also took more time than anticipated. But most implementation problems related to capacity constraints, slow take-up of project activities, and the general underestimation of the pace and speed of change and development activities. Such pitfalls could not be mitigated by the Bank in a tangible way. As a result, the velocity of implementation of the WBG program was significantly slower than anticipated.

#### **4. Strategic Focus**

##### Relevance of the WBG Strategy:

1. **Congruence with Country Context and Country Program.** The WBG's strategy was relevant to the country context and priorities. Samoa was the fastest growing Pacific Island Country<sup>30</sup>—underpinned by a stable macro-economic environment and a business friendly investment climate—until recently,<sup>31</sup> when it was hit by a series of natural disasters, food and fuel price shocks, and the global financial crisis. Therefore, it was appropriate to have macroeconomic stability and disaster resilience as important objectives of the program. According to the most recent information provided by the SCD,<sup>32</sup> Samoa has the highest level of inequality among the small PICs—Gini coefficient of 42.7—and the poorest 40 percent face significant spending constraints, tending to be highly dependent on publicly funded health and education services.

<sup>29</sup> See IEG's *World Bank Group Engagement in Small States*, 2016.

<sup>30</sup> Its average rate of growth of three percent since the early 1990s is well above both Pacific and Caribbean comparators.

<sup>31</sup> Just before the CPS period Samoa was affected adversely by the global crisis, a tsunami in 2009, and a cyclone in 2012 that slowed growth and increased hardship among the population.

<sup>32</sup> *Systematic Country Diagnostic for Eight Small Pacific Island Countries: Priorities for Ending Poverty and Boosting Shared Prosperity*, WBG; January 20, 2016.



2. The main challenges for Samoa were to enhance economic resilience in the face of external shocks, maintain macroeconomic stability that has underpinned sustained growth, and increase integration with neighbors to maximize the gains from natural resources. In line with these challenges, the key focus of the Government of Samoa's 2012-2016 Strategy for Development was on strengthening economic resilience and encouraging inclusive growth through increasing investment in the productive sectors of the economy.

3. The Bank's support for the country was in line with Samoa's development program and reflected the broader Bank approach across the small and remote Pacific Islands countries of strengthening resilience. The Bank supported the government in: (i) rebuilding macro-economic resilience and encouraging inclusive growth; (ii) generating opportunities from global and regional integration; and (iii) strengthening resilience against natural disasters and climate change. There was no mid-term progress report to adjust to changing priorities.

4. **Relevance of Design.** The CPS areas of involvement and objectives aligned well with the country development goals and the overall regional framework for the Pacific Islands. In general, interventions were appropriate to achieve program objectives, although they were difficult to implement owing to their complexity. The resilience theme made a distinction between macro and environmental resilience, which was appropriate in light of concerns about debt sustainability when the CPS was issued. The areas of engagement and instruments were well chosen, and appropriate to pursue the WBG's corporate goals. A number of indicators in the results framework, however, were weakly relevant to measure the targeted objectives. The use of DPOs to address policy reforms was appropriate, and provided a channel through which development partners—such as Australia, New Zealand, ADB, and EU—could support policy development and the budget. Analytical work focused on sectors in which the Bank was engaging, helped deepen country knowledge, and complemented analysis undertaken by other partners. A key weakness of design—common with the other PIC programs—was the inability to estimate properly the time required to process and implement new supporting activities that would deliver results. A more prudent option would have been to design the results chains by relying more on the portfolio of ongoing activities already approved and under implementation. The Bank program required substantial government commitment to reform and a significant local capacity to implement policies, which in the end did not materialize in some areas (ICT, connectivity).

#### Selectivity

5. The program was broadly selective in terms of focus areas. The DPO instrument was useful to cover the policy dialogue in several areas, and the program also addressed transport and ICT, disaster risk management, agriculture, health and education. In some instances, the program had too many targeted outcomes—four for agriculture alone—which made the results framework quite complex.

#### Alignment

6. The program was generally aligned with the twin goals. The funds provided under the 2013 DPO in particular, helped ensure that frontline service delivery benefiting the poor was not cut in the aftermath of the Cyclone Evan. The activities supporting agriculture would enable beneficiary low-income farmers to increase their productivity for selected vegetables that are in demand in the local market. But a concern expressed in IEG's CCPE on Small States was that the focus on commercial farmers was to the detriment of a broader outreach to subsistence farmers, which would be essential to address the twin goals. IEG notes that at the same time the Agriculture and Fisheries Cyclone Response project (FY14) provided grants to 7,400 subsistence farmers and fishers to help them recover from the cyclone impact on Upolu.



## 5. Development Outcome

### Overview of Achievement by Objective:

#### **Focus Area I: Rebuilding Macro-Economic Resilience and Encouraging Inclusive Growth**

7. This focus area had three objectives: (i) rebuild macro-economic resilience, and (ii) encourage greater private investment in tourism and in infrastructure service delivery; and (iii) improve agriculture productivity and strengthen opportunities for small and medium scale farmers.

#### **Objective 1: Rebuild Macroeconomic Resilience**

8. There were four targeted outcomes for this objective whose indicators were to be developed at progress report stage (see page 19 of the CPS). In the event, there was no progress report.

9. The outcome on fiscal consolidation and rebuilding reserves was met to a significant extent. Taking as a base the 2011/12 budget, the deficit was reduced according to the 2015 IMF Article IV consultation—although the deficit of 4.3 percent of GDP was below the government's target of 3.5 percent of GDP—and official reserves increased. The budget and medium-term fiscal framework both include a projected fiscal consolidation to meet the debt target. The outcome about competitiveness, measured in terms of improvements in Samoa's ranking in Doing Business indicators, was not met as Samoa's rank moved from 60 out of 183 countries in 2012 to 89 out of 190 countries in the 2017 report. The outcome about strengthened public financial management was met partially, albeit the PEFA score for arrears monitoring increased from D in 2010 to A in 2014.<sup>33</sup> The outcome on improved efficiency and effectiveness of service delivery to strengthen health financing and address education quality (no indicator) was only partially achieved as the ICR of the relevant health project notes good use of the health budget, but lacked clarity as to whether there was improved efficiency in government spending or effectiveness in reducing the prevalence of diabetes, adolescent birth rates, or injuries in children.

10. The Bank supported this objective through the Development Policy Operation (FY14), the First Fiscal and Economic Reform Operation (FY15), IFC's Pacific Regional Tourism Initiative (FY14), and the Second Health Sector Management Program Support project (FY08). (*Mostly Achieved*)

#### **Objective 2: Encourage Greater Private Investment in Tourism and in Infrastructure Service Delivery**

11. The first outcome is IFC investments to support new arrivals (page 19 of CPS) and the intermediate indicator (milestone) under this objective is about IFC's Pacific Tourism Initiative. The last IFC supervision report (August 2016) does not report progress on new tourism arrivals to Samoa. There is a second outcome (without indicator) referring to private investment in energy generation following liberalization and new framework for independent power producers. The latest ISR of June 2016 on the Sustainable Energy Industry Development project (FY16), which has just been approved. IEG could not verify the energy indicator because it does not report on the award of two Independent Power Producer concessions reported by the CLR. (*Not Achieved*)

12. The Asian Development Bank has been historically the leader among development partners in the energy sector. (*Not Achieved*)

<sup>33</sup> Progress was modest according to the ICR of Samoa's DPO (June 27, 2016). Debt is being contracted in line with the Medium Term Debt Strategy and procurement awards are being published, although in some cases not within a month after approval envisaged in the DPO. The DPO indicator on reducing payments arrears was not met.



**Objective 3: Improve Agriculture Productivity and Strengthen Opportunities for Medium and Small Scale Farmers**

13. The first outcome was to double average yields by 2017 for carrots, tomatoes, bok choy, eggplant and bell peppers. The latest supervision report of the Samoa Agriculture Competitiveness Enhancement project (FY13) notes that average fruit and vegetable yields of participating growers increased by 33 percent by March 2016. There are three indicators for this outcome: matching grant scheme to support up to 1,000 farmers by 2016 to upgrade livestock and fruit and vegetable production (224 were prepared by June 2016); identification and introduction of new fruit and vegetable varieties (182 farmers had done it by March 2016 compared to an end target of 600 by March 2017); and strengthen agriculture extension services (95 percent of relevant staff had completed training by March 2016 compared to a target of 100 percent by March 2017). The target on the share of locally produced fruit and vegetable sold by domestic channels increasing from 5 percent to 25 percent was met.

14. Progress towards the target on increasing the share of locally produced beef sold by domestic channels from 31 percent to 55 percent was modest (the share was 37 percent in March 2016). The two intermediate indicators for this outcome were met: new breeding stock imported by end 2014 to strengthen nucleus breeding program, and field slaughter service established by 2015. A Mobile Slaughter Unit was procured in early 2016 and trials are still underway—but no livestock has been processed through hygienic field slaughter services and the abattoir. The final outcome was to measure the participation of women in the Agriculture Competitiveness Enhancement project (FY13), but the last supervision report does not inform about disaggregated gender of beneficiaries.

15. The agriculture competitiveness project on which progress in agricultural productivity is based is at a pilot stage, and the next stage will be to validate the trials and build supply chains to develop viable models of commercial farming that could be replicated. Therefore, a major increase in agricultural output is still several steps ahead, and contingent on including both commercial and subsistence farmers. The project is being restructured and likely to reformulate the more ambitious targets to less optimistic goals.

16. The Bank supported this objective through the Agriculture Competitiveness Enhancement project (FY13). Project activities were disrupted by cyclone Evan, which diverted the authorities' attention toward agricultural sector recovery. The Agriculture and Fisheries Cyclone Response project (FY14) provided grants to 7,400 subsistence farmers and fishers to help them recover from the cyclone impact on Upolu. (*Partially Achieved*)

17. Based on the rating of its objectives IEG rates **Focus Area I** as Moderately Satisfactory. Some progress observed on rebuilding macroeconomic resilience and improving agriculture productivity while strengthening opportunities for medium and small scale farmer, but no observable progress in infrastructure service delivery.

**Focus Area II: Generating Opportunities from Greater Global and Regional Integration**

18. This focus area had two objectives: (i) improve connectivity to provide opportunities for growth, and (ii) create greater opportunities for Samoa's temporary labor migration, with improving returns.

**Objective 4: Improve Connectivity to Provide Opportunities for Growth**

19. The two intermediate indicators for this objective were process oriented: to install a fiber optic cable linking Samoa with trans-Pacific cables, and introduce a regulatory environment that allows competition with equal access by all retail market players to buy international bandwidth on a fair and transparent basis. The targeted outcome was to reduce significantly the cost of wholesale bandwidth, enabling an anticipated increase in demand from 30 megabits per second per month to the projected



400 megabits per second/month. There was no progress on the prices for telecommunication services, or the two intermediate indicators for this objective.

20. The Bank supported this objective through the Pacific Regional Connectivity Phase III project (FY15), and the Pacific regional ICT Regulatory Development project (FY15). (*Not Achieved*)

**Objective 5: Create Greater Opportunities for Samoa's Temporary Labor Migration, with Improving Returns**

21. The outcomes were to increase Samoan workers participating in temporary migration schemes in Australia and New Zealand, and a reduction in remittance costs from the current un-weighted average of 16 percent for all schemes, with a policy and payment systems in place to support greater use of mobile money. The information on Samoan workers participating in temporary migration schemes could not be verified by IEG (the CLR rates it as partially achieved).<sup>34</sup> The First Fiscal and Economic Reform Operation (FY15) supported the regulation and supervision of remittance service providers – results and progress are not available for this operation. IEG cannot verify the information provided in CLR, which rates the outcome as partially achieved.

22. There were three process oriented intermediate indicators: (i) WB to support government oversight and management of Samoan workers in temporary labor schemes—this was done as the Bank finalized the Labor Migration Policy Framework for submission to the cabinet, and helped develop a Seasonal Employment Unit operating procedures manual and electronic labor mobility systems; (ii) introduce legislative revisions to strengthen the National Payments System and invest in increasing the efficiency of retail payments infrastructure—there was a prior action in this regard in the First Fiscal and Economic Reform Operation (FY15) but results and progress are not available for this operation; and (iii) establishment of a credit bureau—IFC provided support and there was progress, with the bureau established in December 2015 (subsequently its operation was halted because of the forced closure of the Fiji Data Bureau, which was operating the Samoa bureau).

23. The Bank provided support to this objective through the Institutional Strengthening for Labor Migration AAA (FY15), the ASA Pacific Payment and Remittances Program (this one approved fairly late to have effect on program results), the First Fiscal and Economic Reform Operation (FY15), and IFC's Global Credit Bureau Program. (*Partially Achieved*)

24. Based on the rating of its objectives IEG rates **Focus Area II** as Moderately Unsatisfactory. Some progress was noted on creating opportunities for Samoa's temporary migration, but no observable progress on improving connectivity.

**Focus Area III: Overcoming Isolation and Generating Opportunities from Greater Global and Regional Integration**

25. The objective for this area is to strengthen resilience against natural disasters and climate change.

**Objective 6: Strengthen Resilience Against Natural Disasters and Climate Change**

26. The first targeted outcome was to have 16 districts with completed high priority coastal protection initiatives (such as mangrove planting) by 2016. The plans for these districts were prepared under the Infrastructure Asset Management – SIAM 2 – APL2 (FY04). According to IEG's ICR review<sup>35</sup> at project closing in June 2014, 100 percent of coastal communities (41 districts/283 villages) were covered by Coastal Infrastructure Management Plans, and the responsibility and financial resources for implementing these plans were assigned. At ICR stage 25 community implemented priority projects were funded and 22 completed, although substantial construction of sea

<sup>34</sup> The CCPE on Small States assessment takes a positive view on the migration program based on interviews but IEG could not verify the progress stated in the CLR.

<sup>35</sup> IEG ICR Review, June 26, 2015.



walls was not accompanied, as envisaged, by other forms of coastal protection such as mangrove planting. The latest supervision Report of the Enhancing Climate Resilience of Coastal Resources and Communities trust-funded activity (6/30/16) reported that the project was behind schedule in reviewing and updating Community Integrated Management (CIM) plans. Two process oriented indicators supported this outcome: (i) an Integrated National Climate Change Adaptation Strategy developed by end-2014, could not be verified by IEG; and (ii) Samoa able to access regional risk pooling and catastrophe insurance schemes to be introduced by end-2014—the CLR reports that Samoa joined the Pacific Catastrophe Risk Assessment and Financing Initiative between FY14 and FY16.

27. Another targeted outcome was the completion of 5 km inland coastal road to provide access to villagers in tsunami areas that decided to relocate. Supported by the Enhanced Road Access project (FY14). The last supervision report (June 2016) for the project notes that 2 km of roads have been rehabilitated.

28. The final targeted outcome for this objective is to have climate proofing and improved drainage for 30 km of West Coast road by end 2016. No progress in climate proofing the West Coast road since no unsealed shoulders or drainage outfall channels were installed. According to the ICR for the Infrastructure Asset Management APL2's (FY04), this indicator was dropped and transferred to the Enhancing Climate Resilience of the West Coast Road trust-funded project (FY13). The corresponding work was not completed by end-2016, but work design work is underway according to the Bank's country team.

29. This objective was supported by the Infrastructure Asset Management APL2 (FY04), the Enhancing Climate Resilience of Coastal Resources project (FY14), the Enhancing Climate Resilience of the West Coast Road (FY13), the Pilot Program for Climate Resilience, the Pacific Catastrophe Risk Assessment and Financing Initiative, and the Enhanced Road Access project. *(Partially Achieved)*

30. Based on the rating of its objective IEG rates **Focus Area III** as Moderately Unsatisfactory. Progress was uneven in achieving the targeted outcomes for the only objective in this focus area.<sup>36</sup>

#### Overall Assessment and Rating

31. IEG rates the overall development outcome of this CPS as *Moderately Unsatisfactory*. The three focus areas selected—building resilience in the macroeconomic area, and against natural disasters and climate change, and generating opportunities from greater global and regional integration—were aligned with key country priorities. The results framework is somewhat confusing with a multiplicity of targeted outcomes not always back up by appropriate indicators. Some progress was observed on rebuilding macroeconomic resilience and improving agriculture productivity while strengthening opportunities for medium and small scale farmer, but no observable progress in infrastructure service delivery. While limited progress was made in creating opportunities for Samoa's temporary migration, there was no observable progress on improving connectivity. On focus area III, uneven progress across outcomes was observed in strengthening resilience against natural disasters and climate change.

<sup>36</sup> The CCPE on Small States takes a more positive view on this focus area based on the building of institutional capacity that unfortunately was not measured under the results framework of the WBG Samoa program.



Objectives	CLR Rating	IEG Rating
<b>Focus Area I: Rebuilding Macro-Economic Resilience and Encouraging Inclusive Growth</b>	<i>N/A</i>	<i>Moderately Satisfactory</i>
<i>Objective 1: Rebuild Macroeconomic Resilience</i>		<i>Mostly Achieved</i>
<i>Objective 2: Encourage Greater Private Investment in Tourism and in Infrastructure Service Delivery</i>		<i>Not Achieved</i>
<i>Objective 3: Improve Agriculture Productivity and Strengthen Opportunities for Medium and Small Scale Farmers</i>		<i>Partially Achieved</i>
<b>Focus Area II: Generating Opportunities from Greater Global and Regional Integration</b>	<i>N/A</i>	<i>Moderately Unsatisfactory</i>
<i>Objective 4: Improve Connectivity to Provide Opportunities for Growth</i>		<i>Not Achieved</i>
<i>Objective 5: Create Greater Opportunities for Samoa's Temporary Labor Migration, with Improving Returns</i>		<i>Partially Achieved</i>
<b>Focus Area III: Overcoming Isolation and Generating Opportunities from Greater Global and Regional Integration</b>	<i>N/A</i>	<i>Moderately Unsatisfactory</i>
<i>Objective 6: Strengthen Resilience Against Natural Disasters and Climate Change</i>		<i>Partially Achieved</i>

## 6. WBG Performance

### Lending and Investments

32. At the time of CPS approval, there were five ongoing projects in Samoa—including additional financing—in the areas of asset management, health, and tsunami reconstruction, totaling US\$37 million.

33. The CPS proposed a combination of IDA (IDA16 and IDA17) and trust funds to support the WBG program for a total financing range of US\$80-100 million—compared with the US\$140 million in Bank commitments since Samoa joined the Bank in 1975. The program comprised a Development Policy Series over FY13-FY16, an Agricultural Competitiveness project in FY12, a West Coast Road Climate Resilience Project in and a Community Coastal Resilience project—both in FY13, an Infrastructure Asset Maintenance project in FY14, a Pacific Aviation Safety project I FY15, and a Broadband Connectivity project in FY15. Trust fund activities would support most of these engagement areas.

34. IDA approved projects for US\$127 million were broadly in line with the program, except that the planned Infrastructure Asset Maintenance project was dropped, and projects were added on enhanced road access (FY14), agriculture and fisheries cyclone response (FY14), and Pacific resilience program (FY15). The cyclone response responded to an adverse unforeseen climate event.

35. The Samoa portfolio showed a lower risk than the EAP Region and Bank wide portfolios. During FY12-16, the Samoa portfolio had 13 percent of the projects at risk compared to 18 percent for the EAP Region and 21 percent Bank-wide. On a commitment basis the Samoa portfolio showed a similar risk, with 12 percent of the commitments at risk compared to 16 percent for the EAP region and 20 percent Bank-wide. IEG reviewed the ICRs of three projects that closed during the FY12-



FY16 period and were rated as moderately satisfactory. With respect to active projects, management assessments report that nine out of ten projects were making satisfactory progress towards achieving their development objectives. The latest supervision report of the Second Health Sector Management Program is rated as Moderately Unsatisfactory.

#### Analytic and Advisory Activities and Services

36. On economic and sector work there was a public expenditure review (FY14) that served as a good complement to the policy operations and other work under the program, and an FSAP (FY15). Four pieces of technical assistance—on Agriculture Sector Strategy, Post-Disaster Needs Assessment, Private Public Partnership Policy, and Debt Management Reform Plan Follow-up—complemented well a number of key interventions under the Bank program with Samoa.

#### Results Framework

37. The design of the results framework took into account the country's development goals, issues and obstacles to achieve them, outcomes to which WBG expects to contribute, and noted the relevant WBG contributing interventions. The results framework could have been more focused by being more selective in the targeted outcomes—the agriculture sector, for example, had four targeted outcomes. Moreover, the framework lacked appropriate indicators with well-defined baselines and quantified targets, which makes the program difficult to assess, and the framework weak in its usefulness as a program management tool.

#### Partnerships and Development Partner Coordination

38. The results framework identifies donor partners for each of the areas of Bank intervention. The main donors (Australia, New Zealand, ADB, and EU) came together under Bank DPOs to coordinate and prioritize budget support and policy areas. The use of a single Joint Policy Action Matrix reduced government transaction costs, and enabled close consultation and cooperation among development partners, for example by ensuring that sector-specific expertise of each development partner be leveraged appropriately.<sup>37</sup>

#### Safeguards and Fiduciary Issues

39. Based on three completed projects reviewed by IEG, compliance with safeguards policies was generally satisfactory.

40. There were fiduciary issues—eventually dealt with—in a health project. Please refer to paragraph 32 in the Overview for a more general statement on fiduciary issues in Pacific Island Countries.

