

**PROGRAM INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

June 9, 2014
Report No.: AB7597

Operation Name	Samoa First Fiscal and Economic Reform Operation
Region	East Asia and Pacific
Country	Samoa
Sector	Central government administration (50%) Public administration – industry and trade (33%) Payments, settlements and remittance systems (17%)
Operation ID	P149770
Lending Instrument	Development Policy Lending
Borrower(s)	Independent State of Samoa
Implementing Agency	Ministry of Finance
Date PID Prepared	June 2, 2014
Estimated Date of Appraisal	July 14, 2014
Estimated Date of Board Approval	September 2, 2014
Concept Review Decision	Following the concept review, the decision was taken to proceed with the preparation of the operation

I. Key development issues and rationale for Bank involvement

In recent years, economic growth in Samoa has been low and volatile, as the country has been buffeted by a series of major external shocks. Regaining a degree of comfort in the fiscal situation and returning the economy to a more robust growth path is a formidable challenge. But over the last two decades, Samoa has established a strong track record for good macroeconomic management and the successful implementation of economic reforms. According to the CPIA, its policy and institutional framework is one of the strongest among IDA recipients. Under the proposed operation the Bank will support key aspects of the government's reform program to return public finances to a more comfortable position and return the economy to a more robust growth path.

The proposed operation is the first in a programmatic series of two development policy operations, aimed at strengthening public finances and supporting economic growth in Samoa in the wake of a series of major external shocks.

II. Proposed Objectives

The proposed operation is structured around two development objectives: (i) to strengthen public financial management in the areas of debt, procurement and revenue; and (ii) to strengthen the payments system, tourism sector policy and private sector

development opportunities as foundations for more robust economic growth over the medium term. Each of the policy and institutional actions supported by the operation is a key part of the government's reform program.

The proposed operation is expected to support the government's ability to comply with its medium term debt strategy, reduce the extent of fractioning in public procurement, improve tax compliance, achieve a more efficient payments system, improve the performance of the tourism industry, and facilitate greater private participation in the large state-owned enterprise sector.

III. Preliminary Description

Under the first development objective, the proposed operation will support reforms to strengthen procedures for contracting loans and issuing government guarantees, improve value for money in expenditure by strengthening public procurement processes, and increase revenue collections by strengthening revenue policy and administration. Under the second development objective, the proposed operation will support reforms to modernise the payments system which has – inter alia – an important role in Samoa's critical remittance flows, strengthen the sector policy for the critical tourism industry, and increase opportunities for private participation in the large state-owned enterprise sector through a new public-private partnerships policy framework.

The government recognises that reforms to key aspects of public financial management will help underpin its ability to improve its fiscal situation and rebuild the fiscal buffers it needs to respond to future exogenous shocks. It also recognises the critical importance of returning the economy to a more robust growth path, if it is to achieve the objective of its development strategy of an 'improved quality of life for all'. The proposed programmatic series of development policy operations supports these endeavours.

IV. Poverty and Social Impacts and Environment Aspects

Poverty and Social Impact

The policy actions supported under the operation are expected to have a positive impact on poor people and vulnerable groups in Samoa. Poor people and vulnerable groups – including women – tend to be the people who are most dependent on public services. Thus, it is particularly important to them that the state maintains the capacity to provide public services over time, which in turn depends on the maintenance of fiscal stability. The debt, procurement and revenue reforms being supported under this operation will strengthen public financial management in Samoa, and will assist the government in its efforts to return public finances to a more comfortable position over the medium term. Through reforms to the national payments system, tourism sector policy and public-

private partnerships policy framework, the operation is expected to support the government in its efforts to return the economy to a more robust growth path, which should have important benefits for the poor and vulnerable. In particular, the payments system reforms are expected to have a positive impact on the value of remittances available to residents, remittances which are critically important to the poor.

Environment Aspects

The policy actions supported under the operation are not expected to have a significant impact on Samoa's environment, natural resources or forests. Policy actions related to debt policy and management, public procurement processes, customs legislation and information systems, and the national payments system are not expected to have any significant environmental impacts. The policy action relating to the revision of Samoa's tourism sector policy is not expected to have any significant negative environmental impacts, in part because it does not involve any derogation from the environmental protection regime. It may even improve the environmental impact of tourism, having been informed by a review of Samoa's sustainable tourism indicators which cover environmental protection. The policy action relating to the PPP policy is also not expected to have any significant negative environmental impacts, in part because it does not involve any derogation from Samoa's environmental protection regime.

V. Tentative financing

<i>Source:</i>		<i>(US\$m.)</i>
Borrower/Recipient		0.0
International Development Association (IDA)		<u>7.5</u>
	Total	<u>7.5</u>

VI. Contact point

World Bank

Contact: Ms Virginia Horscroft
 Title: Senior Economist
 Tel: +61-2-9223-7773
 Email: vhorscroft@worldbank.org
 Location: Sydney, Australia

Borrower

Contact: Mr Lavea Tupa'imatuna Iulai Lavea
 Title: Chief Executive Officer, Ministry of Finance
 Tel: +685-34-333
 Email: iulai.lavea@mof.gov.ws

For more information contact:

The InfoShop

The World Bank

1818 H Street, NW

Washington, D.C. 20433

Telephone: (202) 458-4500

Fax: (202) 522-1500

Web: <http://www.worldbank.org/infoshop>