#### Ownership and Flexibility

41. An important condition for success of this program—especially in view of the planned policy operations underpinning important outcomes of the program—was government commitment to reforms in the areas of Bank interventions. The CLR notes that—together with program complexity—weak commitment to reforms played a role in the slow project take-off and program implementation. No Performance and Learning Review was undertaken that could have been useful tool for midcourse adjustments.

#### WBG Internal Cooperation

42. IFC and Bank cooperation was satisfactory according to the CLR. The CLR's claim of close partnership between IFC and the Bank on investments and advisory services could be validated by IEG only in part. Although some of the projects were indeed delivered by IFC, it is difficult to assess

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<sup>37</sup> Please refer to the CCPE on Small States for a broader discussion of WBG's role in donor coordination in Samoa.



from project level material whether satisfactory cooperation actually took place, including on IFC's attempt to mobilize private investments for a PPP for waste water management, where government support was not forthcoming.

#### Risk Identification and Mitigation

43. The main risks identified in the CPS were exogenous shocks, potential slowdown of reform momentum, complexities of coordination, and capacity constraints. While weak commitment to reforms may have played a role, the difficulty and complexity of implementation became the key constraint to the program. The process of consultations and community/stakeholder involvement also took more time than anticipated. While the main mitigating activity referred to strong coordination with development partners for policy engagement and program implementation, most problems related to capacity constraints, slow take-up of project activities, and the general underestimation of the pace and speed of change and development activities proved quite difficult to mitigate. The CLR does not discuss how coordination with partners helped implement the WBG program.

#### Overall Assessment and Rating

44. IEG rates WBG performance as *Good*. The areas of engagement and instruments were well chosen, and appropriate to pursue the WBG's corporate goals. The use of DPOs was appropriate given Samoa's policy reform experience and relative familiarity with the Bank compared with other island countries. Moreover, they provided a channel through which the main development partners<sup>38</sup> could support policy development and the budget. In general, interventions were appropriate to achieve program objectives. But the results framework could have been more focused in terms of targeted outcomes, and is confusing because some items classified as outcomes appear to be process indicators. At the same time the framework lacked appropriate indicators with well-defined baselines and quantified targets, which makes the program difficult to assess, and the results framework weak in its usefulness as a program management tool. A key weakness of design—common with the other PIC programs—was the inability to estimate properly the time required to process and implement new supporting activities that would deliver results. This was compounded by less-than-full government commitment to certain areas of reform under the WBG program, such as ICT-connectivity under objective 4.<sup>39</sup> While weak commitment to reforms may have played a role, the difficulty and complexity of implementation became the key constraint to the program. But most implementation problems related to capacity constraints, slow take-up of project activities, and the general underestimation of the pace and speed of change and development activities. Such pitfalls could not be mitigated by the Bank in a tangible way. As a result, the velocity of implementation of the WBG program was significantly lower than anticipated. The Bank tried to respond to implementation challenges with innovative solutions such as a liaison office shared with the ADB. Cooperation with other partners was appropriate, particularly under the umbrella of DPOs.

### **7. Assessment of CLR Completion Report**

45. The CLR was candid and discussed program implementation within the results framework in the CPS.

### **8. Findings and Lessons**

46. Please refer to general lessons and issues for the next strategy under Section F of the Overview.

<sup>38</sup> Australia, New Zealand, ADB, and EU.

<sup>39</sup> This weak commitment to reform—especially when compared to a similar Pacific Island Country like Tonga—explains in part the less-than-satisfactory program results even with substantial efforts by the Bank to respond to implementation challenges.



**Annex Table 1: Summary of Achievements of CAS Objectives – SAMOA**

**Annex Table 2: Samoa Planned and Actual Lending, FY12-FY16**

**Annex Table 3: Analytical and Advisory Work for Samoa, FY12-FY16**

**Annex Table 4: Samoa Grants and Trust Funds Active in FY12-FY16**

**Annex Table 5: IEG Project Ratings for Samoa, FY12-FY16**

**Annex Table 6: IEG Project Ratings for Samoa and Comparators, FY12-FY16**

**Annex Table 7: Portfolio Status for Samoa and Comparators, FY12-FY16**

**Annex Table 8: Disbursement Ratio for Samoa, FY12-FY16**

**Annex Table 9: Net Disbursement and Charges for Samoa, FY12-FY16**

**Annex Table 10: Total Net Disbursements of Official Development Assistance and Official Aid for Samoa**

**Annex Table 11: Economic and Social Indicators for Samoa**



**Annex Table 1: Summary of Achievements of CAS Objectives – SAMOA** <sup>40</sup> *Moderately Unsatisfactory*<sup>41</sup>

	<b>CAS FY12-FY16 – Focus Area 1: Rebuilding Economic Resilience and Encouraging Inclusive Growth</b> ( <i>Moderately Satisfactory</i> )	<b>Actual Results</b>	<b>IEG Comments</b>
<b>Major Outcome Measures</b>	<b>CAS Objective 1: Rebuild Macro- Economic Resilience</b> ( <i>Mostly Achieved</i> )		
	<p><u>Outcome 1: Fiscal consolidation and rebuilding of reserves</u></p> <p>Milestone 1: Detailed outcome indicators around the broad themes listed as well as specific milestones will be developed as part of a coordinated policy matrix underpinning a DPO series starting in FY13, and will be included in the CAS Progress Report.</p>	<p>Progress for this outcome was supported by the Samoa Development Policy Operation (DPO) (P144377, FY14) and by the Samoa First Fiscal and Economic Reform Operation (P149770, FY15). The DPOs contributed to progress toward fiscal sustainability. The <b>ICR</b> (S) for the DPO reports that the operation “assisted the government in maintaining macro-economic and fiscal stability” and that the budget deficit decreased from 6.1% to 4.3% between FY10-12 and FY13-15 (compared to the government’s target of 3.5 percent of GDP) and that foreign reserves recovered between FY13 and FY14. The July 2015 IMF article IV agreement reported that the budget and medium-term fiscal framework includes fiscal consolidation to meet the debt target. <b>The target was mostly achieved.</b></p>	<p><b>Mention of other operations:</b> the CLR-RF reports that the Samoa Pacific Resilience Program (P154839, FY16) contributed to Outcome 1. The last <b>ISR</b> : S of the CAS period reported that project launch was scheduled for June 2016, at the end of the CAS period.</p> <p><b>Mention of other operations:</b> The CLR-RF report that the following AAAs contributed to progress for Outcome 1: The <a href="#">Samoa Public Expenditure Review</a> (P144365, FY14) which analyzed the fiscal trends in Samoa for the FY06-12 and provided recommendations; the Samoa Reform Plan (P133607, FY15) which supported the preparation of a <a href="#">Debt Reform Plan</a>; the Samoa Dem Reform Plan Follow Up (P149869, FY15) to support the <a href="#">implementation</a> of the Debt Reform Plan; and the Asset Management Advisory for Pacific Trust Funds and Sovereign Wealth Funds (<a href="#">P147920</a>, June 2016).</p>
	<p><u>Outcome 2: Improved competitiveness, including improvements on Doing Business indicators</u></p> <p>Milestone 1: Samoa to gain share of IFC’s Pacific Tourism Initiative which aims to encourage \$30m in new private sector tourism investments and \$15m in new tourism infrastructure investments across 3 pilot countries.</p>	<p>Samoa’s ranking in Doing Business indicators moved from 60 out of 183 countries <a href="#">in 2012</a> to 89 out of 190 countries in the <a href="#">2017 report</a>. <b>The target was not met.</b></p> <p>Milestone 1: The IFC <a href="#">Pacific Regional Tourism Initiative</a> (589687) was approved in FY14 as a Sustainable Advisory Service. The last IFC supervision report (August 2016) does not report progress on Indicator 1 although it reports that the</p>	<p><b>Mentions of other IFC operations:</b> The CLR-RF mentions that the <a href="#">Samoa Airline Joint Venture</a> (601553) contributed to Outcome 2 although it was approved in 2005 and the transaction was completed by 2009, before the CAS period. A post-completion evaluation was completed in 20110.</p> <p>The current objective of the project differs from Indicator 1 (to generate: “\$10M of financing facilitated and \$10M</p>

<sup>40</sup> No PLR was prepared for this CAS. Indicators are called “Milestones” in the CAS. The CLR indicates that the period covered by the CLR is from July 1<sup>st</sup> 2011 to June 30 2016; however, the CLR reports that the CPS closed at the end of December 2016 (page 62).

<sup>41</sup> IEG rating.

	<b>CAS FY12-FY16 – Focus Area 1: Rebuilding Economic Resilience and Encouraging Inclusive Growth (Moderately Satisfactory)</b>	<b>Actual Results</b>	<b>IEG Comments</b>
	Baseline: 0 Target: USD 30 million in new private sector tourism investments and USD 15 million in new tourism infrastructure	project is progressing well. Progress could not be verified for this Milestone	in increased tourism spend for the tourism sector in Samoa, Tonga and Vanuatu”).
	<u>Outcome 3: Strengthened public financial management (PFM)</u>	Progress for this outcome was supported by the Samoa DPO (P144377, FY14) and by the Samoa First Fiscal and Economic Reform Operation (P149770, FY15). The <a href="#">ICR</a> (S) for the DPO reports that “the assessment of the PFM-related outcomes shows that improvements were made across all areas of supported reform, even in cases where the results indicator itself was missed”. The ICR also reports that “a comparison of PEFA assessments pre- and post-DPO indicates that broader improvements in arrears monitoring can be attributed to the DPO-supported action”. The <a href="#">2014 PEFA Assessment</a> assigned a score of A to the arrears monitoring indicator compared to a D in the 2010 <a href="#">PEFA assessment</a> . However, the ICR reports that the indicator for arrears reduction was not achieved. The results indicator related to debt contraction was achieved, all procurement notices and contract awards above a certain threshold have been published, although sometimes later than envisaged. <b>The target was mostly achieved.</b>	<b>Mention of other operations:</b> The CLR-RF reports that the following AAAs contributed to progress for Outcome 3: the <a href="#">Samoa Public Expenditure Review</a> (P144365, FY14) which analyzed fiscal trends in Samoa for the FY06-12 and provided recommendations and the Samoa <a href="#">Development of a Public Private Partnership Policy and Pipeline Screening</a> (P145839, FY16) that supported the preparation of a framework for the Planning and implementation of PPPs and a preliminary assessment of PPP opportunities in the country.
	<u>Outcome 4: Improved efficiency and effectiveness of service delivery to strengthen health financing and address education quality</u>	Progress for this outcome was supported by the Samoa Second Health Sector Management Program Support Project (P086313, FY08). The <a href="#">ICR</a> : MS of project P086313 reports that 90% target of health sector budgets and disbursements conform to policy objectives and Health Sector Plan (HSP) priority areas was achieved. However, the ICR reports that « it is unclear as to whether there was improved efficiency in government spending ». The sub-objective on effectiveness and	<b>Mention of other operations:</b> the CLR-RF reports that the <a href="#">Melanesia Health Advisory Assistance</a> (P130475, approved in FY16) supported sector knowledge generation and institutional strengthening.

	<b>CAS FY12-FY16 – Focus Area 1: Rebuilding Economic Resilience and Encouraging Inclusive Growth</b> ( <i>Moderately Satisfactory</i> )	<b>Actual Results</b>	<b>IEG Comments</b>
		<p>performance of HSP implementation was rated modest and some of the other targets related to the prevalence of diabetes, perinatal mortality, adolescent birth rate or injuries in children not achieved or partially achieved. <b>The target was partially achieved.</b></p> <p>Regarding Education, the CLR mentions the Early Grade Reading Assessment project (<a href="#">P118877</a>, FY13) which financed an early grade reading assessment and made country-specific recommendations. However, no available report permits to verify the project's contribution to the improved efficiency and effectiveness of service delivery to address education quality. <b>Progress could not be verified.</b></p>	
	<b>CAS Objective 2: Encourage Greater Private Investment in Tourism and in infrastructure service delivery</b> ( <i>Not Achieved</i> )		
	<p><u>Outcome 1: IFC tourism investments to support 4,000 new arrivals across 3 pilot countries by 2016 [Samoa specific indicators will be developed as this initiative progresses and will be included in the CAS Progress Report]</u></p>	<p>Progress for this Outcome was supported by the IFC <a href="#">Pacific Regional Tourism Initiative</a> (589687) approved in FY14 as a Sustainable Advisory Service. The last IFC supervision report (August 2016) does not report progress on the number of new arrivals for Samoa but for Vanuatu. <b>The target was not achieved.</b></p>	<p>No CPS Progress Report was undertaken.</p>
	<p><u>Outcome 2: private investment in energy generation following liberalization and framework for independent power producers.</u></p>	<p>The CLR-reports that progress for this Outcome was supported by the Sustainable Energy Industry Development (P152653, FY16). The <a href="#">ISR</a> (S) prepared in June 2016 does not report information on IPP concessions. <b>The information reported in the CLR- (that two IPP concessions have been awarded) could not be verified.</b></p>	<p>This outcome has no indicator, baseline and target.</p>
	<b>CAS Objective 3: Improve Agriculture Productivity and Strengthen Opportunities for Small and Medium Scale Farmers</b> ( <i>Partially Achieved</i> )		
	<p><u>Outcome 1: Doubling of average yields by 2017 for carrots (baseline 1,250 kg/acre), tomatoes (baseline 2,000 kg/acre), bok choy (baseline 3,850 kg/acre), eggplant (baseline</u></p>	<p>Progress for this Outcome was supported by the Samoa Agriculture Competitiveness Enhancement Project (P115351, FY13). The last <a href="#">ISR</a> : MS (June 2016) reports that the average fruit and vegetable yields of growers</p>	

	<b>CAS FY12-FY16 – Focus Area 1: Rebuilding Economic Resilience and Encouraging Inclusive Growth (Moderately Satisfactory)</b>	<b>Actual Results</b>	<b>IEG Comments</b>
	<p><u>5,850 kg/acre), bell peppers (baseline 1,250 kg/acre)</u></p> <p>Milestone 1: Matching grant scheme to support up to 1,000 farmers by 2016 to upgrade livestock and fruit and vegetable production</p> <p>Milestone 2: Identification and introduction of new fruit and vegetable varieties by end 2014</p> <p>Milestone 3: Strengthened agricultural extension services</p>	<p>participating in the Matching Grant Program (MGP), increased by 33% in March 2016. <b>The target was partially achieved.</b></p> <p>Milestone 1: The last <a href="#">ISR</a> : MS (June 2016) of Project P115351 reports that 224 and 64 business plans prepared by, respectively, livestock producers/ entrepreneurs and fruit and vegetable producers/ entrepreneurs were approved for grant financing. <b>The target was partially achieved.</b></p> <p>Milestone 2: The last <a href="#">ISR</a> : MS (June 2016) of Project P115351 reports that the number of farmers using improved fruit and vegetable varieties increased to 182 (March 2016) compared to an end project target of 600 (March 2017). <b>The target was partially achieved.</b></p> <p>Milestone 3: The last <a href="#">ISR</a> : MS (June 2016) of Project P115351 reports that the proportion of Animal Production and Health Division (APHD) and Crops Division staff completing training programs to upgrade their extension effectiveness and/or technical capacity was 95% in March 2016 <b>The target was partially achieved.</b></p>	
	<p><u>Outcome 2: Share of locally produced fruit and vegetables sold by domestic channels increased from 5% to 25%</u></p> <p>Baseline: sold locally produced fruits and vegetables: 5% Target: sold locally produced fruits and vegetables: 20%</p>	<p>Progress for this Outcome was supported by the Samoa Agriculture Competitiveness Enhancement Project (P115351, FY13). The last <a href="#">ISR</a> : MS (June 2016) reports that the share of locally produced fruit and vegetables sold by domestic channels increased from 5% to 30% (March 2016) <b>The target was achieved.</b></p>	<p>The project's end target was modified on the basis of a new survey of retailers developed in January/February 2016.</p>
	<p><u>Outcome 3: Increase in share of locally produced beef sold by domestic channels from 40% to 55%</u></p> <p>Baseline: locally produced beef sold by domestic channels: 40% Baseline: locally produced beef sold by domestic channels: 55%</p>	<p>Progress for this Outcome was supported by the Samoa Agriculture Competitiveness Enhancement Project (P115351, FY13). The last <a href="#">ISR</a> : MS (June 2016) reports that the share of locally produced beef sold by domestic channels increased to 37% (March 2016). <b>The target was not achieved.</b></p>	<p>The CLR reports that the original baseline was an estimate, but subsequent retail survey found that the actual baseline was 31 percent.</p>

	<b>CAS FY12-FY16 – Focus Area 1: Rebuilding Economic Resilience and Encouraging Inclusive Growth</b> <i>(Moderately Satisfactory)</i>	<b>Actual Results</b>	<b>IEG Comments</b>
	<p>Milestone 1: New breeding stock imported by end 2014 to strengthen nucleus breeding program</p> <p>Milestone 2: Field slaughter service established by 2015</p>	<p>Milestone 1: The <a href="#">ISR</a> : MS (June 2016) of project P115351 reports an increase of 60% in the calving rate (target achieved) and an increase in reproduction rates in response to improved husbandry (measured in average litter size for pigs; the target of 7 was achieved compared to a baseline of 5). <b>The target was achieved.</b></p> <p>Milestone 2: The last <a href="#">ISR</a> : MS (June 2016) of Project P115351 reports that the Mobile Slaughter Unit was procured in early 2016 and that trials are still underway. No livestock has been processed through hygienic field slaughter services and the abattoir so far (the target is 1,400 for March 2017). <b>The target was partially met.</b></p>	<p>After the project's mid-term review it was decided to change from a static slaughterhouse to a mobile slaughter unit.</p>
	<p><u>Outcome 4: Measure the participation of women in the SACEP, in both the matching grants program and activities targeting subsistence farmers</u></p>	<p>The CLR- reports that progress for this Outcome was supported by the Samoa Agriculture Competitiveness Enhancement Project (P115351, FY13). The last <a href="#">ISR</a> : MS (June 2016) does not report disaggregated gender information for the activities targeting subsistence farmers and the MGP. <b>The information could not be verified.</b></p>	



	<p><b>CAS FY12-FY16 – Focus Area 2: Generating opportunities from greater global and regional integration</b> (<i>Moderately Unsatisfactory</i>)</p>	<p><b>Actual Results</b></p>	<p><b>IEG Comments</b></p>
<p><b>Major Outcome Measures</b></p>	<p><b>CAS objective 4: Improved connectivity to provide opportunities for growth</b> (<i>Not Achieved</i>)</p>		
	<p><u>Outcome 1: Infrastructure to enable anticipated increase in demand from 30 megabits per second per month in to projected 400 Mbps/month in 2015, with wholesale bandwidth costs to be reduced from over \$1,000 Mbps/month to \$500 Mbps/month or lower, flowing through to reduced retail internet and telecoms costs</u></p> <p>Milestone 1: Fiber optic cable linking Samoa with trans-Pacific Cables</p> <p>Milestone 2: Regulatory environment allows competition with equal access by all retail market players to buy international bandwidth on a fair and transparent basis.</p>	<p>Progress for this outcome was supported by the Samoa Pacific Regional Connectivity Phase III (P128904, FY15) and the Pacific Regional ICT Regulatory Development Project (P148238, FY15). The last <a href="#">ISR</a> : S of the CAS period (May 2016) for project P128904 does not report any progress on the prices of telecommunication services. <b>The target was not achieved.</b></p> <p>Milestone 1: The last <a href="#">ISR</a> : S of the CAS period (May 2016) for project P128904 reports no progress on the length of fiber optic cables since the bid for the submarine cable system was still being evaluated. <b>The target was not achieved.</b></p> <p>Milestone 2: The last <a href="#">ISR</a> : S of the CAS period (May 2016) for project P128904 reports no progress on the private capital mobilized. <b>The target was not achieved.</b></p>	<p>The two milestones are process oriented indicators. No baseline and targets provided for these milestone.</p>
	<p><b>CAS Objective 5: Greater opportunities for Samoa temporary labor migration, with improving returns</b> (<i>Partially Achieved</i>)</p>		
	<p><u>Outcome 1: Increase in Samoan workers participating in temporary labor migration schemes in Australia and NZ, with higher returns per worker as efficiency increases</u></p> <p>Milestone 1: WB to support Government oversight and management of Samoan workers in RSE scheme and new Australian SWP</p>	<p>Progress for this Outcome was supported by the Institutional Strengthening for Labor Migration AAA (P130478, FY15). An <a href="#">activity Completion Note</a> was prepared for the project but did not report on the numbers of Samoan workers participating in temporary labor migration schemes in Australia and NZ. <b>Progress could not be verified.</b></p> <p>Milestone 1: The <a href="#">activity Completion Note</a> prepared for project P130478 presented the knowledge sharing and institutional strengthening activities developed for Samoa's labor management and migration departments. It reported the finalization of the Samoa Labor Migration Policy Framework for submission to the Cabinet</p>	<p><b>Mention of other operations:</b> the CLR mentions the contribution of the Pacific Payment and Remittances Program (<a href="#">P153894</a>), approved at the end of the CAS period; its <a href="#">completion report</a> does not report on the numbers of Samoan workers participating in temporary labor migration schemes in Australia and NZ. In addition, it does not validate the information reported in the CLR (page 67) on the remittances from the SWP and RSE scheme that have improved macroeconomic stability.</p>



	<p><b>CAS FY12-FY16 – Focus Area 2: Generating opportunities from greater global and regional integration (Moderately Unsatisfactory)</b></p>	<p><b>Actual Results</b></p>	<p><b>IEG Comments</b></p>
		<p>of the Government and the development of a Seasonal Employment Unit operating procedures manual and electronic labor mobility systems. <b>The target was achieved.</b></p>	
	<p><u>Outcome 2: Reduction in remittance costs from current un-weighted average of 16% for all schemes, with a policy and payments system in place to support greater use of mobile money</u></p> <p>Milestone 1: Legislative revisions to strengthen National Payments System and investments to increase efficiency of retail payment systems infrastructure</p> <p>Milestone 2: Establishment of a credit bureau</p>	<p>The CLR-RF reports that progress for this outcome was supported by the ASA Pacific Payment and Remittances Program (<a href="#">P153894</a>), approved at the end of the CAS period. The project's <a href="#">completion report</a> and <a href="#">report on implementation</a> do not report on a reduction in remittance costs. The Samoa First Fiscal and Economic Reform Operation (P149770, FY15), supported the regulation and supervision of remittance service providers – see <a href="#">Prior Action 4</a>). Information on the results and progress is not available for this operation. <b>Progress could not be verified.</b></p> <p>Milestone 1: The Samoa First Fiscal and Economic Reform Operation (P149770), aimed to support the reform of the National Payment Systems through <a href="#">Prior Action 4</a> (“the Recipient’s Parliament has enacted the National Payments System Act in order to facilitate and regulate electronic payments and emerging innovative payment instruments”). However, information on the project’s results and progress is not available. <b>Progress could not be verified</b></p> <p>Milestone 2: The CLR- reports on the support from the IFC for facilitating the establishment of a Private Sector Credit Bureau as part of the <a href="#">IFC’s Global Credit Bureau Program</a>. The project (<a href="#">585407</a>) for Samoa was approved in late 2013 and the Bureau was established in <a href="#">December 2015</a> - although its operation eventually halted due to the forced closure of Fiji Data Bureau that was operating the Samoa’s bureau (IFC Supervision report for Q4-FY16). <b>The target was achieved.</b></p>	



	CAS FY12-FY15 – CAS Focus Area 3: Overcoming Isolation and Generating Opportunities from Greater Global and Regional Integration <i>(Moderately Unsatisfactory)</i>	Actual Results	IEG Comments
<b><u>Major Outcome Measures</u></b>	<b>CAS Objective 6: Strengthen Resilience against natural disasters and climate change</b> <i>(Partially Achieved)</i>		
	<p><u>Outcome 1: 16 districts completed high priority coastal protection initiatives (such as mangrove planting) by 2016</u></p>	<p>Progress to this outcome was supported by the Samoa Infrastructure Asset Management – SIAM 2 - APL2 (P075523, FY04) and the Samoa Enhancing Climate Resilience of Coastal Resources Project (P126596, FY14). <a href="#">Management</a> (MS) of the SIAM 2 project reports that 100 percent of coastal communities (41 districts/283 villages) were covered by the Coastal Infrastructure Management (CIM) Plans and that the responsibility and financial resources for implementing these plans were assigned. At ICR stage 25 community implemented priority projects were funded and 22 completed, although substantial construction of sea walls was not accompanied, as envisaged, by other forms of coastal protection such as mangrove planting. The last <a href="#">ISR</a> (MS) of the CAS period for project P126596 indicated delays for the review and update of the CIM plans (no indicator progress) and the implementation of activities had commenced in only 8 villages. <b>The target was achieved.</b></p>	<p>This outcome was also supported by the Enhancing Climate Resilience of the West Coast Road (P126504, FY13) whose latest supervision review rates progress as MU.</p>
	<p>Milestone 1: Integrated National Climate Change Adaptation Strategy developed by end 2014</p>	<p>Milestone 1: The CLR-RF reports that Phase 1 of the <a href="#">Samoa Pilot Program for Climate Resilience</a> (P124807) contributed to the inclusion of disaster resilience as one of the pillars of the Samoa Development Strategy (SDS). No project document was found to verify this information. <b>Progress cannot be verified.</b></p>	<p>Samoa continued to participate in the PCRAFI catastrophe risk insurance scheme after FY16 in the Pacific Resilience Program (P154839, FY15). The last <a href="#">ISR</a> (S) of project P154839 for the CAS period did not report progress on its indicators which are not desegregated by participating country.</p>
<p>Milestone 2: Samoa able to access regional risk pooling and catastrophe</p>	<p>Milestone 2: The CLR reports the contribution of the Pacific Catastrophe Risk Assessment and</p>		



	<b>CAS FY12-FY15 – CAS Focus Area 3: Overcoming Isolation and Generating Opportunities from Greater Global and Regional Integration</b> <i>(Moderately Unsatisfactory)</i>	<b>Actual Results</b>	<b>IEG Comments</b>
	insurance schemes, to be introduce by end 2014	Financing Initiative - <a href="#">PCRAFI pilot scheme</a> that Samoa joined between FY14 and 16 that supported the development of a regional risk pooling mechanism. <b>The target was met.</b>	
	<u>Outcome 2: Completion of 5 km inland coastal road to provide access to villagers in tsunami areas that decided to relocate</u>	Progress for this Outcome was supported by the Samoa Enhanced Road Access Project (P145545, FY14). The last <a href="#">ISR</a> : S of the CAS period (June 2016) reports that 2km of roads have been rehabilitated The target was partially met.	
	<u>Outcome 3: Climate proofing and improved drainage for 30 km West Coast road by end 2016</u>	The CLR- reports that progress for this Outcome was not achieved. The indicator was dropped from the Samoa Infrastructure Asset Management APL2 (P075523, FY04) and was to be supported by the Samoa Enhancing Climate Resilience West Coast Road (P126504, FY13), per the <a href="#">ICR</a> (MS) of this project. <b>The target was not achieved.</b>	



**Annex Table 2: Samoa Planned and Actual Lending, FY12-FY16**

Project ID	Project Name	Proposed FY	Approved FY	Closing FY	Proposed Amount	Approved IDA Amount	Outcome Rating	Remark
<b>Project Planned Under CPS/CSPSR period</b>								
P144377	Samoa Development Policy Operation	2013-2016	2014	2015		15.0	LIR: S	
P115351	Samoa Agriculture Competitiveness Enhanc	2012	2012	2017		8.0	LIR: MS	
P143408	Samoa Aviation Investment Project	2015	2014	2019		25.0	LIR: MS	
P128904	WS: Pac Reg Connect Phase III: Samoa	2015	2015	2021		16.0	LIR: S	
DROPPED	Infrastructure Asset Maintenance	2014						DROPPED
	<b>Total Planned</b>				<b>80-100</b>	<b>64.0</b>		<b>Total commitment is \$80 ~ 100 M, composed 4 projects</b>
<b>Project Unplanned Under CPS/CSPSR period</b>								
P145545	Enhanced Road Access Project		2014	2019		20.0	LIR: S	
P145938	Agriculture & Fisheries Cyclone Response		2014	2017		5.0	LIR: MS	
P149770	First Fiscal & Economic Reform Operation		2015	2016		7.5	NR	
P154839	Pacific Resilience Program - Samoa		2015	2021		13.8	LIR: S	
P157241	SAIP Additional Finance		2016			16.6	NR	
	<b>Total Unplanned</b>					<b>62.9</b>		
<b>On-Going Project during the CPS/CSPSR period</b>								
P075523	WS-INFRA ASSET MGMT APL2		2004	2013		12.8	IEG: MS	
P086313	WS-2ND HEALTH SECTOR MGMT PROG SPT PRJ		2008	2016		3.0	LIR: MU	
P091025	WS-Suppl Infra Asset Mgmt Additional Fi		2007			8.3	NR	
P120594	Samoa Post Tsunami Reconstruction		2011	2016		10.0	LIR: S	
P120832	WS-2ND Health Add'l Financing		2010			3.0	NR	
	<b>Total On-going</b>					<b>37.1</b>		



**Annex Table 3: Analytical and Advisory Work for Samoa, FY12-FY16**

Country	Proj ID	Economic and Sector Work	Fiscal year	Output Type
Samoa	P144365	Samoa PER	FY14	Public Expenditure Review (PER)
Samoa	P151168	Samoa FSAP	FY15	Financial Sector Assessment Program (FSAP)
	Proj ID	Technical Assistance	Fiscal year	Output Type
Samoa	P116319	Parametric Insurance Study	FY11	Not assigned
Samoa	P120701	Samoa Agriculture Sector Strategy	FY11	Not assigned
Samoa	P133607	Reform Plan SAMOA	FY15	Not assigned
Samoa	P144463	Samoa Post-Disaster Needs Assessment	FY14	Not assigned
Samoa	P145839	SAMOA Public Private Partnership Policy	FY16	Not assigned
Samoa	P149869	Samoa DeM Reform Plan Follow-up	FY15	Not assigned

Source: WB Business Intelligence 10/17/16



**Annex Table 4: Samoa Grants and Trust Funds Active in FY12-FY16**

Countries	Project ID	Project name	TF ID	Approval FY	Closing FY	Approved Amount	Outcome Rating
Samoa	P128904	WS: Pacific Regional Connectivity Program: Phase 3 - Samoa	TF A2332	2016	2021	1,500,000	
Samoa	P133255	Pacific catastrophe risk insurance pilot program	TF 18142	2015	2016	250,000	
Samoa	P143408	Samoa Aviation Investment Project	TF 17019	2014	2019	300,000	
Samoa	P145545	Enhanced Road Access Project	TF 17563	2015	2019	6,346,000	LIR: S
Samoa	P126596	Enhancing the Climate Resilience of Coastal Resources and Communities	TF 15828	2014	2019	14,600,000	LIR: MS
Samoa	P126504	Enhancing the Climate Resilience of the West Coast Road	TF 13579	2013	2019	14,800,000	LIR: MU
Samoa	P128756	Samoa City Development Strategy Programme	TF 11002	2012	2015	237,000	
Samoa	P115351	Samoa Agriculture Competitiveness Enhancement Project	TF 12179	2012	2015	5,000,000	LIR: S
Samoa	P126504	Enhancing the Climate Resilience of the West Coast Road	TF 99652	2012	2013	200,000	
Samoa	P126596	Enhancing the Climate Resilience of Coastal Resources and Communities	TF 99649	2012	2014	400,000	
Samoa	P120594	Samoa Post Tsunami Reconstruction	TF 98846	2011	2016	1,790,000	
Samoa	P124807	Samoa Pilot Programme for Climate Resilience	TF 98222	2011	2013	500,000	
Samoa	P075523	Second Infrastructure Asset Management Project	TF 10785	2012	2014	3,830,000	
		<b>Total</b>				<b>49,753,000</b>	

Source: Client Connection as of 10/17/16

\*\* IEG Validates RETF that are 5M and above



**Annex Table 5: IEG Project Ratings for Samoa, FY12-FY16**

Exit FY	Country	Proj ID	Project name	Total Evaluated (\$M)	IEG Outcome	IEG Risk to DO
2013	Samoa	P075523	WS-INFRA ASSET MGMT APL2	21.1	MODERATELY SATISFACTORY	SIGNIFICANT
2011	Samoa	P075739	Samoa - Telecommunications & Post Reform	4.0	MODERATELY SATISFACTORY	MODERATE
2016	Samoa	P120594	Samoa Post Tsunami Reconstruction	9.7	MODERATELY SATISFACTORY	SIGNIFICANT
<b>Total</b>				<b>34.8</b>		

Source: AO Key IEG Ratings as of 10/17/16

**Annex Table 6: IEG Project Ratings for Samoa and Comparators, FY12-FY16**

Region	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	RDO % Moderate or Lower Sat (\$)	RDO % Moderate or Lower Sat (No)
Samoa	34.8	3	100.0	100.0	11.6	33.3
EAP	20,830.1	230	79.1	72.5	73.1	61.1
World	120,815.0	1,418	82.1	71.3	62.1	48.9

Source: WB AO as of 10/17/16

\* With IEG new methodology for evaluating projects, institutional development impact and sustainability are no longer rated separately.



**Annex Table 7: Portfolio Status for Samoa and Comparators, FY12-FY16**

Fiscal year	2012	2013	2014	2015	2016	Ave FY12-16
<b>Samoa</b>						
# Proj	6	6	11	12	8	9
# Proj At Risk		1		1	1	1
% Proj At Risk	-	16.7	-	8.3	12.5	7.5
Net Comm Amt	45.8	39.5	119.1	141.2	133.8	96
Comm At Risk		6.0		14.6	14.6	12
% Commit at Risk		15.2		10.3	10.9	12.1
<b>EAP</b>						
# Proj	357	351	354	344	337	349
# Proj At Risk	58	66	65	70	56	63
% Proj At Risk	16.2	18.8	18.4	20.3	16.6	18.1
Net Comm Amt	30,381.1	30,542.3	31,852.5	32,386.0	33,346.1	31,702
Comm At Risk	3,339.1	5,089.2	5,270.3	6,412.3	4,776.1	4,977
% Commit at Risk	11.0	16.7	16.5	19.8	14.3	15.7
<b>World</b>						
# Proj	2,029	1,964	2,048	2,022	1,975	2,008
# Proj At Risk	387	414	412	444	422	416
% Proj At Risk	19.1	21.1	20.1	22.0	21.4	20.7
Net Comm Amt	173,706.1	176,202.6	192,610.1	201,045.2	220,331.5	192,779
Comm At Risk	24,465.0	40,805.6	40,933.5	45,987.7	44,244.9	39,287
% Commit at Risk	14.1	23.2	21.3	22.9	20.1	20.3

Source: WB BI as of 10/17/16



**Annex Table 8: Disbursement Ratio for Samoa, FY12-FY16**

Fiscal Year	2012	2013	2014	2015	2016	Overall Result
<b>Samoa</b>						
Disbursement Ratio (%)	20.0	20.5	20.6	9.1	13.8	14.6
Inv Disb in FY	3.5	4.4	6.5	7.7	14.8	39.9
Inv Tot Undisb Begin FY	17.2	21.5	31.3	84.7	107.2	273.6
<b>EAP</b>						
Disbursement Ratio (%)	25.9	24.2	22.8	23.5	17.5	22.3
Inv Disb in FY	3,498.4	2,925.8	2,612.0	2,664.4	2,275.6	16,782.7
Inv Tot Undisb Begin FY	13,495.7	12,113.7	11,467.5	11,342.1	13,028.9	75,130.4
<b>World</b>						
Disbursement Ratio (%)	20.8	20.6	20.8	21.8	19.5	20.9
Inv Disb in FY	21,048.2	20,510.7	20,757.7	21,853.7	21,152.9	126,256.6
Inv Tot Undisb Begin FY	101,234.3	99,588.3	99,854.3	100,344.9	108,600.3	603,138.6

\* Calculated as IBRD/IDA Disbursements in FY / Opening Undisbursed Amount at FY. Restricted to Lending Instrument Type = Investment.  
AO disbursement ratio table as of 10/17/16

**Annex Table 9: Net Disbursement and Charges for Samoa, FY12-FY16**

Period	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
FY12	3,568,538.0	2,266,680.6	1,301,857.4	-	773,447.5	528,409.9
FY13	4,426,727.4	2,247,857.0	2,178,870.4	-	752,370.8	1,426,499.6
FY14	21,436,608.9	2,441,533.4	18,995,075.5	-	763,554.1	18,231,521.4
FY15	13,451,856.6	2,512,875.5	10,938,981.1	-	719,628.1	10,219,353.0
FY16	12,787,819.8	2,424,456.4	10,363,363.5	-	712,330.9	9,651,032.6
<b>Report Total</b>	<b>55,671,550.7</b>	<b>11,893,402.8</b>	<b>43,778,147.8</b>	<b>-</b>	<b>3,721,331.4</b>	<b>40,056,816.5</b>

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**Annex Table 10: Total Net Disbursements of Official Development Assistance and Official Aid for Samoa**

<b>Development Partners</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Australia	51.49	35.76	27.12	..
Canada	..	0.04	0	..
France	-0.01	..	0.02	..
Germany	0.08	0.09	..	..
Ireland	..	0.03	0.13	..
Japan	15.92	7.38	14.6	..
Korea	0.04	0.29	0.52	..
Luxembourg	..	..	0.03	..
New Zealand	17.78	22.04	21.14	..
Spain	..	0.05	0.02	..
Sweden	..	..	..	..
Switzerland	0.01	0.01	0	..
United Kingdom	..	0.27	..	..
United States	0.73	1.3	0.84	..
<b>DAC Countries, Total</b>	<b>86.04</b>	<b>67.26</b>	<b>64.42</b>	<b>0</b>
Adaptation Fund	..	..	..	..
AsDB Special Funds	17.61	12.86	2.73	..
EU Institutions [EU]	7.77	3.04	8.65	..
Food and Agriculture Organisation [FAO]	..	0.06	..	..
Global Environment Facility [GEF]	5.76	7.65	6.95	..
International Bank for Reconstruction and Development [IBRD]	..	..	..	..
International Development Association [IDA]	2.83	16.09	2.53	..
IFAD	-0.06	-0.07	-0.07	..
International Finance Corporation [IFC]	..	..	..	..
International Labour Organisation [ILO]	0.11	0.21	..	..
IMF (Concessional Trust Funds)	..	8.82	..	-1.62
OPEC Fund for International Development [OFID]	-0.4	0.76	0.81	..
UNAIDS	..	..	..	..
UNDP	0.38	0.6	0.49	0.62
World Health Organisation [WHO]	0.73	0.99	1.29	1.27
<b>Multilateral, Total</b>	<b>34.73</b>	<b>51.01</b>	<b>23.38</b>	<b>0.27</b>
Israel	..	0.02	..	..
Romania	0.01	..	0	..
Thailand	..	0.02	0.09	0.01
Turkey	0.01	0.07	..	..
United Arab Emirates	..	0	4.86	..
<b>Non-DAC Countries, Total</b>	<b>0.02</b>	<b>0.11</b>	<b>4.95</b>	<b>0.01</b>
<b>Development Partners Total</b>	<b>120.79</b>	<b>118.38</b>	<b>92.75</b>	<b>0.28</b>

Source: OECD Stat, [DAC2a] as of 10/18/16



**Annex Table 11: Economic and Social Indicators for Samoa**

Series Name					Samoa	EAP	World
	2012	2013	2014	2015	Average 2012-2015		
<b>Samoa</b>							
<b>Growth and Inflation</b>							
GDP growth (annual %)	0.4	(1.9)	1.2	1.6	0.3	4.3	2.6
GDP per capita growth (annual %)	(0.4)	(2.7)	0.4	0.9	-0.4	3.6	1.4
GNI per capita, PPP (current international \$)	5,490.0	5,460.0	5,620.0	5,720.0	5,572.5	14,094.5	14,470.8
GNI per capita, Atlas method (current US\$) (Millions)	3,860.0	3,960.0	4,050.0	3,930.0	3,950.0	9,171.8	10,442.0
Inflation, consumer prices (annual %)	2.0	0.6	(0.4)	0.7		3.0	3.1
<b>Compositon of GDP (%)</b>							
Agriculture, value added (% of GDP)	..	..	..	..		5.5	3.9
Industry, value added (% of GDP)	..	..	..	..		34.9	28.2
Services, etc., value added (% of GDP)	..	..	..	..		59.5	67.9
Gross fixed capital formation (% of GDP)	..	..	..	..		31.6	23.2
Gross domestic savings (% of GDP)	..	..	..	..		33.8	24.5
<b>External Accounts</b>							
Exports of goods and services (% of GDP)	27.7	30.3	28.2	27.2	28.4	32.2	30.3
Imports of goods and services (% of GDP)	51.7	50.5	52.5	50.5	51.3	30.7	29.7
Current account balance (% of GDP)	0.1	(4.7)	(6.1)	..	-3.5		
External debt stocks (% of GNI)	55.1	58.6	58.1	..	57.3		
Total debt service (% of GNI)	1.7	2.0	2.5	..	2.1		
Total reserves in months of imports	4.8	4.4	3.7	..	4.3	15.1	13.2
<b>Fiscal Accounts <sup>1</sup></b>							
General government revenue (% of GDP)	30.2	33.8	38.1	35.9	34.5		
General government total expenditure (% of GDP)	37.3	37.6	43.3	39.8	39.5		
General government net lending/borrowing (% of GDP)	(7.2)	(3.8)	(5.3)	(3.9)	-5.0		
General government gross debt (% of GDP)	52.1	53.5	54.4	57.8	54.4		



Series Name					Samoa	EAP	World
	2012	2013	2014	2015	Average 2012-2015		
<b>Health</b>							
Life expectancy at birth, total (years)	73.0	73.3	73.5	..	73.2	74.6	71.1
Immunization, DPT (% of children ages 12-23 months)	64.0	67.0	63.0	66.0	65.0	93.0	85.3
Improved sanitation facilities (% of population with access)	91.6	91.5	91.5	91.5	91.5	75.5	66.5
Improved water source (% of population with access)	98.8	99.3	99.3	99.3	99.2	87.9	83.0
Mortality rate, infant (per 1,000 live births)	15.8	15.6	15.4	15.0	15.5	15.6	33.8
<b>Education</b>							
School enrollment, preprimary (% gross)	33.9	..	36.9	..	35.4	66.6	52.8
School enrollment, primary (% gross)	105.2	..	106.2	..	105.7	116.9	108.2
School enrollment, secondary (% gross)	85.7	..	86.9	..	86.3	84.7	73.9
<b>Population</b>							
Population, total (Millions)	188,901	190,390	191,845	193,228	191,091	2,249,043,465	7,175,973,009
Population growth (annual %)	0.8	0.8	0.8	0.7	0.8	0.7	1.2
Urban population (% of total)	19.6	19.4	19.3	19.1	19.4	54.8	52.9

Source: DDP as of 10/14/16

\*International Monetary Fund, World Economic Outlook Database, October 2016



<b>1. CAS</b>	
<b>Country: Kingdom of Tonga</b>	
<b>CAS Year:</b> FY11	<b>CAS Period:</b> FY11 – FY14
<b>CLR Period:</b> FY11-FY14	<b>Date of this review:</b> [date submitted to CODE]

<b>2. Ratings</b>		
	<b>CLR Rating</b>	<b>IEG Rating</b>
<b>Development Outcome:</b>	<i>Satisfactory</i>	<i>Satisfactory</i>
<b>WBG Performance:</b>	<i>Good</i>	<i>Good</i>

### 3. Executive Summary

i. Tonga is classified as a lower middle income country, with a GNI per capita of US\$4,380 in current US dollars (2014). Like Samoa, it is small and remote from major markets. To put its remoteness in context, the capital of Tonga is over 2,000 km from its nearest large market, New Zealand, and over 3,000 km from Australia. The country has a population of 100,000 over half of which are concentrated in the main island, with small population scattered across 36 inhabited islands among an archipelago of 171 islands. Absolute poverty is rare and food poverty is virtually non-existent. Fewer than 1,200 citizens (1.1 percent of the population) live in extreme poverty. There is almost universal literacy, and health indicators are also good when compared with countries of similar level of income.

ii. Growth has been volatile—in part because of natural hazards and external shocks—and remittances area a key feature of the economy. Historically remittances have amounted to about 40 percent of GNI. The main challenges for Tonga are further reform of public enterprises—which control about 20 percent of fixed assets—and encouraging investment by improving transparency and predictability of the business environment. In this context, strengthening governance and further improving transparency are also priorities for the country. Improving resilience is a key challenge since the economy was buffeted by a series of natural shocks—cyclones and a tsunami—during the period under review.

iii. The Tongan Government’s broad development strategy as set out in the National Strategic Planning Framework 2009-13 identified priorities in community development, infrastructure, education, health, and climate change response. It emphasized the need for accountability in state owned enterprises, and for supporting private sector led growth through better engagement with government, appropriate incentives and streamlining rules and regulations. WBG supported Tonga’s development program and reflected the broader Bank approach across the small and remote Pacific Island countries, in: (i) reforming policies to strengthen growth prospects and improve service delivery; (ii) generating opportunities through greater global and regional integration; and (iii) building resilience against shocks. There was no mid-term progress report to adjust to changing priorities.

iv. The three focus areas—building fiscal resilience and stability, generating opportunities through greater integration with the world, and building resilience against shocks—were aligned with key country priorities. The use of DPOs was appropriate given Tonga’s relative familiarity with the Bank compared with other island countries and its commitment to reform in some areas, such as macroeconomic management, fiscal policy, and energy development. A weakness of program design, however, was complexity: as the CLR recognizes, nineteen outcomes for a country the size of Tonga was excessive. During the program, substantial progress was observed in building fiscal resilience and stability, and in generating opportunities through greater integration with the world,



both areas in which a majority of targeted outcomes were fully achieved. On focus area III, uneven progress across outcomes was observed in strengthening resilience against natural disasters.

v. The results framework, while well structured, had too many outcomes, which were not always backed up by appropriate indicators, while several indicators could not be verified (for example objective 4). The inclusion of an education objective in the area of resilience against shocks is counterintuitive. But overall the results framework was a useful tool to prepare an ex-post assessment of the program. Risks to the program were considered moderate in the CAS and centered on a volatile economy subject to shocks and the sustainability of reform efforts. The CLR does not discuss in any detail how—if in any tangible way—risks materialized, or how the WBG coordinated donor dialogue on economic reform. Extensive cooperation with the IMF—on sharing of economic updates, collaboration on public expenditure management, medium-term macro-framework, and general structural fiscal issues—was essential for the ongoing WBG budget support. The challenge of capacity constraints did not hurt implementation of the program in a visible way, and—in contrast with the other Pacific Islands—targeted program outcomes were generally achieved. This reflected to a large extent government ownership and commitment to reforms in macroeconomic management, fiscal policy, and energy development.

#### **4. Strategic Focus**

##### Relevance of the WBG Strategy:

1. **Congruence with Country Context and Country Program.** Tonga has a population of 100,000, over half of which are concentrated in the main island (Tongatapu), with small populations scattered across 36 inhabited islands among an archipelago of 171 islands. Absolute poverty is rare and food poverty is virtually non-existent. Fewer than 1,200 citizens (1.1 percent of the population) live in extreme poverty. Moreover, there is almost universal literacy with 98 percent of children ages 6-14 enrolled in school, and little or no difference between enrollment rates for boys and girls. Health indicators are also good when compared with countries of similar level of income.
2. Growth has been volatile—in part because of natural hazards and external shocks—and remittances area a key feature of the economy. Historically remittances have amounted to about 40 percent of GNI. Improving resilience is a key challenge since the economy was buffeted by a series of shocks during the period under review.
3. The Tongan Government's broad development strategy as set out in the National Strategic Planning Framework 2009-13 identified priorities in community development, infrastructure, education, health, and climate change response. It emphasized the needs for accountability in state owned enterprises and for supporting private sector led growth through better engagement with government, appropriate incentives and streamlining rules and regulations.
4. In order to support Tonga's development program as well as reflecting the broader Bank approach across the small and remote Pacific Islands countries, the Bank supported the government in: (i) reforming policies to strengthen growth prospects and improve service delivery; (ii) generating opportunities through greater global and regional integration; and (iii) building resilience against shocks. There was no mid-term progress report to adjust to changing priorities.
5. **Relevance of Design.** The CPS selection of areas of involvement and objectives aligned well with the country development goals, and were appropriate to pursue the WBG's corporate goals. Connectivity and resilience are broad themes of the regional framework for Pacific Islands, to which the CPS added strengthening growth prospects and enhancing service delivery. The fiscal situation in Tonga had worsened as a consequence of natural disasters, and food and petroleum prices increased. Therefore, focusing part of the program on building economic resilience was relevant. As in Samoa, the use of DPOs was appropriate given Tonga's relative familiarity with the Bank compared with other island countries and its commitment to reform in some areas, such as macroeconomic



management and fiscal policy. Analytical work focused around a public expenditure review designed to provide a basis for a coordinated engagement with the government to underpin potential future budget support.

Selectivity

6. The program was selective in terms of focus areas. But in some areas too many targeted outcomes made the results framework quite complex.

Alignment

7. The program was generally aligned with the twin goals. In particular, the expenditure prioritization supported by the DPOs was supposed to redirect spending to priority sectors that supported the poor, who are typically very dependent on publicly provided health and education. Other aspects of the program addressed the twin goals more indirectly. Notably, the Transport Sector Consolidation project was expected to have a significant positive impact on users of domestic transport that tend to be on the bottom of the income distribution.

## **5. Development Outcome**

Overview of Achievement by Objective:

**Focus Area I: Accelerating Economic Reform to Strengthen Fiscal Stability and Public Expenditure Effectiveness**

8. Focus area I had one objective: to make the fiscal policy framework sustainable.

**Objective 1: Make the Fiscal Policy Framework Sustainable**

9. There were three targeted outcomes: to improve budget revenue estimates, to have a functioning debt management system, and to improve the quality of public finance debt management systems. The means to obtain the latter—which are process indicators—were to complete a joint public expenditure review, strengthen dialogue between donors and government, have new procurement regulations consistent with WB/ADB advice to be gazetted and in force in 2010, and issue treasury instructions to line ministries.

10. On improving budget revenue estimates, the evidence from relevant ICRs and supervision reports is unclear because they refer more to expenditure than to improvement of revenue estimates. Regarding debt management, public financial management (including debt) was substantially improved considering the government's performance on the PEFA indicators. The quality of PFM systems was enhanced—the target for increase in PEFA scores (0-5 percent in FY11-13) was met as scores increased by 4.5 percent in FY11/12 and 3.4 percent in FY12/13. The four process indicators—public expenditure review, dialogue, procurement, Treasury instructions—were either met or mostly met. The 2015 IMF Article IV consultation noted that the 2014 PEFA self-assessment showed progress in improving weak PFM areas, and maintained good implementation in areas that performed well in the past. Areas including revenue out-turn compared to budget, measures for tax assessment and taxpayer registration, and transparency of taxpayer obligations and liabilities continue to perform well. In addition, areas including oversight of fiscal risks from public enterprises, composition of expenditure out-turn compared to budget, and quality and timeliness of in-year budget reports have improved from ratings of “C/D” to “A/B.”

11. This objective was supported by the Bank through the Economic Recovery Operations projects I (FY11) and II (FY12), and the Energy Development operation project (FY11). (*Achieved*)

12. Based on the rating of objective 1 IEG rates **Focus Area I** as Satisfactory. Substantial progress was made in making the fiscal policy sustainable in Tonga through Bank support.



**Focus Area II: Generating Opportunities Through Greater Global and Regional Integration**

13. Focus area II had the objectives of: (i) improve connectivity to provide opportunities for growth; and (ii) strengthen the business environment.

**Objective 2: Improve Connectivity to Provide Opportunities for Growth**

14. The three outcome indicators were to: increase internet use from 15 to 40 percent of the population which in part would be supported by installing fiber optic cable linking Tonga with trans-Pacific cables; reduce the costs of wholesale connectivity (bandwidth) from US\$3,500 megabits per second per month to US\$800 Mbps/month or lower, and reduced retail internet and telecom costs; and introduce a regulatory environment that allows competition with equal access by all market players to buy international bandwidth on a fair and transparent basis at the cable landing station.

15. The fiber optic cable linking Tonga with trans-Pacific networks was built by the end of the CAS period, access to internet services increased to 22 percent of the population (compared to 40 percent target), the price of wholesale international connectivity was reduced from US\$3,500 Mbps/month to US\$450 Mbps/month (significantly lower than the target of US\$800 Mbps/month). With the regulatory environment improved the number of ICT service providers increased from 2 to 5 and one more license was in process at the time of the last supervision report of relevant project. In addition, the WB's data bank shows internet penetration of 35 percent of the population in 2013 (compared with 15 percent in Samoa), and Internet Live Stats (a private company) shows that internet users in Tonga were nearly 50,000 or 47 percent of the population in 2016.

16. This objective was supported by the Pacific Regional Connectivity Program (FY12). On balance, IEG rates this objective as *Achieved*. (*Achieved*)

**Objective 3: Strengthen the Business Environment**

17. The three outcomes/indicators were to: (i) improve the business environment, as reflected in *Doing Business* indicators—in particular, allow the use of personal property as collateral and establish a credit bureau to improve access to finance; (ii) translate reduced connectivity costs into reduced business transaction costs; and (iii) reduce the number of procedures to obtain a business license

18. Tonga's ranking in *Doing Business* improved from 71/183 in 2011 to 69/189 in 2015<sup>42</sup>—the ranking in “getting credit” played a significant part in the improvement, as the country's ranking in this area went from 116/183 in 2011 to 36/189 in 2015, including through the establishment of a credit bureau with coverage of 12 percent of the population in 2015. The average cost of the minute of international calls decreased from US\$0.35 to US\$0.13 by April 2014, and the retail price of internet service (per MBps/per month) decreased from US\$776 to US\$320 by April 2014. License processing times for businesses were reduced and firms have been allowed to operate with a single business license.

19. The Bank supported this objective through the Economic Recovery Operations I (FY12), the First Economic Reform Support Operation (FY13), and the Regional Connectivity Program (FY12). (*Achieved*)

20. Based on the rating of objectives 2 and 3, IEG rates **Focus Area II** as Satisfactory. Connectivity was improved substantially and the business environment strengthened albeit ranking of Tonga slipped in 2017. On balance both objectives were achieved with Bank support.

<sup>42</sup> Since then Tonga's ranking has slipped to an overall rank of 85/190 in the 2017 edition of *Doing Business*. Although the percentage points (63.58 in 2017 vs 63.83) to calculate the ranking did not fall by much, other countries' improvements have affected Tonga's ranking reflecting primarily issues around dealing with construction permits, where Tonga was overtaken by some peers but still performs significantly better than the East Asia and Pacific average.



**Focus Area III: Building Resilience Against Shocks**

21. Focus area III had four objectives of: (i) reducing reliance on price volatile imported fuel and increasing the affordability of energy; (ii) improving transport infrastructure and providing counter-cyclical employment opportunities; (iii) improving resilience to natural disasters; and (iv) improving education outcomes.

**Objective 4: Reduce Reliance on Price Volatile Imported Fuel and Increase the Affordability of Energy**

22. The outcome-indicators for this objective were to: improve the petroleum supply chain to reduce price and volatility of energy supply; increase the efficiency of the grid power system, including reducing technical and non-technical losses from 17.5 percent in the Tongatapu grid (the intermediate steps to achieve objective included an opening of the electricity market to new private investment, implement landfill gas IPP, and initiate proof of concept coconut oil investment); and increase the renewable energy for grid power to 20 percent by 2014 through the introduction of a 1MW on-grid solar power plant.

23. There was mixed progress during the program period, and the indicators could not be verified by IEG. Retail petroleum prices now reflect better the costs of supply, but is unclear how this contributed to the objective of reducing reliance on price volatile fuel. The CLR reports that technical and non-technical losses of the grid power system were reduced to 13 percent by 2015, after the CAS period.<sup>43</sup> According to the CLR, there has been an increase of renewable power to 6 percent of the power grid (compared to the 20 percent target) through the operation of a new 1MW solar plant.<sup>44</sup> But the information could not be verified by IEG.

24. The main Bank interventions for this objective were the Energy Development Policy Operation (FY11), and the Economic Recovery Operations I (FY11) and II (FY12).<sup>45</sup> (*Partially Achieved*)

**Objective 5: Improve Transport Infrastructure and Provide Counter-Cyclical Employment Opportunities**

25. The three outcome/indicators were to: consolidate the Ministry of Transport as a planning and regulatory ministry with responsibility for unified transport sector policy; improve civil aviation and maritime sector compliance with international safety standards, with International Civil Aviation Organization (ICAO) compliance levels to improve from 48-56 percent to 80 percent; and strengthen domestic private sector road maintenance capacity, with 75 km of road designed, supervised and maintained by local companies.

26. The last supervision report of the transport project notes that the Ministry of Infrastructure was established and is clearly responsible for all land transport activities, compared to nine separate entities responsible for some transport sector function before the change. Maritime needs assessment completed and navigational aids installed by May and October 2014, respectively, and safety works and port infrastructure improvements completed. As regards aviation, only the Fua'amotu airport had been certified with air systems modernized, and the state requirements for

<sup>43</sup> Supervision reports of relevant projects do not report on improvements in grid efficiency, so IEG could not verify this improvement.

<sup>44</sup> IEG's ICRR of the Second Economic Recovery Operations (FY12) notes that the increase in renewable energy generation capacity cannot be attributed to the Bank's program.

<sup>45</sup> The Bank's entry point in the energy sector was support for a comprehensive energy roadmap, which established targets defined the needs in the regulatory framework, and identified the role and prospects of renewable energy and review of the petroleum chain. Please refer to the CCPE on Small States assessment of the Tonga 2005-15 WBG program for more details.



safety and security did not reach the ICAO average as targeted.<sup>46</sup> Road maintenance works went from being done by international public sector contractors to local companies.

27. The Bank interventions supporting this objective were the Transport Sector Consolidation project (FY09) and the Pacific Aviation Investment project (FY12). (*Mostly Achieved*)

**Objective 6: Improve Resilience to Natural Disasters**

28. The two outcomes/indicators were: (i) reconstruction of Niuaputapu after cyclone, with construction of 85 cyclone-resistant houses and rehabilitation of 60 houses; and (ii) improve national disaster management and planning capacity by institutional strengthening of the Ministry of Land Survey and natural Resources and preparation of community disaster risk management plans.

29. Fifty-four different buildings were retrofitted and designed to be cyclone resistant,<sup>47</sup> sanitation and water supplies were provided for the newly constructed houses, and new sealed access roads were built for the new houses. Seventy-three houses were constructed to be cyclone resistant. Hazard risk information is more available and accessible to populations and community awareness and preparedness for disasters increased, but according to the ICR of the relevant project it is not possible to measure if Tonga will have a stronger capacity to respond effectively to future national disasters.

30. The main Bank interventions for this objective were the Post-Tsunami Reconstruction project (FY11) and the Cyclone Reconstruction and Climate Resilience project (FY14). (*Mostly Achieved*)

**Objective 7: Improve Education Outcomes**

31. The objective had two targeted outcomes/indicators: (i) improve net enrollment, dropout, retention rates and student test scores compared to 2005 baselines through school grants program and school rehabilitation; and (ii) increase local participation and accountability through the introduction of school-based management (schools engaging communities in planning, budgeting, and results assessment).

32. Gross primary enrollment rate increased from 78 percent to 100 percent between 2005 and education project closure, but the attribution of any improvement in primary education learning outcomes to the Bank operation would be weak owing to the limited information on the extent to which quality improvements were actually achieved. Although the school grants program is operational and 29 schools selected based on a needs assessment were rehabilitated, IEG's ICRR reports a negligible rating on the outcome related to producing an upward trend in educational outcomes for primary and secondary education. It also notes that schools engaged their communities, but parents' contributions were minor on issues related directly to teaching and learning.

33. This objective was supported by the Education support project (FY06). (*Partially Achieved*)

34. Based on the rating of its four objectives, IEG rates **Focus Area II** as Moderately Satisfactory. The program showed progress in all the objectives of the area, particularly in reducing reliance on price volatile imported fuel and increasing the affordability of energy, improving transport infrastructure, and improving resilience to natural disasters. Results were weak in the education objective, whose inclusion in the area of improving resilience against shocks is counter-intuitive.

Overall Assessment and Rating

35. IEG rates the overall development outcome of this CAS as *Moderately Satisfactory*. The three focus areas—building fiscal resilience and stability, generating opportunities through greater integration with the world, and building resilience against shocks—aligned with key country priorities.

<sup>46</sup> The team has provided an update that both the Fua'amotu airport (TBU) and Lupepau'u International Airport (VAV) airports are now certified according to ICAO standards.

<sup>47</sup> Including 38 residential houses, 7 community halls, and 9 commercial buildings.



The use of DPOs was appropriate given Tonga’s relative familiarity with the Bank compared with other island countries and its commitment to reform in some areas, such as macroeconomic management, fiscal policy, and energy development. As the CLR recognizes, the program—with nineteen outcomes—was too complex. The results framework, while well structured, had too many outcomes for a country the size of Tonga, and targeted outcomes were not always backed up by appropriate indicators. Substantial progress was observed in building fiscal resilience and stability, and in generating opportunities through greater integration with the world, both areas in which a majority of targeted outcomes were fully achieved, while uneven progress across outcomes was observed in strengthening resilience against natural disasters.

<b>Objectives</b>	<b>CLR Rating (no ratings by area in CLR)</b>	<b>IEG Rating</b>
<b>Focus Area I: Accelerating Economic Reform to Strengthen Fiscal Stability and Public Expenditure Effectiveness</b>		<i>Satisfactory</i>
<i>Objective 1: Make the Fiscal Policy Framework Sustainable</i>		<i>Achieved</i>
<b>Focus Area II: Generating Opportunities Through Greater Global and Regional Integration</b>		<i>Satisfactory</i>
<i>Objective 2: Improve Connectivity to Provide Opportunities for Growth</i>		<i>Achieved</i>
<i>Objective 3: Strengthen the Business Environment</i>		<i>Achieved</i>
<b>Focus Area III: Building Resilience Against Shocks</b>		<i>Moderately Satisfactory</i>
<i>Objective 4: Reduce Reliance on Price Volatile Imported Fuel and Increase the Affordability of Energy</i>		<i>Partially Achieved</i>
<i>Objective 5: Improve Transport Infrastructure and Provide Counter-Cyclical Employment Opportunities</i>		<i>Mostly Achieved</i>
<i>Objective 6: Improve Resilience to Natural Disasters</i>		<i>Mostly Achieved</i>
<i>Objective 7: Improve Education Outcomes</i>		<i>Partially Achieved</i>

## **6. WBG Performance**

### Lending and Investments

36. There were two projects ongoing in Tonga in the areas of education and transport, totaling US\$6.4 million.

37. The CPS proposed a combination of IDA (IDA15 and IDA16) and trust funds to support the WBG program for a total financing range of about US\$50 million. The program comprised two Development Policy Series over FY12-FY13 for US\$5 million each, an Energy Sector DPO in FY11 (US\$5 million), and Energy Roadmap Investment project in FY11 (US\$5 million), the Niuaus Tsunami Reconstruction project in FY11 (US\$5 million), a Broadband Connectivity project in FY11 (US\$10 million), and an Adaptation/Infrastructure project (US\$3 million). Trust fund activities would support transport (road maintenance) project in FY11 (US\$9.3 million) and the energy roadmap investment in FY11 (US\$3 million).



38. Approved projects for US\$82 million were significantly higher than the program baseline reflecting some unplanned projects, such as the Economic Reform Support Operation for US\$5 million in FY14, a Pacific Aviation Investment project in FY12 for US\$27.2 million and a Cyclone Reconstruction project—in FY14 for 12 million. The unplanned projects supported existing program areas and reflected the Bank’s response to unforeseen climate events in Tonga.

39. The Tonga portfolio showed a significantly higher risk than the EAP Region and Bank wide portfolios. During FY11-16, the Tonga portfolio had about 40 percent of the projects at risk compared to 18 percent for the EAP Region and 20 percent Bank-wide. On a commitment basis the Tonga portfolio showed a lower risk, with 36 percent of the commitments at risk compared to 14 percent for the EAP region and 18 percent Bank-wide. IEG reviewed the ICRs of five projects that closed during the FY11-FY16 period and rated four of them as moderately satisfactory or satisfactory. An education project was rated unsatisfactory. With respect to active projects, management assessments report that all eight projects were making satisfactory progress towards achieving their development objectives.

#### Analytic and Advisory Activities and Services

40. The program proposed analytical work and technical assistance in support of the policy operations (expenditure review), energy, broadband connectivity, education, and health. Most of the analytical work done was on expenditure issues in support of the development policy operations, and the Bank also provided technical assistance on renewable energy development (FY11) in support of financing to reform the energy sector.

#### Results Framework

41. The results framework could have been more focused in terms of targeted outcomes for a country the size of Tonga. Moreover, targeted outcomes were not always backed up by appropriate indicators, and in several instances indicators lacked baseline or quantitative targets, or could be verified. The inclusion of an education objective in the area of resilience against shocks is counterintuitive. Overall, the results framework was a useful tool to prepare an ex-post assessment of the program.

#### Partnerships and Development Partner Coordination

42. The results framework identifies donor partners for each of the areas of Bank intervention, but the CLR does not discuss how these partnerships evolved during program implementation. The IMF in its latest Article IV consultation (2015) report notes an ongoing dialogue between the IMF and WBG on a range of macroeconomic and structural issues, with WBG staff participating in IMF Article IV consultations, sharing economic updates which are essential for ongoing WBG budget support, and collaborating on public expenditure management, analytical work on public expenditure, the medium-term macro-framework, and general structural fiscal issues.

#### Safeguards and Fiduciary Issues

43. IEG is not aware of significant safeguards in the Bank portfolio, and appropriate mitigation was adopted where needed, such as on an education and a catastrophic risk projects.

44. There were fiduciary issues—eventually dealt with—in a regional project in the aviation sector.

#### Ownership and Flexibility

45. An important condition for success of this program—especially in view of the planned policy operations underpinning important outcomes of the program and overall ambitiousness—was government commitment to reforms in the areas of Bank interventions. The CLR does not discuss government commitment but results on the ground reflect a commitment to policy reform that is unusual in the Pacific Islands.



#### WBG Internal Cooperation

46. IFC was a Bank partner with advisory services in tourism and finance, particularly expanding access to the whole population. The cooperation was satisfactory, especially in the ICT sector, according to the CLR.

#### Risk Identification and Mitigation

47. Risks to the program were considered moderate and centered on a volatile economy subject to shocks and the sustainability of reform efforts. The main mitigation involved more extensive analysis to underpin a coordinated donor dialogue with the authorities on reform. Implementation risks typical of a capacity-constrained small island would be mitigated through capacity building support and an increase in the scope for private sector engagement which has proven elsewhere to be a successful way of overcoming constraints on government service delivery in small states. The CLR does not discuss in any detail how—if in any tangible way—risks materialized, or how the WBG coordinated donor dialogue on economic reform. The challenge of capacity constraints did not hurt implementation of the program in a visible way, and—in contrast with the other Pacific Islands—targeted program outcomes were generally achieved. This reflected to a large extent government ownership and commitment to reforms in macroeconomic management, fiscal policy, and energy development.

#### Overall Assessment and Rating

48. IEG rates WBG performance as *Good*. The CPS areas of involvement and objectives aligned well with the country development goals, and were appropriate to pursue the WBG's corporate goals. As in Samoa, the use of DPOs was appropriate given Tonga's relative familiarity with the Bank compared with other island countries and its commitment to reform in some areas, such as macroeconomic management, fiscal policy, and energy development. Analytical work focused around a public expenditure review designed to provide a basis for a coordinated engagement with the government to underpin potential future budget support. The program was complex, with nineteen outcomes in a program for a country the size of Tonga. The inclusion of an education objective in the area of resilience against shocks is counterintuitive. On balance, the results framework was a useful tool to prepare an ex-post assessment of the program. Risks to the program were considered moderate and centered on a volatile economy subject to shocks and the sustainability of reform efforts. The CLR does not discuss in any detail how—if in any tangible way—risks materialized, or how the WBG coordinated donor dialogue on economic reform. In contrast with the other Pacific Islands targeted program outcomes were generally achieved, mostly owing to government commitment to the areas or reform. Cooperation with IFC—especially in the ICT sector—was satisfactory according to the CLR. Cooperation with the IMF was extensive, including the sharing of economic updates which are essential for ongoing WBG budget support, and collaborating on public expenditure management, analytical work on public expenditure, the medium-term macro-framework, and general structural fiscal issues.

### **7. Assessment of CLR Completion Report**

49. The CLR was fairly candid in reporting the results according to the CAS results framework. It would have been useful though, to find a discussion of coordination with other development partners on policy reform and on internal WBG cooperation.

### **8. Findings and Lessons**

50. Please refer to general lessons and issues for the next strategy under Section F of the Overview.





**Annex Table 1: Summary of Achievements of CPS Objectives - TONGA**

**Annex Table 2: Tonga Planned and Actual Lending, FY11-FY14**

**Annex Table 3: Analytical and Advisory Work for Tonga, FY11-FY14**

**Annex Table 4: Tonga Grants and Trust Funds Active in FY11-FY14**

**Annex Table 5 IEG Project Ratings for Tonga, FY11-FY14**

**Annex Table 6: IEG Project Ratings for Tonga and Comparators, FY11-FY14**

**Annex Table 7: Portfolio Status for Tonga and Comparators, FY11-FY14**

**Annex Table 8: Disbursement Ratio for Tonga, FY11-FY14**

**Annex Table 9: Net Disbursement and Charges for Tonga, FY11-FY14**

**Annex Table 10: Total Net Disbursements of Official Development Assistance and Official Aid for Tonga**

**Annex Table 11: Economic and Social Indicators for Tonga**





**Annex Table 1: Summary of Achievements of CPS Objectives - TONGA<sup>48</sup> (Development outcome: Satisfactory)<sup>49</sup>**

	CAS FY12-FY15 – Focus Area 1: Accelerating Economic Reform to Strengthen Fiscal Stability and Public Expenditure Effectiveness ( <i>Satisfactory</i> )	Actual Results	IEG Comments
<b>Major Outcome Measures</b>	<b>CPS Objective 1: Sustainable Fiscal Policy Framework (<i>Achieved</i>)</b>		
	<u>Outcome 1: Budget revenue estimates to be improved, including through better data systems</u>	Progress for this Outcome was supported by the Tonga Economic Recovery Operations I (P126453, FY11) and II (P130824, FY12) and the First Economic Reform Support Operation (P144601, FY13). The <a href="#">ICR</a> (S) for the First and Second Economic Recovery Operations reports on progress for the credibility of budget at “the level of disaggregated <i>expenditure</i> ” (baseline was around 10-15% in FY 07/08 and reached 4.5% in FY11/12 and 3.4% in FY12/13). However, the ICR does not report information at <i>revenue</i> level. Likewise, the <a href="#">ICRR</a> (MS) of the Second Economic Recovery Operation reports on improvement on the credibility of the budget for disaggregated <i>expenditure</i> —the milestone is the “composition of the expenditure outturn relative to the approved budget”. <b>Progress is not verified.</b>	<b>Discrepancy with the DPO objectives:</b> one of the outcomes for the 1 <sup>st</sup> and 2 <sup>nd</sup> Phases of the DPO was the following: “the budget is credible at the level of disaggregated <i>expenditure</i> ” while Outcome 1 in the CPS relates to <i>revenues</i> .  The CLR reports that the strengthening of fiscal management was supported by various analytical works. No supporting document was found to validate the contribution of the Tonga Macro-Fiscal Analysis and of the Medium-Term Expenditure Mapping ( <a href="#">P127973</a> ). However, a <a href="#">Public Debt Management Reform Plan</a> was prepared in May 2013 (supported by the Tonga Reform Plan, P133609).
	<u>Outcome 2: Debt management system functioning with new external assistance on grant or concessional terms only</u>	Progress for this Outcome was supported by the Tonga Economic Recovery Operations I (P126453, FY11) and II (P130824, FY12) and the First Economic Reform Support Operation (P144601, FY13). The <a href="#">ICRR</a> (MS) of the Second Economic Recovery Operation reports that the strengthening of the public financial management system was substantially achieved, considering the government’s performance on the Public Expenditure and Financial Accountability (PEFA) milestone. However, since no concessional loan was approved during the CAS period, <b>the information cannot be verified.</b>	The CLR-RF reports that no new concessional loan was approved during the CAS period.

<sup>48</sup> No PLR was prepared for this CAS. Milestones are called “Milestones” in the CAS.

<sup>49</sup> IEG ratings.



	<p><b>CAS FY12-FY15 – Focus Area 1: Accelerating Economic Reform to Strengthen Fiscal Stability and Public Expenditure Effectiveness (Satisfactory)</b></p>	<p><b>Actual Results</b></p>	<p><b>IEG Comments</b></p>
	<p><u>Outcome 3: Quality of PFM systems improved as reflected in improved PEFA scores – particularly in audit - from 2010 baseline</u></p> <p>Baseline: not reported Target: 0-5% in FY11-13</p> <p>Milestone 1: Joint public expenditure review completed identifying options for improved expenditure management</p> <p>Milestone 2: Strengthened dialogue between donors and Government on economic and PFM reforms linked to budget support</p> <p>Milestone 3: New procurement regulations consistent with WB/ADB advice to be gazetted and in force in 2010</p> <p>Milestone 4: Treasury Instructions to Line Ministries issued</p>	<p>Progress for this Outcome was supported by the Tonga Economic Recovery Operations I (P126453, FY11) and II (P130824, FY12) and the First Economic Reform Support Operation (P144601, FY13). The <a href="#">ICRR</a> (MS) of the Second Economic Recovery Operation reports that public financial management (PFM) was strengthened, thanks to improvement in the PEFA score (the target of 0-5% in FY11/12 and FY 12/13 was achieved (4.5% in FY 11/12 and 3.4% in FY 12/13). The <a href="#">2015 IMF Article IV Consultation</a> also reported progress on the PEFA, in improving weak PFM areas, compared to 2010. <b>The target was achieved.</b></p> <p>Milestone 1: The <a href="#">ICRR</a> (S) of the Energy DPO (P121877) reports on the Bank’s engagement in a joint PER and a <a href="#">joint PER</a> was prepared in 2012. <b>Target was achieved.</b></p> <p>Milestone 2: The <a href="#">ICRR</a> (S) of the Energy DPO (P121877) reports that the budget support and reforms launched by the country helped the government to mobilize contributions from the donor community. The strengthening of the policy dialogue is also reported in the <a href="#">ICRR</a> (MS) of the Second Economic Recovery Operation. <b>Target was achieved.</b></p> <p>Milestone 3: The <a href="#">ICRR</a> (S) of the Energy Development Policy Operation (P121877) reports that new public procurement regulations were adopted by the Government and were designed to help ensure more accountability and transparency. <b>Target was achieved.</b></p> <p>Milestone 4: The <a href="#">ICRR</a> (S) of the Energy DPO(P121877) reports that the Ministry of Finance had issued treasury</p>	<p>The CLR-RF reports the contribution of a TA in support of the First Economic Recovery DPO although it is not clear which project (no PID) this refers to given that various TA are mentioned in the CLR-RF. Likewise, no supporting document was found to validate the contribution of the Medium-Term Expenditure Mapping (<a href="#">P127973</a>).</p> <p>The Energy Development Policy Operation (P121877, FY11) also contributed to Outcome 3; the <a href="#">ICRR</a> (S) reports that new public procurement regulations were adopted by the Government (the achievement of this objective was rated High).</p>



	<b>CAS FY12-FY15 – Focus Area 1: Accelerating Economic Reform to Strengthen Fiscal Stability and Public Expenditure Effectiveness</b> <i>(Satisfactory)</i>	<b>Actual Results</b>	<b>IEG Comments</b>
		instructions to the line ministries. <b>Target was achieved.</b>	

	<b>CPS FY12-FY15 – CPS Focus Area 2: Generating opportunities through greater global and regional integration</b> <i>(Satisfactory)</i>	<b>Actual Results</b>	<b>IEG Comments</b>
<b>Major Outcome Measures</b>	<b>CPS objective 2: Improved connectivity to provide opportunities for growth</b> <i>(Achieved)</i>		
	<u>Outcome 1: Internet use to increase from 15% to 40% of the population</u>  Baseline: internet n the population: 15% Target: internet use the population: 40%  Milestone 1: Fiber optic cable linking Tonga with trans-Pacific cables	Progress for this outcome was supported by the Pacific Regional Connectivity Program (P113184, FY12). The <a href="#">ISR</a> (S) prepared after the end of the CAS period (September 2014), reports that access to internet services has increased from 1% to 22% people (the target was 25% in the ISR). <b>The target was partially achieved.</b>  Milestone 1: The <a href="#">ISR</a> (S) prepared just after the end of the CAS period (September 2014) reports that the end target related to the optic network built was achieved (827km).	<b>IEG comment:</b> the most recent <a href="#">ISR</a> (S), after the end of the CAS period, for project P113184, reports that the target was exceeded, with 44% of the population having access to internet services in March 2016.
	<u>Outcome 2: Wholesale Connectivity (bandwidth) costs to be reduced from \$3,500 megabits per second per month to \$800 Mbps/month or lower, flowing through to reduced retail internet and telecoms costs</u>  Baseline: \$3,500 megabit/second/month Target: <\$ 800 megabit/second/month	Progress for this outcome was supported by the Pacific Regional Connectivity Program (P113184, FY12). The <a href="#">ISR</a> (S) prepared after the end of the CAS period (September 2014), reports that the price of wholesale international capacity link decreased from USD 3,6000 to USD 450. <b>The target was achieved.</b>	
	<u>Outcome 3: Regulatory environment that allows competition with equal access by all market players to buy international bandwidth on a fair and</u>	Progress for this outcome was supported by the Pacific Regional Connectivity Program (P113184, FY12). The <a href="#">ISR</a> (S) prepared after the end of the CAS period (September 2014), reports that the number of ICT service providers increased from 2 to 5 (end	



CPS FY12-FY15 – CPS Focus Area 2: Generating opportunities through greater global and regional integration ( <i>Satisfactory</i> )	Actual Results	IEG Comments
<u>transparent basis at the cable landing station</u>	target was 4) and that one more license was being processed. <b>Target was achieved.</b>	
<b>CPS Objective 3: Strengthened business environment (<i>Achieved</i>)</b>		
<p><u>Outcome 1: Improved business environment, as reflected in <i>Doing Business</i> milestones</u></p> <p>Milestone 1: Ability to use personal property as collateral for access to finance is improved</p> <p>Milestone 2: Establishment of a credit bureau to improve access to finance</p>	<p>Progress for this Outcome was supported by the Tonga Economic Recovery Operations I (P126453, FY11) and II (P130824, FY12) and the First Economic Reform Support Operation (P144601, FY13). The <a href="#">ICRR</a> (MS) of the Second Economic Recovery Operation reports a 17% decrease in the cost of a business and the <a href="#">ICR</a> (S) for the First and Second Economic Recovery Operations reports that a presumptive tax for small businesses had been agreed by the Cabinet. Tonga's ranking in <i>Doing Business</i> improved from 71/183 in <a href="#">2011</a> to 69/189 in <a href="#">2015</a>. <b>The target is achieved.</b></p> <p>Milestone 1: No information related to this milestone was reported in the reviewed documents. <b>Progress is not verified.</b></p> <p>Milestone 2: <i>Doing Business</i> for <a href="#">2015</a> reports that a credit bureau is established and that it covers about 12% of the adult population. <b>The target was achieved.</b></p>	<p><b>IEG comment:</b> since then, Tonga's ranking has slipped to an overall rank of 85/190 in the <a href="#">2017 edition</a> of <i>Doing Business</i>.</p>
<u>Outcome 2: Reduced cost of connectivity translating into reduced business transaction costs</u>	<p>Progress for this outcome was supported by the Pacific Regional Connectivity Program (P113184, FY12). The <a href="#">ISR</a> (S) prepared after the end of the CAS period (September 2014), reports that the price of wholesale international capacity link decreased from USD 3,6000 to USD 450. In addition, the cost of the average minute of international call decreased from USD 0.35 to 0.13 by April 2014 (the target was USD 0.25) and the retail price of internet services (per Mbps/month) decreased from USD 776</p>	



	<b>CPS FY12-FY15 – CPS Focus Area 2: Generating opportunities through greater global and regional integration</b> <i>(Satisfactory)</i>	<b>Actual Results</b>	<b>IEG Comments</b>
		to USD 320 by April 2014 (the target was USD 300). <b>The target was achieved.</b>	
	<p><u>Outcome 3: Reduced number of procedures for obtaining a business license</u></p> <p>Milestone 1: Investment approvals process is simplified and made more transparent, including licensing systems for business operations</p>	<p>Progress for this Outcome was supported by the Tonga Economic Recovery Operations I (P126453, FY11) and II (P130824, FY12) and the First Economic Reform Support Operation (P144601, FY13). The <a href="#">ICRR</a> (MS) of the Second Economic Recovery Operation reports that license processing times have been reduced and that firms have been allowed to operate with only a single business license. <b>The target was achieved.</b></p> <p>Milestone 1: <b>Achieved.</b></p>	

	<b>CAS FY12-FY15 – Focus Area 3: Building resilience against shocks</b> <i>(Moderately Satisfactory)</i>	<b>Actual Results</b>	<b>IEG Comments</b>
<b>Major Outcome Measures</b>	<b>CPS Objective 4: Reducing reliance on price volatile imported fuel and increasing affordability of energy</b> <i>(Partially Achieved)</i>		
	<u>Outcome 1: Improve petroleum supply chain to reduce price and volatility of energy supply</u>	Progress for this outcome was supported by the Energy Development Policy Operation (P121877, FY11) and the Tonga Economic Recovery Operations I (P126453, FY11) and II (P130824, FY12). The <a href="#">ICRR</a> (MS) of the Second Economic Recovery Operation reports that petroleum prices were revised (from a retailers' margin set on a <i>percentage-of-cost</i> basis to a margin set on a <i>per-liter</i> basis) and that energy prices better reflected the costs of supply. <b>The target was achieved.</b>	
	<u>Outcome 2: Increase efficiency of grid power system, including reducing</u>	Progress for this outcome was supported by the Energy Development Policy Operation (P121877, FY11) and	



	<p><b>CAS FY12-FY15 – Focus Area 3: Building resilience against shocks</b> (<i>Moderately Satisfactory</i>)</p>	<p><b>Actual Results</b></p>	<p><b>IEG Comments</b></p>
	<p><u>technical and non-technical losses from 17.5% on Tongatapu grid</u></p> <p>Milestone 1: Open electricity generation market to new private investment, with 4 new private investments by 2013</p> <p>Milestone 2: Landfill gas IPP implemented</p> <p>Milestone 3: Proof of concept coconut oil investment initiated</p>	<p>the Tonga Economic Recovery Operations I (P126453, FY11) and II (P130824, FY12). The CLR-RF reports losses reduced to 13% for 2015; this is after the end of the CAS period. However, <a href="#">Management: S</a> for project P121877 and <a href="#">Management: S</a> for projects P126453 and P130824 do not report on increased in grid efficiency. <b>Progress is not verified.</b></p> <p>Milestone 1: The <a href="#">ICRR</a> (S) of project P121877 reports that transactions involving private sector participation in the energy sector were handled transparently. However, no document reports that 4 new private investments were made. <b>Progress is not verified.</b></p> <p>Milestone 2: No project's document reports progress on that outcome. <b>Progress is not verified.</b></p> <p>Milestone 3: No project's document reports progress on that outcome. <b>Progress is not verified.</b></p>	
	<p><u>Outcome 3: Increase renewable energy for grid power to 20% by 2014</u></p> <p>Milestone 1: 1 MW on-grid solar PV generation capacity to be introduced</p>	<p>Progress for this outcome was supported by the Energy Development Policy Operation (P121877, FY11) and the Tonga Economic Recovery Operations I (P126453, FY11) and II (P130824, FY12). The <a href="#">ICRR</a> (S) of the Second Economic Recovery Operation reports that the renewable energy generation capacity has been increased but that it cannot be attributed to the Bank's program while the CLR reported a 6% increase. <b>The target was not achieved.</b></p> <p>Milestone 1: The <a href="#">ICR</a> (S) for the Tonga Economic Recovery Operations I and II reports that a 1MW solar plant is functioning, in Nuku'alofa. The <a href="#">ICRR</a> (S) of the Second Economic Recovery Operation reports that it cannot be attributed to the Bank's operation.</p>	<p><b>IEG comment:</b> The ASA <a href="#">Tonga Renewable Energy Development</a> (P116305) provided advisory services on renewables resources on the grid system.</p>



CAS FY12-FY15 – Focus Area 3: Building resilience against shocks ( <i>Moderately Satisfactory</i> )	Actual Results	IEG Comments
<b>CPS Objective 5: Improve transport infrastructure and provide countercyclical employment opportunities</b> ( <i>Mostly Achieved</i> )		
<u>Outcome 1: Consolidate MOT as unified transport sector policy, planning and regulatory ministry</u>	Progress for this outcome was supported by the Transport Sector Consolidation Project (P096931), FY09 and by the Pacific Aviation Investment (P128939, FY12). The last <a href="#">ISR</a> (S) of the CAS period of project P096931 reported that the Ministry of Infrastructure has been established and is clearly responsible for land transport activities (May 2014) - compared to the existence of nine separate entities with some transport sector functions (baseline). The needs of staffing for road network supervision were in the process of being defined (see also the last <a href="#">ISR</a> : S). <b>The target has been achieved.</b>	
<u>Outcome 2: Improve civil aviation and maritime sector compliance with international safety standards</u>	Progress for this outcome was supported by the Transport Sector Consolidation Project (P096931, FY09); the Pacific Aviation Investment (P128939, FY12) and the Pacific Aviation Safety Office Reform project (P145057, FY13). The last <a href="#">ISR</a> (S) of the CAS period for project P096931 reported that a maritime needs assessment has been completed and that the navigational aids have been installed (May 2014) and by October 2014 ( <a href="#">ISR</a> : S) safety works and port infrastructure improvement had been completed. The last <a href="#">ISR</a> (S) of the CAS period for project P128939, reported that only Fua'amotu airport has been certified with air systems modernized (Vava'u had not). The last <a href="#">ISR</a> (S) of the CAS period (June 2014) for project P145057 did not report progress on the annual work plan implementation for Tonga. <b>Mostly achieved.</b>	



	<b>CAS FY12-FY15 – Focus Area 3: Building resilience against shocks</b> ( <i>Moderately Satisfactory</i> )	<b>Actual Results</b>	<b>IEG Comments</b>
	<p>Milestone 1: ICAO compliance levels to improve from 48-56% to 80%</p> <p>Baseline: 48-56% compliant Target: 80% compliant</p>	<p>The last <a href="#">ISR</a> (S) of the CAS period of project P096931 reported that the ICAO certification for Fua'amotu were achieved by 2008. The last <a href="#">ISR</a> (S) of the CAS period for project P128939, reported that the State requirements for safety and security did not reach global ICAO average. <b>The target is partially achieved.</b></p>	<p><b>IEG comment:</b> the ICR for project P096931 does not quantify the level of compliance</p>
	<p><u>Outcome 3: Strengthened domestic private sector road maintenance Capacity</u></p> <p>Milestone 1: 75 km of roads designed, supervised and maintained by local Tongan companies</p>	<p>Progress for this outcome was supported by the Transport Sector Consolidation Project (P096931, FY09). The last <a href="#">ISR</a> (S) of the CAS period reported that the road maintenance works went from being done by international contractors of the public sector to Tongan companies. <b>The target was achieved.</b></p> <p>The last <a href="#">ISR</a> (S) of the CAS period for project P096931 reported that 15km of periodic and 462km of routine maintenance had been completed for Year 1 and that 10 km of periodic and 462km of routine maintenance had been awarded for Year 2. <b>Target not achieved.</b></p>	<p><b>Unclear target:</b> the most recent <a href="#">ISR</a> (for February 2016, after the end of the CAS period) indicates that the end target for the number of km of roads under regular maintenance is 462, not 75.</p>
<p><b>CPS Objective 6: Improved resilience to natural disasters</b> (<i>Mostly Achieved</i>)</p>			
	<p><u>Outcome 1: Niuatoputapu reconstruction</u></p>	<p>Progress for this outcome was supported by the Post-Tsunami Reconstruction Project (P120595, FY11). The <a href="#">ICRR</a> (MS) reports that evidence about the recovery of the living standards of the victims of the tsunami was not provided by the ICR. The <a href="#">ICR</a> (MS) reports that 54 different buildings were retrofitted (see below) and that sanitation and water supplies have been provided for the newly constructed houses and that new sealed access roads have been built for the new houses.</p> <p>Milestone 1: The <a href="#">ICRR</a> (MS) reports that 73 houses were constructed, out of</p>	



	<b>CAS FY12-FY15 – Focus Area 3: Building resilience against shocks</b> <i>(Moderately Satisfactory)</i>	<b>Actual Results</b>	<b>IEG Comments</b>
	<p>Milestone 1: Construction of 85 cyclone resistant houses, and rehabilitation of 60 houses</p>	<p>an initial target of 85 houses that was later modified to 73 and that the information is scant regarding the location of these houses to avoid areas prone to disasters. The <a href="#">ICR</a> reports that 54 buildings were retrofitted (the initial target was 40 and reviewed to 54); including 38 residential houses, 7 community halls and 9 commercial buildings. In addition, the ICR reports that the project houses are designed to be cyclone resistant (as reported in the <a href="#">ICRR</a>). <b>The target is mostly achieved.</b></p>	
	<p><u>Outcome 2: Improved national disaster management and planning Capacity</u></p> <p>Milestone 1: Institutional strengthening of Ministry of Land Survey and Natural Resources and preparation of community disaster risk management plans</p>	<p>Progress for this outcome was supported by the Post-Tsunami Reconstruction Project (P120595, FY11) and by Tonga Cyclone Reconstruction and Climate Resilience Project (P150113, FY14). The <a href="#">ICRR</a> (MS) for project P120595 reports that the project did not have performance milestones to measure the achievement of this objective (rated as modest). Likewise, the <a href="#">ICR</a> stated that “it is impossible to measure if Tonga will have a stronger capacity to respond effectively”. <b>Progress it not verified.</b></p> <p>Milestone 1: See above. In addition, the <a href="#">ICRR</a> (MS) for the project P120595 reported that the national risk management and planning “could not make full use of the equipment and training provided by the project”. However, the ICRR reported that hazard risk information was more available and accessible to the populations and that community awareness and preparedness for disasters increased. <b>Not verified.</b></p>	
<p><b>CPS Objective 7: Improved education outcomes</b> <i>(Partially Achieved)</i></p>			
	<p><u>Outcome 1: Net enrolment, dropout, retention rates and student test performance</u></p>	<p>Progress for this Outcome was supported by the Tonga Education Support Project (P079657, FY06). The <a href="#">ICRR</a> (U) reports a negligible rating for</p>	<p><b>Mention of AAA:</b> the CLR-RF reports that the ASA Early Grade Reading Assessment in the Pacific Region (<a href="#">P118877</a>), approved in March 2013</p>



	<p><b>CAS FY12-FY15 – Focus Area 3: Building resilience against shocks</b> (<i>Moderately Satisfactory</i>)</p>	<p><b>Actual Results</b></p>	<p><b>IEG Comments</b></p>
	<p><u>improved from 2005 baselines.</u></p> <p>Milestone 1: School grants program operational, with all schools receiving grants on schedule</p> <p>Milestone 2: School rehabilitation completed at 20 most needy sites</p>	<p>the outcome related to producing an upward trend in educational outcome, for primary and secondary education. It reports that the gross primary enrollment rate increased from 78% to 100% between 2005 to project closure; that all the school's principals reported improvement in learning although no evidence was presented in the ICR and that "the attribution of any improvement in primary education learning outcomes to this operation would be weak because of the limited information on the extent to which quality improvements were actually achieved". Likewise, although the repetition rate decreased from 19% to 5% and the transition rate (from Class 6 to Form 1 – primary to secondary) increased from 58% to 70% between 2005 and 2010, the ICRR states that "there are many factors that could be responsible for such results, and it is not possible to gauge their degree of attribution to the project". However, the rest of the target was not met. <b>Progress cannot be attributed to the Bank's contribution.</b></p> <p>Milestone 1: The <a href="#">ICRR</a> (U) for the Education Support Project reports that the school grand program was designed and that since 2007, 151 schools received grants under the program – the ICR did not indicate the share of schools that received grants. <b>Target was met.</b></p> <p>Milestone 2: The <a href="#">ICRR</a> (U) for the Education Support Project reports that small works projects were completed in 29 schools that were selected based on a prioritized need assessment. <b>Target was met.</b></p>	<p>contributed to progress to Outcome 18. However, no final report was available to validate this support although the information presented in the "Lessons Learnt" section of the project, on the Operations Portal, suggest that the ASA supported knowledge generation.</p> <p><b>IEG comment:</b> The ICR for project P079657 did not report the rates of enrollment, repetition, dropout, and transition rates for secondary schools (ICRR).</p>
	<p><u>Outcome 2: Increase local participation and accountability through introducing school based</u></p>	<p>Progress for this Outcome was supported by the Tonga Education Support Project (P079657, FY06). The <a href="#">ICRR</a> (U) reports that 100% of the</p>	



	<b>CAS FY12-FY15 – Focus Area 3: Building resilience against shocks</b> ( <i>Moderately Satisfactory</i> )	<b>Actual Results</b>	<b>IEG Comments</b>
	<u>management, with schools engaging communities in planning, budgeting, and results assessment</u>	schools are reported to have “substantively engaged their communities in school planning, budgeting and results assessment” although “parents contributed ideas to the budget in only one quarter of the schools, and that in only one case were parents’ recommendations related directly to teaching and learning”. <b>Mostly achieved.</b>	



**Annex Table 2: Tonga Planned and Actual Lending, FY11-FY14**

Project ID	Project Name	Proposed FY	Approved FY	Closing FY	Proposed Amount	Approved IDA Amount	Outcome Rating	Remark
<b>Project Planned Under CPS/CSPSR period</b>								
P121877	Tonga Energy Develop. Policy Operation	2011	2011	2011	5.0	5.0	NR	
P131250	Institutional and Regulatory Framework	2011	2012	2017	5.0	0.0	LIR: MS	
P120595	Tonga Post Tsunami Reconstruction	2011	2011	2014	5.0	5.0	IEG: MS	
P113184	Pacific Regional Connectivity Program	2011	2012	2019	10.0	17.2	LIR: S	
P126453	Economic Recovery Operation	2012	2012	2012	5.0	9.0	LIR: S	
P130824	Economic Recovery Operation II	2013	2013	2013	5.0	1.8	IEG: MS	
DROPPED	Transport Sector Follow-up	2014			3.0			DROPPED
	<b>Total Planned</b>				<b>38.0</b>	<b>38.0</b>		
<b>Project Unplanned Under CPS/CSPSR period</b>								
P144601	First Economic Reform Support Operation		2014	2014		5.0	LIR: S	
P128939	Pacific Aviation Investment - Tonga		2012	2019		27.2	LIR: S	
P150113	Tonga Cyclone Reconstruction		2014	2018		12.0	LIR: MS	
	<b>Total Unplanned</b>					<b>44.2</b>		
<b>On-Going Project during the CPS/CSPSR period</b>								
P079657	TO-Tonga Education Support Project		2005	2011		1.0	NR	
P096931	TO-Transport Sector Consolidation		2009	2018		5.4	LIR: S	
	<b>Total On-going</b>					<b>6.4</b>		



**Annex Table 3: Analytical and Advisory Work for Tonga, FY11-FY14**

Country	Proj ID	Economic and Sector Work	Fiscal year	Output Type
	<b>Proj ID</b>	<b>Technical Assistance</b>	<b>Fiscal year</b>	<b>Output Type</b>
Tonga	P116305	TONGA Renewable Energy Development	FY11	Not assigned
Tonga	P127973	Medium Term Expenditure Mapping	FY12	Not assigned
Tonga	P154507	Aggregate Public Sector Pay Management	FY16	Not assigned

Source: WB Business Intelligence 10/17/16

**Annex Table 4: Tonga Grants and Trust Funds Active in FY11-FY14**

Countries	Project ID	Project name	TF ID	Approval FY	Closing FY	Approved Amount	Outcome Rating
Tonga	P156334	Pacific Resilience Program	TF A0900	2015	2021	4,579,452	
Tonga	P154840	Pacific Resilience Program	TF A1232	2015	2020	1,500,000	
Tonga	P133255	Pacific catastrophe risk insurance pilot program	TF 18143	2015	2016	250,000	
Tonga	P150113	Tonga Cyclone Ian Reconstruction and Climate Resilience Project	TF 17580	2014	2017	1,800,000	
Tonga	P131250	Institutional and Regulatory Framework Strengthening Project	TF 12699	2013	2017	2,500,000	
Tonga	P131250	Institutional and Regulatory Framework Strengthening Project	TF 12318	2013	2017	400,000	
Tonga	P113184	Pacific Regional Connectivity Program	TF 99368	2012	2019	500,000	
Tonga	P125086	Improved Proj Management Procedures & Opportunities for Environmentally & Socially Sustainable Procurement on Transport Inves. Projs	TF 99429	2012	2015	200,000	
Tonga	P096931	Tonga Transport Sector Consolidation Project	TF 99585	2012	2018	10,300,000	LIR: S
Tonga	P079657	Tonga Education Support Project	TF 54014	2006	2011	3,818,000	
		<b>Total</b>				<b>25,847,452</b>	

Source: Client Connection as of 10/17/16

\*\* IEG Validates RETF that are 5M and above



**Annex Table 5 IEG Project Ratings for Tonga, FY11-FY14**

Exit FY	Country	Proj ID	Project name	Total Evaluated (\$M)	IEG Outcome	IEG Risk to DO
2011	Tonga	P079657	TO-Tonga Education Support Project	1.0	UNSATISFACTORY	SIGNIFICANT
2014	Tonga	P120595	Tonga Post Tsunami Reconstruction	5.1	MODERATELY SATISFACTORY	MODERATE
2011	Tonga	P121877	Tonga Energy Develop. Policy Operation	5.2	SATISFACTORY	NEGLIGIBLE TO LOW
2012	Tonga	P126453	Economic Recovery Operation	8.9	MODERATELY SATISFACTORY	SIGNIFICANT
2013	Tonga	P130824	Economic Recovery Operation II	1.8	MODERATELY SATISFACTORY	SIGNIFICANT
<b>Total</b>				<b>22.0</b>		

Source: AO Key IEG Ratings as of 10/17/16

**Annex Table 6: IEG Project Ratings for Tonga and Comparators, FY11-FY14**

Region	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	RDO % Moderate or Lower Sat (\$)	RDO % Moderate or Lower Sat (No)
Tonga	22.1	5	95.5	80.0	46.8	40.0
EAP	20,830.1	230	79.1	72.5	73.1	61.1
World	120,815.0	1,418	82.1	71.3	62.1	48.9

Source: WB AO as of 10/17/16

\* With IEG new methodology for evaluating projects, institutional development impact and sustainability are no longer rated separately.



**Annex Table 7: Portfolio Status for Tonga and Comparators, FY11-FY14**

Fiscal year	2011	2012	2013	2014	Ave FY11-14
<b>Tonga</b>					
# Proj	2	2	5	5	4
# Proj At Risk	1	1		1	1
% Proj At Risk	50.0	50.0	-	20.0	30.0
Net Comm Amt	10.4	10.4	57.8	64.8	36
Comm At Risk	5.4	5.4		2.9	5
% Commit at Risk	52.1	52.1		4.5	36.2
<b>EAP</b>					
# Proj	335	357	351	354	349
# Proj At Risk	59	58	66	65	62
% Proj At Risk	17.6	16.2	18.8	18.4	17.8
Net Comm Amt	30,018.4	30,381.1	30,542.3	31,852.5	30,699
Comm At Risk	3,482.7	3,339.1	5,089.2	5,270.3	4,295
% Commit at Risk	11.6	11.0	16.7	16.5	14.0
<b>World</b>					
# Proj	2,059	2,029	1,964	2,048	2,025
# Proj At Risk	382	387	414	412	399
% Proj At Risk	18.6	19.1	21.1	20.1	19.7
Net Comm Amt	171,755.3	173,706.1	176,202.6	192,610.1	178,569
Comm At Risk	23,850.0	24,465.0	40,805.6	40,933.5	32,514
% Commit at Risk	13.9	14.1	23.2	21.3	18.1

Source: WB BI as of 10/17/16



**Annex Table 8: Disbursement Ratio for Tonga, FY11-FY14**

Fiscal Year	2011	2012	2013	2014	Overall Result
<b>Tonga</b>					
Disbursement Ratio (%)	56.5	53.0	25.3	19.6	32.2
Inv Disb in FY	2.6	3.7	11.1	6.5	52.3
Inv Tot Undisb Begin FY	4.6	6.9	43.8	33.3	162.5
<b>EAP</b>					
Disbursement Ratio (%)	20.5	25.9	24.2	22.8	22.3
Inv Disb in FY	2,806.4	3,498.4	2,925.8	2,612.0	16,782.7
Inv Tot Undisb Begin FY	13,682.5	13,495.7	12,113.7	11,467.5	75,130.4
<b>World</b>					
Disbursement Ratio (%)	22.4	20.8	20.6	20.8	20.9
Inv Disb in FY	20,933.4	21,048.2	20,510.7	20,757.7	126,256.6
Inv Tot Undisb Begin FY	93,516.5	101,234.3	99,588.3	99,854.3	603,138.6

\* Calculated as IBRD/IDA Disbursements in FY / Opening Undisbursed Amount at FY. Restricted to Lending Instrument Type = Investment.  
AO disbursement ratio table as of 10/17/16

**Annex Table 9: Net Disbursement and Charges for Tonga, FY11-FY14**

Period	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
FY11	7,806,295.4	173,638.8	7,632,656.5	-	175,585.1	7,457,071.4
FY12	14,492,860.2	174,192.3	14,318,667.9	-	179,979.1	14,138,688.7
FY13	12,892,444.0	297,195.0	12,595,249.0	-	171,972.0	12,423,277.0
FY14	11,763,943.1	423,428.4	11,340,514.7	-	170,130.0	11,170,384.7
<b>Report Total</b>	<b>46,955,542.7</b>	<b>1,068,454.6</b>	<b>45,887,088.1</b>	<b>-</b>	<b>697,666.3</b>	<b>45,189,421.8</b>

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**Annex Table 10: Total Net Disbursements of Official Development Assistance and Official Aid for Tonga**

<b>Development Partners</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Australia	31.36	29.65	31.61	22.92
Canada	0.12	..	..	..
France	..	..	0.09	0.18
Germany	..	..	0.01	..
Japan	18.7	13.3	4.5	17.12
Korea	0.53	0.18	0.25	0.05
New Zealand	14.7	19.19	13.21	15.27
United Kingdom	0.03	0.03	0.03	0.01
United States	1.21	1	1.27	1.13
<b>DAC Countries, Total</b>	<b>66.65</b>	<b>63.35</b>	<b>50.97</b>	<b>56.68</b>
AsDB Special Funds	4.92	1.75	12.59	0.32
Climate Investment Funds [CIF]	..	..	0.49	0.26
EU Institutions [EU]	8.99	0.74	0.61	5.2
Food and Agriculture Organisation [FAO]	..	..	0.3	..
Global Environment Facility [GEF]	0.13	0.08	0.06	0.15
International Bank for Reconstruction and Development [IBRD]	..	..	..	..
International Development Association [IDA]	12.26	6.43	15.16	16.04
IFAD	-0.19	0.18	0.07	0.48
International Finance Corporation [IFC]	..	..	..	..
UNDP	0.19	0.12	0.02	0.18
World Health Organisation [WHO]	0.61	0.61	0.66	0.56
<b>Multilateral, Total</b>	<b>26.91</b>	<b>9.91</b>	<b>29.96</b>	<b>23.19</b>
Israel	0.01	..	..	..
Thailand	..	..	..	..
Turkey	0.04	..	0.01	0.01
United Arab Emirates	..	5	0.2	0.01
<b>Non-DAC Countries, Total</b>	<b>0.05</b>	<b>5</b>	<b>0.21</b>	<b>0.02</b>
<b>Development Partners Total</b>	<b>93.61</b>	<b>78.26</b>	<b>81.14</b>	<b>79.89</b>

Source: OECD Stat, [DAC2a] as of 10/18/16



**Annex Table 11: Economic and Social Indicators for Tonga**

Series Name	2011	2012	2013	2014	Tonga	EAP	World
					Average 2011-2014		
<b>Tonga</b>							
<b>Growth and Inflation</b>							
GDP growth (annual %)	2.0	0.5	(2.7)	2.1	0.5	4.3	2.6
GDP per capita growth (annual %)	1.6	0.2	(3.0)	1.7	0.1	3.6	1.4
GNI per capita, PPP (current international \$)	5,180.0	5,270.0	5,190.0	5,290.0	5,232.5	14,094.5	14,470.8
GNI per capita, Atlas method (current US\$) (Millions)	3,830.0	4,210.0	4,300.0	4,260.0	4,150.0	9,171.8	10,442.0
Inflation, consumer prices (annual %)	6.3	1.2	0.7	2.5	2.7	3.0	3.1
<b>Composition of GDP (%)</b>							
Agriculture, value added (% of GDP)	19.7	19.5	20.7	20.5	20.1	5.5	3.9
Industry, value added (% of GDP)	22.0	21.9	19.4	18.8	20.5	34.9	28.2
Services, etc., value added (% of GDP)	58.3	58.6	59.9	60.7	59.4	59.5	67.9
Gross fixed capital formation (% of GDP)	29.4	33.6	..	..	31.5	31.6	23.2
Gross domestic savings (% of GDP)	4.3	(2.6)	..	..	0.9	33.8	24.5
<b>External Accounts</b>							
Exports of goods and services (% of GDP)	16.8	19.5	21.2	17.8	18.8	32.2	30.3
Imports of goods and services (% of GDP)	49.2	56.1	56.9	53.5	53.9	30.7	29.7
Current account balance (% of GDP)	(19.3)	(8.5)	(7.5)	..	-11.7		
External debt stocks (% of GNI)	42.3	41.9	44.7	44.2	43.3		
Total debt service (% of GNI)	1.3	1.4	1.5	1.5	1.4		
Total reserves in months of imports	5.9	6.4	6.4	..	6.2	15.1	13.2
<b>Fiscal Accounts <sup>1</sup></b>							
General government revenue (% of GDP)	26.863	26.339	26.384	28.078	26.9		
General government total expenditure (% of GDP)	30.485	27.742	26.554	27.713	28.1		
General government net lending/borrowing (% of GDP)	-3.621	-1.404	-0.17	0.364	-1.2		
General government gross debt (% of GDP)							



Series Name	2011	2012	2013	2014	Tonga	EAP	World
					Average 2011-2014		
<b>Health</b>							
Life expectancy at birth, total (years)	72.3	72.5	72.6	72.8	72.6	74.6	71.1
Immunization, DPT (% of children ages 12-23 months)	82.0	77.0	82.0	82.0	80.8	93.0	85.3
Improved sanitation facilities (% of population with access)	91.4	91.3	91.1	91.0	91.2	75.5	66.5
Improved water source (% of population with access)	99.4	99.5	99.5	99.6	99.5	87.9	83.0
Mortality rate, infant (per 1,000 live births)	15.0	15.0	14.9	14.7	14.9	15.6	33.8
<b>Education</b>							
School enrollment, preprimary (% gross)	..	35.5	..	38.5	37.0	66.6	52.8
School enrollment, primary (% gross)	108.7	110.4	109.8	108.1	109.2	116.9	108.2
School enrollment, secondary (% gross)	104.6	91.1	90.6	90.1	94.1	84.7	73.9
<b>Population</b>							
Population, total (Millions)	104,392	104,769	105,139	105,586	104,972	2,249,043,465	7,175,973,009
Population growth (annual %)	0.4	0.4	0.4	0.4	0.4	0.7	1.2
Urban population (% of total)	23.4	23.5	23.6	23.6	23.5	54.8	52.9

Source: DDP as of 10/14/16

\*International Monetary Fund, World Economic Outlook Database, October 2016





<b>1. CAS Data</b>		
<b>Country: Tuvalu</b>		
<b>CAS Year:</b> FY12	<b>CAS Period:</b> FY12 – FY15	
<b>CLR Period:</b> FY12-FY15	<b>Date of this review:</b> [date submitted to CODE]	
<b>2. Ratings</b>		
	<b>CLR Rating</b>	<b>IEG Rating</b>
<b>Development Outcome:</b>	<i>Moderately Satisfactory</i>	<i>Moderately Unsatisfactory</i>
<b>WBG Performance:</b>	<i>Good</i>	<i>Good</i>
<b>3. Executive Summary</b>		
<p>i. Tuvalu is a small, isolated and vulnerable nation. It is classified as an upper middle income country with US\$6,120 per capita GNI in current dollars as of 2013. The country joined the World Bank in June 2010, becoming its smallest member; but it is not a member of IFC and MIGA. According to the 2016 Systematic Country Diagnostic (SCD) for the Pacific Islands, the poverty (income less than US\$3.1 PPP a day) rate is about 18 percent and the extreme poverty (income less than US\$1.9 PPP a day) rate is about 3 percent. Despite universal primary education (99 percent) significant issues of educational quality persist.</p> <p>ii. Like other small, remote economies, Tuvalu’s economic base is undiversified and has experienced volatile economic growth in the five years prior to the CAS period. Tuvalu faces challenges typical to small, remote islands: high dependence on external assistance to finance key development expenditures, precarious fiscal situation, temporary migration, and weak governance.</p> <p>iii. In light of these challenges, the government’s National Strategy for Sustainable Development 2005-15 is underpinned by the strategic objectives of: good governance, economic growth and stability, social development, including in outer islands, private sector development, and developing human capital and natural resources, as well as infrastructure and support services. Reflecting the government’s program, the Bank program focused on: (i) mitigating economic isolation by encouraging regional and global integration, and (ii) building resilience against exogenous shocks.</p> <p>iv. The CAS objectives aligned well with the country development goals as well as with the main themes of EAP’s regional priorities for Pacific Island Countries. It appropriately had two focus areas and five targeted outcomes with a simple design. Progress was made on improving operational safety and oversight of airport infrastructure, although ICAO certification was not obtained as of October 2015; and on strengthening fiscal management and improving the fiscal position. On the objective of creating opportunities for Tuvaluans from overseas temporary labor migration—although the CLR cited progress—IEG could not verify and attribute the progress to any Bank intervention. There was no progress on improving resilience to climate change and natural disasters.</p> <p>v. The results framework was compact and simple, with two focus areas and four objectives, and reflected the country’s development goals, issues and obstacles; outcomes to which WBG expects to contribute, and WBG instruments to support the program’s objectives. Outcome indicators generally reflected the targeted outcomes, but lacked baselines and some of them had no quantified targets. In one instance, an outcome could not be directly attributed to Bank intervention (objective 2), and in another (objective 4), the Bank did not have an intervention to improve</p>		



resilience to climate change and natural disasters.<sup>50</sup> The CAS identified as main risks the limited institutional capacity that could constrain implementation and Tuvalu's vulnerability to external shocks. The CLR notes that drawing on the experience and expertise of Tuvalu's long-term development partners and adapting them to the Bank's own activities was effective in mitigating risks—but it does not discuss in detail how this was done except for a joint policy reform matrix. Another effective mitigating measure was to sequence activities and reforms in areas with manifest momentum. There was no mid-term progress report for the program which could have been an opportunity to reflect changing priorities in the country and address WBG program shortcomings.

#### **4. Strategic Focus**

##### Relevance of the WBG Strategy:

1. **Congruence with Country Context and Country Program.** Tuvalu consists of nine islands with a population estimated at less than 10,500 and a land area of 26 km<sup>2</sup>. About half of the population lives on the main atoll, Funafuti. At its highest point, the country is just 4.5 meters above sea level making it the second lowest-lying nation in the world after Maldives and highly vulnerable to sea level rise. It is estimated that a rise in sea level of 8-16 inches over the next century could submerge the nation entirely. Drinking water is collected primarily from rainwater and stored in tanks. In October 2011 desalination plants and water supplies were airlifted to the country to help alleviate water shortages. Tuvalu is one of the more prosperous Pacific island countries, which belies the sharp differences in income between the main population center (Funafuti atoll) and the less-developed outer islands where formal employment opportunities barely exist.
2. After two consecutive years of decline resulting from the global financial crisis, the economy recovered in 2011, growing by 1.1 percent. According to the 2012 IMF Article IV consultation, the economic recovery was led by an increasingly competitive private retail sector and increased education spending. But fisheries employment, which had not recovered from the financial crisis, was a drag on growth. Inflation, at 0.5 percent in 2011, remained under control as increased retail competition and the strong Australian dollar countered upward commodity price pressures.
3. Reflecting the government's program, the Bank program focused on: (i) mitigating economic isolation by encouraging regional and global integration, and (ii) building resilience against exogenous shocks.
4. **Relevance of Design.** The CPS objectives aligned well with the country development goals as well as with the main themes of EAP's regional priorities for Pacific Island Countries. It appropriately had two focus areas and five targeted outcomes. However, in some instances, there was an issue of attribution: outcomes not directly linked to a Bank intervention or an objective not supported by a Bank intervention.

##### Selectivity

5. The program was selective in terms of both focus areas and targeted outcomes, and addressed important government development priorities.

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<sup>50</sup> The team provided additional information indicating that the aviation project designed Tuvalu's runway with a C130 in mind. These aircraft are normally used for disaster relief. In addition, the infrastructure under this project was designed to withstand cyclones, and provides for enhanced communications through the VSAT satellite communications system. Taken together, all these measures aim to ensure that the key aviation lifeline continues to operate in the event of a natural disaster.



Alignment

6. Program interventions did not address explicitly poverty or shared prosperity. The objectives on greater opportunities for Tuvaluans from overseas temporary labor migration and building resilience could contribute to reduce poverty.

**5. Development Outcome**

Overview of Achievement by Objective:

**Focus Area I: Mitigating Economic Isolation by Encouraging Regional and Global Integration**

7. The two objectives for this area were to: (i) improve operational safety and oversight of critical air transport infrastructure; and (ii) create greater opportunities for Tuvaluans to benefit from overseas temporary labor migration.

**Objective 1: Improve operational safety and oversight of critical air transport infrastructure**

8. The targeted outcome for this objective was to have International Civil Aviation Organization (ICAO) certification of the airport—with implementation of safety levy to cover costs for additional safety and introduction of regional monitoring and communications system.

9. The rehabilitation and safety works were partially executed,<sup>51</sup> but the Funafuti airport had not received ICAO certification as of October 2015. A “safety levy” for each departing passenger was collected starting from April 2015 to cover the costs of additional safety.

10. The Bank intervention for this objective was the Pacific Aviation Investment Program (FY11) and its additional financing (FY13). (*Partially Achieved*)

**Objective 2: Create greater opportunities for Tuvaluans to benefit from overseas temporary labor migration**

11. The two targeted outcomes for the objective were to have 80 Tuvaluan workers participate annually in temporary labor schemes in New Zealand and Australia—to this end, the World Bank, the government, and development partners would provide training to 100 Tuvaluans annually; and increase to 30 percent the share of women participating in these schemes.

12. The CLR reports that as of 2015 there were a total of 92 seasonal workers participating in temporary labor schemes in New Zealand and Australia. The milestone on the training opportunities was met according to the CLR.<sup>52</sup> The share of women in the temporary labor schemes increased marginally since the programs’ inception according to the CLR, but IEG could not verify this information because the Activity Completion Report of the relevant intervention does not provide information on the share of women participating in the programs.

<sup>51</sup> No VSAT (Very-small-aperture terminal) or ADS-B (Automatic Dependent Surveillance-Broadcast) were installed—as envisaged under the program—although the contracts had been signed. The team reports progress in the corresponding investments. In addition, critical investments related to safety have been completed or procured. ICAO certification can only be done once all the investment are completed. The project objective was thus overambitious, and the team anticipates ICAO certification by 2018, after Tuvalu joins the ICAO.

<sup>52</sup> The information provided in the Activity Completion Note of the relevant intervention does not permit IEG to verify the number of seasonal workers participating in temporary labor schemes in New Zealand and Australia.



13. The Bank has been a strong advocate for greater seasonal opportunities across the Pacific as well as in Australia and New Zealand. According to the CCPE, the Bank provided regional advice on preparing workers for migration—including by developing an orientation course for workers—and supported monitoring and evaluation of the program. In the case of Tuvalu, it is unclear how much the Bank contributed directly to the objective of creating greater opportunities for Tuvaluans because the Institutional Strengthening for Labor Migration project was approved in March 2015, toward the end of the CAS period.<sup>53</sup> The team reports that technical assistance in this area was provided over 2012-15. IEG acknowledges the Bank's regional efforts in this area and provision of technical assistance, and hence its contribution to this objective. (*Partially Achieved*)

14. Based on the rating of its objectives IEG rates **Focus Area I** as Moderately Unsatisfactory. Progress was made on improving operational safety and oversight of airport infrastructure (see footnote 2) but ICAO certification was not obtained as of October 2015. On the objective of creating opportunities for Tuvaluans from overseas temporary labor migration, the CLR notes that it is difficult to attribute progress to Bank interventions and IEG could not verify the progress with respect to the indicators that measure the achievement of this objective.

#### **Focus Area II: Building Resilience Against Exogenous Shocks**

15. The two objectives for this area were to strengthen fiscal management and improve the fiscal position, and to improve resilience to climate change and natural disasters.

#### **Objective 3: Strengthen Fiscal Management and Improve the Fiscal Position**

16. The targeted outcome for this objective was to reduce fiscal pressure and improve the economic outlook through a reorientation<sup>54</sup> and rationalization of government expenditure, and an increase in the tax on consumption from 3 percent to 6 percent.

17. The CAS envisaged to turn around a deteriorating fiscal situation that threatened to deplete the Consolidated Investment Fund (CIF). Indeed, the fiscal situation was turned around from an overall budget deficit in 2011 to increasing overall budget surpluses in 2012-14. This permitted a significant rebuilding of the CIF, which was the key objective under the CAS.

18. However, the way in which the fiscal position was strengthened was slightly different than envisaged under the CAS: more through an increase in revenues and grants than through expenditure restraint. Revenues and grants increased from 84 percent of GDP in 2012 to 123 percent of GDP in 2014, primarily reflecting increases in fishing license fees and a nearly doubling in grants from donors (from 28 percent of GDP to 49 percent of GDP). In the same period expenditures increased from 75 percent of GDP to 87 percent of GDP, including for wages and salaries, and the Tuvalu Medical Treatment Scheme (TMTS).<sup>55</sup> According to the 2016 IMF Article IV consultation, the authorities have introduced a reform plan to contain spending on TMTS but the spending is expected to remain elevated owing to the difficulty of quickly tackling the high cost of health care provision. The challenge remains to contain overall spending in Tuvalu, particularly on the TMTS.

<sup>53</sup> IEG recognizes that in interviews with donors and government officials during the CCPE on Small State officials acknowledged that Bank technical assistance was instrumental for the temporary migration programs to New Zealand and Australia.

<sup>54</sup> Reduce government expenditure on TMTS to 2005 levels (17 percent of the health budget) and increase non-salary expenditures for primary and preventative healthcare by 5 percent.

<sup>55</sup> See 2016 IMF Article IV consultation with Tuvalu.



19. This objective was supported by the First (FY13) and Second (FY15) Tuvalu Development Policy Operations. (*Mostly Achieved*)<sup>56</sup>

**Objective 4: Improve Resilience to Climate Change and Natural Disasters**

20. The targeted outcome for this objective to have an effective medium-term planning and sustainable water resource management practices in place through the development of a medium-term drought risk management strategy, and introduction of rain harvesting and storage.

21. No direct WBG operations or TA were developed to achieve the planned outcome. (*Not Achieved*)

22. Based on the rating of its objectives IEG rates **Focus Area II** as Moderately Unsatisfactory. On balance, progress made on improving the fiscal position and strengthening fiscal management, but no progress on improving resilience to climate change and natural disasters.

Overall Assessment and Rating

23. IEG rates the overall development outcome of this CPS as *Moderately Unsatisfactory*. The CPS objectives aligned well with the country development goals as well as with the main themes of EAP’s regional priorities for Pacific Island Countries. It appropriately proposed two focus areas and five targeted outcomes with a simple design. Progress was made on improving operational safety and oversight of airport infrastructure, although ICAO certification had not been obtained as of October 2015, and on strengthening fiscal management and improving the fiscal position. However, on opportunities for Tuvaluans from overseas temporary labor migration, the CLR notes progress that is difficult to attribute to Bank interventions. There was no progress on improving resilience to climate change and natural disasters.

Objectives	CLR Rating	IEG Rating
<b>Focus Area I: Mitigating Economic Isolation by Encouraging Regional and Global Integration</b>		<i>Moderately Unsatisfactory</i>
<i>Objective 1: Improve operational safety and oversight of critical air transport infrastructure</i>		<i>Partially Achieved</i>
<i>Objective 2: Create greater opportunities for Tuvaluans to benefit from overseas temporary labor migration</i>		<i>Partially Achieved</i>
<b>Focus Area II: Building Resilience Against Exogenous Shocks</b>		<i>Moderately Unsatisfactory</i>
<i>Objective 3: Strengthen Fiscal Management and Improve the Fiscal Position</i>		<i>Mostly Achieved</i>
<i>Objective 4: Improve Resilience to Climate Change and Natural Disasters</i>		<i>Not Achieved</i>

<sup>56</sup> The “mostly achieved” rating reflects the results of a reduction in the fiscal pressure and improvement in the economic outlook through the rebuilding of the CIF. The reorientation and rationalization of expenditure did not take place, although the authorities have introduced a reform plan of the TMTS that is expected to yield benefits on the spending side in the future.



## **6. WBG Performance**

### Lending and Investments

24. The CAS proposed a combination of IDA16 and trust funds to support the WBG program for a total financing range of about US\$14.4 million. The program comprised a Pacific Aviation Investment Program (FY12) and a Development Policy Operation (FY12).

25. The program turned out to be much larger than planned. In addition to the two planned projects, the Bank provided additional lending for US\$21.6 million. The additional lending comprised the Energy Sector Development project (FY15) for US\$7 million, which came late to have an impact on this CAS period and for which there were no associated objectives in the program, additional financing (US\$6.1 million) for the aviation project (FY14), a Second Development Policy Operation (FY15) for US\$1.5 million, and a Pacific Islands Regional Oceanscape for Tuvalu for US\$7 million (FY15).

26. No projects closed during the review period. With respect to active projects, management assessments report that four operations were making satisfactory progress towards achieving their development objectives.

### Analytic and Advisory Activities and Services

27. There was technical assistance on labor mobility (FY15) but this came late to have a tangible effect during the CAS period. The CAS discussed a Regional Fisheries Engagement Strategy and a Drought Risk Management Strategy. The CLR is silent on both, and IEG understands that the latter was not delivered.

### Results Framework

28. The results framework was simple and compact and reflected the country's development goals, issues and obstacles, outcomes to which WBG expects to contribute and WBG instruments to support the program objectives. Outcome indicators broadly reflected the targeted outcomes, but generally lacked baselines and some had no quantified targets.

### Partnerships and Development Partner Coordination

29. The Bank worked with its main partners—ADB, Australian Department of Foreign Affairs and Trade, and New Zealand's Ministry of Foreign Affairs and Trade—to promote primarily reforms for strengthening PFM and improving service delivery. A Joint Policy Reform Matrix prepared with these partners minimized bureaucratic issues between donors and the government and helped coordinate technical assistance.

### Ownership and Flexibility

30. There is not much discussion about government commitment to the program. The Bank has supported a programmatic DPO series (FY12/15), which the CLR could have discussed more to analyze the government's ownership of policy reform.

### WBG Internal Cooperation

31. Tuvalu joined the World Bank in 2010. It is not yet a member of IFC and MIGA.

### Risk Identification and Mitigation

32. The CAS identified as main risks the limited institutional capacity that could constrain implementation and Tuvalu's vulnerability to external shocks. The CLR notes that drawing on the experience and expertise of Tuvalu's long-term development partners and adapting them to the



Bank's own activities was effective in mitigating risks—but it does not discuss in detail how this was done. Another effective mitigating measure was to sequence activities and reforms in areas with manifest momentum. There was no mid-term progress report for the program which could be an opportunity to reflect changing priorities in the country.

Overall Assessment and Rating

33. IEG rates Bank performance as *Good*. The CPS objectives aligned well with the country development goals as well as with the main themes of EAP's regional priorities for Pacific Island Countries. It appropriately had two focus areas and five targeted outcomes with a simple design. Outcomes, indicators, and milestones were not clearly distinguished in some instances, but broadly mirrored results from anticipated WBG investments or technical assistance interventions. The Bank did not deliver some interventions which affected the attainment of the objective on improving resilience to climate change and natural disasters. Although risks were managed in the Tuvalu program, it would have been useful to have a mid-term progress report that dealt with some program shortcomings, such as poor performance in the area of climate adaptation and managing the impact of natural disasters. The latter would have been quite useful in light of the response to the cyclone that hit Tuvalu in 2015. Overall, the Bank made substantial efforts to coordinate with development partners, and engaged with a country that has only recently (June 2010) become a Bank member.

**7. Assessment of CLR Completion Report**

34. The CLR candidly discussed the Bank program based on the CAS results framework.

**8. Findings and Lessons**

35. Please refer to general lessons and issues for the next strategy under Section F of the Overview.





**Annex Table 1: Summary of Achievements of CPS Objectives - TUVALU**

**Annex Table 2: Tuvalu Planned and Actual Lending, FY12-FY15**

**Annex Table 3: Analytical and Advisory Work for Tuvalu, FY12-FY15**

**Annex Table 4: Tuvalu Grants and Trust Funds Active in FY12-FY15**

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**Annex Table 9: Total Net Disbursements of Official Development Assistance and Official Aid for Tuvalu**

**Annex Table 10: Economic and Social Indicators for Tuvalu**





**Annex Table 1: Summary of Achievements of CPS Objectives - TUVALU<sup>57</sup> Moderately Unsatisfactory<sup>58</sup>**

	CAS FY12-FY15 – Focus Area <b>1: Mitigating economic isolation by encouraging regional and global Integration</b> ( <i>Moderately Unsatisfactory</i> )	Actual Results	IEG Comments
<b>Major Outcome Measures</b>	<b>CAS Objective 1: Improved operational safety and oversight of critical air transport infrastructure</b> ( <i>Partially Achieved</i> )		
	<u>Outcome 1: ICAO certification of airport</u>	Progress for this outcome was supported by the Pacific Aviation Investment Program -PAIP (P128940, FY11) and its additional financing P145310 (FY13). The last ISR of the CAS period (ISR 7) was not accessible in the Bank' systems, however, <a href="#">ISR 8</a> :S (October 2015), reports that the Funafuti airport has not received the ICAO certification. However, globally, the rehabilitation and safety works were being executed and installed. <b>The target is partially achieved.</b>	The Pacific Aviation Safety Office Reform project (P145057, FY13) supports the institutional strengthening of the Pacific Aviation Safety Office but reported no disaggregated progress on the implementation of the annual work plan for Tuvalu at the end of the CAS period ( <a href="#">ISR</a> : MS).
	Milestone 1: Implementation of a AUD5 “safety levy” for each departing international passenger to cover costs of additional safety.	Milestone 1: <a href="#">ISR 8</a> :S (October 2015) for project P128940 reports that the AUD5 levy was being collected from April 2015. <b>The target is achieved.</b>	
	Milestone 2: Introduction and operation of PASNet regional air traffic monitoring and communications system.	Milestone 2: <a href="#">ISR 8</a> :S (October 2015) for project P128940 reports that no VSAT (Very-small-aperture terminal) or ADS-B (Automatic Dependent Surveillance-Broadcast) (PDO Milestone for the Modernization of air traffic management) had been installed although the contracts had been signed. <b>Target was not achieved, although the team reports progress in the implementation of the corresponding investments.</b>	
	<b>CAS Objective 2: Greater opportunities for Tuvaluans to benefit from overseas temporary labor migration</b> ( <i>Partially Achieved</i> )		
	<u>Outcome 1: 80 Tuvaluan workers participating annually in</u>	In all the activities reported in the CLR-RF to contribute to Outcome 2,	The CLR reports on CPS targets that are not included in the CPS results

<sup>57</sup> No PLR was prepared for this CAS. Milestones are called “Milestones” in the CAS.

<sup>58</sup> IEG ratings.



	<p><b>CAS FY12-FY15 – Focus Area</b> <b>1: Mitigating economic isolation by encouraging regional and global Integration</b> (<i>Moderately Unsatisfactory</i>)</p>	<p><b>Actual Results</b></p>	<p><b>IEG Comments</b></p>
	<p><u>temporary labor schemes in New Zealand and Australia.</u></p> <p>Milestone 1: World Bank, Government and development partners to provide training opportunities to 100 Tuvaluans annually enhancing their competitiveness.</p>	<p>only the Institutional Strengthening for Labor Migration project (P130478) was approved during the CAS period (March 2015). The <a href="#">Activity Completion Note</a> does not permit to verify the reported CLR information on the number of seasonal workers participating in temporary labor schemes in New Zealand and Australia. <b>Partially Achieved</b></p> <p>Milestone 1: Information not verified, see comment above.</p>	<p>framework (“80 Tuvaluan workers participating annually in temporary labor schemes in New Zealand and Australia) was achieved with a total of 92 seasonal workers (exceeding the CAS target) participating in temporary labor schemes in New Zealand and Australia”). The Bank has been a strong advocate for greater seasonal opportunities across the Pacific as well as in Australia and New Zealand. According to the CCPE, the Bank provided regional advice on preparing workers for migration—including by developing an orientation course for workers—and supported the monitoring and evaluation of the program.</p>
	<p><u>Outcome 2: Increase in share of women participating by 30% (related to temporary labor schemes in New Zealand and Australia)</u></p>	<p>The CLR-RF reports that the number of women participating in the SWP and RES increased marginally since the programs’ inception and that little progress was achieved for Tuvalu. In all the activities reported in the CLR-RF to contribute to Outcome 3, only the Institutional Strengthening for Labor Migration project (P130478) was approved during the CAS period (March 2015). The <a href="#">Activity Completion Note</a> of this project does not permit to verify the reported information on the share of women participating in those programs. <b>Progress it not verified.</b></p>	



	CAS FY12-FY15 – Focus Area 2: Building resilience against exogenous shocks ( <i>Moderately Unsatisfactory</i> )	Actual Results	IEG Comments
<p><b>Major Outcome Measures</b></p>	<p><b>CAS objective 3: Strengthened fiscal management and improved fiscal position (<i>Mostly Achieved</i>)</b></p>		
	<p><u>Outcome 1: Reduced fiscal pressure and improved economic outlook through reorientation and rationalization of Government expenditure.</u></p>	<p>Progress for this outcome was supported by the First (P145488, FY13) and Second (P150194, FY15) Tuvalu Development Policy Operations (DPO). The CLR-RF reports that the Consolidated Investment Fund (CIF) has been rebuilt. The only available <a href="#">ISR</a> (S) for project P145488 (April 2014) reported that the reforms supported by the First DPO have been implemented. No ISR was available for the Second DPO. The <a href="#">Supplemental Financing Document</a> for the Supplemental Tuvalu DPO reports that the CIF has been gradually rebuilt to sustainable levels “through a mixture of expenditure restraint, higher revenues and additional budget support from donors including two budget support operations from the World Bank”. <b>The target was achieved.</b></p>	<p><b>IEG comment:</b> According to the 2016 IMF Article IV consultation, the authorities have introduced a reform plan to contain spending on TMTS but the spending is expected to remain elevated owing to the difficulty of quickly tackling the high cost of health care provision</p>
	<p>Milestone 1: Government expenditure lowered to reduce fiscal gap</p>	<p>Milestone 1: The <a href="#">Program Document</a> for project P150194 (February 2015) reports a change from a deficit of the Tuvalu Trust Fund (in 2009) to a small surplus in 2013. However, the <a href="#">Supplemental Financing Document</a> for the Supplemental Tuvalu DPO (August 2015) reports an estimate 15% of GDP deficit for the next years. <b>The target was partially met.</b></p>	
	<p>Milestone 2: Tuvalu Consumption Tax (TCT) increased from 3% to 6%</p>	<p>Milestone 2: The information reported in the CLR-RF on the increased TCT could not be verified in the DPO documents mentioned above and in the <a href="#">Program Document</a> for the First Phase of the DPO. In addition, those do not mention TCT increase as one of the prior actions or targets. <b>Progress cannot be verified.</b></p>	
<p>Milestone 3: Reduce Government expenditure on</p>	<p>Milestone 3: The <a href="#">Program Document</a> for the First Phase of the DPO reports</p>		



	<b>CAS FY12-FY15 – Focus Area 2: Building resilience against exogenous shocks</b> <i>(Moderately Unsatisfactory)</i>	<b>Actual Results</b>	<b>IEG Comments</b>
	<p>TMTS to 2005 levels (17% of health budget) and increase non-salary expenditures for Primary and Preventative Health care by 5%.</p>	<p>that the annual budget of the TMTS represented 55% of the national health budget and 44% in 2012 while the <a href="#">Program Document</a> for the Second Phase of the DPO (February 2015) reports that such spending represented 45% of the national health budget in 2013. However, the target of increasing non-salary expenditures for primary and preventive health care by 5% was achieved in 2012 and in 2013 as reported in the <a href="#">Program Document</a> for the Second Phase of the DPO. <b>The target was partially achieved.</b></p>	
<p><b>CAS Objective 4: Improved resilience to climate change and natural disasters</b> <i>(Not Achieved)</i></p>			
	<p><u>Outcome 1: Effective medium-term planning and sustainable water resource management practices implemented.</u></p> <p>Milestone 1: Development of a medium-term Drought Risk Management Strategy</p> <p>Milestone 2: Introduction of rain water harvesting and storage.</p>	<p>As reported in the CLR-RF, no direct WBG operations or TA were developed to achieve the planned outcomes. <b>Progress was not achieved.</b></p> <p>Milestone 1: No WBG operations or TA were developed to achieve the planned outcomes. Not achieved.</p> <p>Milestone 2: No WBG operations or TA were developed to achieve the planned outcomes. Not achieved.</p>	



**Annex Table 2: Tuvalu Planned and Actual Lending, FY12-FY15**

Project ID	Project Name	Proposed FY	Approved FY	Closing FY	Proposed Amount	Approved IDA Amount	Outcome Rating	Remark
<b>Project Planned Under CPS/CSPSR period</b>								
P128940	Pacific Aviation Investment - Tuvalu	2012	2012	2018		11.9	LIR: S	
P145488	Tuvalu Development Policy Operation	2012	2014	2014		3.0	LIR: S	
	<b>Total Planned</b>				<b>14.4</b>	<b>14.9</b>		<b>Total commitment is \$14.4 M, composed 2 projects</b>
<b>Project Unplanned Under CPS/CSPSR period</b>								
P144573	Energy Sector Development Project		2015	2019		7.0	LIR: S	
P145310	Tuvalu Aviation Investment Project - AF		2014			6.1	NR	
P150194	Second Development Policy Operation		2015	2017		1.5	NR	
P151780	PROP for Tuvalu		2015	2021		7.0	LIR: S	
	<b>Total Unplanned</b>					<b>21.6</b>		

**Annex Table 3: Analytical and Advisory Work for Tuvalu, FY12-FY15**

Country	Proj ID	Economic and Sector Work	Fiscal year	Output Type
	<b>Proj ID</b>	<b>Technical Assistance</b>	<b>Fiscal year</b>	<b>Output Type</b>
Tuvalu	P146205	TV: Telecommunications and ICT TA	FY15	Not assigned

Source: WB Business Intelligence 10/17/16



**Annex Table 4: Tuvalu Grants and Trust Funds Active in FY12-FY15**

Countries	Project ID	Project name	TF ID	Approval FY	Closing FY	Approved Amount	Outcome Rating
Tuvalu	P152925	Pacific Islands Regional Oceanscape for Tuvalu	TF 18605	2015	2021	910,000	
Tuvalu	P144573	Energy Sector Development Project	TF 18949	2015	2018	2,100,000	
Tuvalu	P128940	Pacific Aviation Investment - Tuvalu	TF 12703	2013	2018	170,000	
<b>Total</b>						<b>3,180,000</b>	

Source: Client Connection as of 10/17/16

\*\* IEG Validates RETF that are 5M and above

**Annex Table 5: IEG Project Ratings for Tuvalu and Comparators, FY12-FY15**

Region	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	RDO % Moderate or Lower Sat (\$)	RDO % Moderate or Lower Sat (No)
Tuvalu **						
EAP	20,830.1	230	79.1	72.5	73.1	61.1
World	120,815.0	1,418	82.1	71.3	62.1	48.9

Source: WB AO as of 10/17/16

\* With IEG new methodology for evaluating projects, institutional development impact and sustainability are no longer rated separately.

\*\* No data from FY12-15



**Annex Table 6: Portfolio Status for Tuvalu and Comparators, FY12-FY15**

Fiscal year	2012	2013	2014	2015	Ave FY12-15
<b>Tuvalu</b>					
# Proj		1	1	4	2
# Proj At Risk					
% Proj At Risk					
Net Comm Amt		11.9	17.9	33.4	21
Comm At Risk					
% Commit at Risk					
<b>EAP</b>					
# Proj	357	351	354	344	352
# Proj At Risk	58	66	65	70	65
% Proj At Risk	16.2	18.8	18.4	20.3	18.4
Net Comm Amt	30,381.1	30,542.3	31,852.5	32,386.0	31,290
Comm At Risk	3,339.1	5,089.2	5,270.3	6,412.3	5,028
% Commit at Risk	11.0	16.7	16.5	19.8	16.0
<b>World</b>					
# Proj	2,029	1,964	2,048	2,022	2,016
# Proj At Risk	387	414	412	444	414
% Proj At Risk	19.1	21.1	20.1	22.0	20.6
Net Comm Amt	173,706.1	176,202.6	192,610.1	201,045.2	185,891
Comm At Risk	24,465.0	40,805.6	40,933.5	45,987.7	38,048
% Commit at Risk	14.1	23.2	21.3	22.9	20.4

Source: WB BI as of 10/17/16



**Annex Table 7: Disbursement Ratio for Tuvalu, FY12-FY15**

Fiscal Year	2012	2013	2014	2015	Overall Result
<b>Tuvalu</b>					
Disbursement Ratio (%)		4.4	9.9	26.8	19.5
Inv Disb in FY		0.5	1.1	3.9	11.8
Inv Tot Undisb Begin FY		11.2	10.9	14.5	60.7
<b>EAP</b>					
Disbursement Ratio (%)	25.9	24.2	22.8	23.5	22.3
Inv Disb in FY	3,498.4	2,925.8	2,612.0	2,664.4	16,782.7
Inv Tot Undisb Begin FY	13,495.7	12,113.7	11,467.5	11,342.1	75,130.4
<b>World</b>					
Disbursement Ratio (%)	20.8	20.6	20.8	21.8	20.9
Inv Disb in FY	21,048.2	20,510.7	20,757.7	21,853.7	126,256.6
Inv Tot Undisb Begin FY	101,234.3	99,588.3	99,854.3	100,344.9	603,138.6

\* Calculated as IBRD/IDA Disbursements in FY / Opening Undisbursed Amount at FY. Restricted to Lending Instrument Type = Investment.  
AO disbursement ratio table as of 10/17/16

**Annex Table 8: Net Disbursement and Charges for Tuvalu, FY12-FY15**

Period	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
FY13	488,592.3	-	488,592.3	-	-	488,592.3
FY14	4,162,492.5	-	4,162,492.5	-	-	4,162,492.5
FY15	5,447,976.7	-	5,447,976.7	-	-	5,447,976.7
<b>Report Total</b>	<b>10,099,061.4</b>	<b>-</b>	<b>10,099,061.4</b>	<b>-</b>	<b>-</b>	<b>10,099,061.4</b>

World Bank Client Connection 10/18/16

\*No data from FY12



**Annex Table 9: Total Net Disbursements of Official Development Assistance and Official Aid for Tuvalu**

<b>Development Partners</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Australia	14.64	8.99	7.21	..
Canada	..	..	..	..
Czech Republic	..	0.01	..	..
Finland	..	0.08	0	..
Germany	0.02	..	0.01	..
Italy	..	..	0.02	..
Japan	3.95	7.58	6.7	..
Korea	0.13	0.12	0.12	..
New Zealand	4.29	3.43	10.19	..
United Kingdom	0.03	0	..	..
United States	..	..	..	..
<b>DAC Countries, Total</b>	<b>23.06</b>	<b>20.21</b>	<b>24.25</b>	<b>0</b>
AsDB Special Funds	-0.37	2.16	-0.36	..
EU Institutions [EU]	0.73	2.44	1.52	..
Food and Agriculture Organisation [FAO]	..	0.11	..	..
Global Environment Facility [GEF]	0.68	0.85	1.88	..
International Bank for Reconstruction and Development [IBRD]	..	..	..	..
International Development Association [IDA]	0.28	0.84	5.07	..
International Finance Corporation [IFC]	..	..	..	..
International Labour Organisation [ILO]	0.11	0.21	..	..
UNDP	0.08	0.01	0.09	0.03
UNICEF	..	..	..	-0.02
World Health Organisation [WHO]	0.02	0.09	0.04	0.1
<b>Multilateral, Total</b>	<b>1.53</b>	<b>6.71</b>	<b>8.24</b>	<b>0.11</b>
Russia	..	..	0.04	..
Thailand	..	0.01	..	0.04
Turkey	0.02	0.08	..	..
United Arab Emirates	..	..	1.87	..
<b>Non-DAC Countries, Total</b>	<b>0.02</b>	<b>0.09</b>	<b>1.91</b>	<b>0.04</b>
<b>Development Partners Total</b>	<b>24.61</b>	<b>27.01</b>	<b>34.4</b>	<b>0.15</b>

Source: OECD Stat, [DAC2a] as of 10/18/16



**Annex Table 10: Economic and Social Indicators for Tuvalu**

Series Name					Tuvalu	EAP	World
	2012	2013	2014	2015	Average 2012-2015		
<b>Tuvalu</b>							
<b>Growth and Inflation</b>							
GDP growth (annual %)	0.2	1.3	2.0	..	1.2	4.3	2.6
GDP per capita growth (annual %)	0.0	1.1	1.8	..	1.0	3.6	1.4
GNI per capita, PPP (current international \$)	5,160.0	5,270.0	5,430.0	..	5,286.7	14,094.5	14,470.8
GNI per capita, Atlas method (current US\$) (Millions)	5,650.0	5,840.0	5,720.0	..	5,736.7	9,171.8	10,442.0
Inflation, consumer prices (annual %)	..	..	..	..		3.0	3.1
<b>Compositon of GDP (%)</b>							
Agriculture, value added (% of GDP)	25.4	22.2	..	..	23.8	5.5	3.9
Industry, value added (% of GDP)	5.8	8.7	..	..	7.3	34.9	28.2
Services, etc., value added (% of GDP)	68.8	69.1	..	..	69.0	59.5	67.9
Gross fixed capital formation (% of GDP)	..	..	..	..		31.6	23.2
Gross domestic savings (% of GDP)	..	..	..	..		33.8	24.5
<b>External Accounts</b>							
Exports of goods and services (% of GDP)	..	..	..	..		32.2	30.3
Imports of goods and services (% of GDP)	..	..	..	..		30.7	29.7
Current account balance (% of GDP)	16.1	17.8	..	..	16.9		
External debt stocks (% of GNI)	..	..	..	..			
Total debt service (% of GNI)	..	..	..	..			
Total reserves in months of imports	..	..	..	..		15.1	13.2
<b>Fiscal Accounts <sup>1</sup></b>							
General government revenue (% of GDP)	84.3	107.5	123.1	123.5	109.6		
General government total expenditure (% of GDP)	75.0	81.1	86.8	116.3	89.8		
General government net lending/borrowing (% of GDP)	9.3	26.3	36.3	7.2	19.8		
General government gross debt (% of GDP)	25.9	57.2	64.4	58.2	51.4		
<b>Health</b>							
Life expectancy at birth, total (years)	..	..	..	..		74.6	71.1



Series Name					Tuvalu	EAP	World
	2012	2013	2014	2015	Average 2012-2015		
Immunization, DPT (% of children ages 12-23 months)	97.0	90.0	89.0	96.0	93.0	93.0	85.3
Improved sanitation facilities (% of population with access)	83.3	83.3	..	..	83.3	75.5	66.5
Improved water source (% of population with access)	97.0	97.0	97.0	97.0	97.0	87.9	83.0
Mortality rate, infant (per 1,000 live births)	24.9	24.1	23.4	22.8	23.8	15.6	33.8
<b>Education</b>							
School enrollment, preprimary (% gross)	..	..	93.0	..	93.0	66.6	52.8
School enrollment, primary (% gross)	..	..	101.4	..	101.4	116.9	108.2
School enrollment, secondary (% gross)	..	..	80.8	..	80.8	84.7	73.9
<b>Population</b>							
Population, total (Millions)	9,860	9,876	9,893	9,916	9,886	2,249,043,465	7,175,973,009
Population growth (annual %)	0.2	0.2	0.2	0.2	0.2	0.7	1.2
Urban population (% of total)	56.8	57.8	58.8	59.7	58.3	54.8	52.9

Source: DDP as of 10/14/16

\*International Monetary Fund, World Economic Outlook Database, October 2016