

*"What Makes States Work: The Development and Reform Experience of Samoa".
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Strong Cultural Foundation For A Successful Development And Reform Agenda

"Sheer beauty. So Pure. It takes my Breath Away!"

This reaction from renowned English poet Rupert Brooke encapsulates the Samoan experience which encompasses cultural maturity, political stability and fiscal and economic responsibility.

In a Lecture I delivered at Georgetown University under the auspices of the World Bank, I introduced my seven premises of good governance. The fifth premise:

"For any agenda of development and reform to be successful, sensitivity must be shown to the particular country's unique situation, and the appropriate time frame for necessary changes to occur must be provided for". (a)

I have substituted the words "development and reform" here for the words "good governance", to make my first important point that there is a very real need for a strong foundation of cultural sensitivity in order for any reform and development agenda to be sustainable and successful.

Samoan culture is based on deep-rooted and timeless traditions which are fundamental to its sustained political stability and economic strength.

While we did go through short periods of economic and political turmoil in the late 1970's and early 1980's (b), our strong culture was the binding factor that imposed normalcy and stability and provided the climate for constructive change.

The poet T.S. Eliot wrote in 1984: "Culture may even be described simply as that which makes life worth living". (c)

In my Budget address in 2002, I made this often quoted remark about globalization: "Samoa will not allow its culture to be sacrificed at the altar of globalisation" (d)

The Human Face of Development

It is now universally accepted that GDP per capita, in and of itself, is not a good indicator of human development.

The United Nations Human Development Index (HDI) takes into account life expectancy, the adult literacy rate, combined education enrolment ratios, as well as GDP per capita in determining a country's HDI ranking.

Here is how the Pacific rank:

HDI Rank	Human development Index (HDI) value 2004	Life Expectancy at Birth (years) 2004	Adult Literacy Rate (% ages 15 and older) 2004	Combined gross enrolment ratio for primary, secondary and tertiary schools % 2004	GDP per capita (PPP US\$) 2004
3. Australia	0.957	80.5	99%	113	30,331
20. New Zealand	0.936	79.3	99%	100	23,413
55. Tonga	0.815	72.4	98.9	80	7,870
75. Samoa	0.778	70.5	99%	74	5,613
90. Fiji	0.758	68.0	99%	75	6,066
119. Vanuatu	0.670	68.9	74.0	64	3,051

128. Solomon Islands	0.592	62.6	76.6	47	1,814
139. Papua New Guinea	0.523	55.7	57.3	41	2,543
142. Timor-Leste	0.512	56.0	58.6	72	..ad

I have included Australia and New Zealand as a basis of comparison. Samoa ranks very high given its Least Developing Country (LDC) status at 75, while Tonga ironically, given its recent instability, is the highest ranking Pacific Island at 55. (e)

It was the late Ratu Sir Kamisese Mara who is credited with introducing the phrase the “Pacific Way” into the development vernacular. The Pacific Way is indicative of the non-materialistic emphasis of Pacific values and the Pacific lifestyle, and the HDI rankings place certain non – LDC countries with higher GDPs per capita than Samoa, behind us in the HDI index. Indeed, only Tonga has a higher ranking.

I shall return to emphasise this human aspect of development when I discuss Samoa’s reform and development achievements later in this lecture.

Good Governance-Essential Ingredient For Any Successful Reform and Development Agenda

I have been privileged to deliver several public lectures on this topic of good governance. My Georgetown lecture gave a Pacific definition of the topic, and laid out my seven premises of good governance (f).

This Lecture can still be found on the Georgetown University web-site. I shall briefly articulate the seven premises which are contained in the notes to this Lecture, but I emphasise here this quote from the introduction to the Johannesburg Summit’s Plan of Implementation:

“Good governance within each country, and at the international level, is essential for sustainable development”.

The importance of good governance is emphasized in the Pacific region by the Pacific Forum Secretariat’s Forum Stocktakes. It is noted that Samoa is one of the few countries acknowledged to be fully compliant with the Forum’s Eight Principles of Accountability. It is also an integral part of the recently adopted Pacific Plan for Forum island States.

Asian Development Bank (ADB) also conducts independent monitors, through its Country Governance Assessments (CGAs) which evaluate how successfully Pacific Forum states are adhering to their good governance agendas.

In 2002, as National Security adviser, Condoleezza Rice made the direct link between poor governance and terrorism:

“Poverty does not make poor people into terrorists and murderers. Yet poverty, weak institutions and corruption can make weak states vulnerable to terrorist networks and drug cartels within their borders” (g)

Empowering And Engaging Civil Society

The role of civil society has been greatly strengthened to improve the social conditions and the livelihoods of the people of Samoa.

I cannot emphasise this point enough. I would encourage this new Public Policy Institute to actively engage and empower civil society.

Last weekend in Apia I opened the Samoa Aids Foundation’s (SAF) Annual Fashion Fund-Raising Reception. It was extremely successful in raising AIDS awareness and promoting Pasifika fashions. The Samoa Aids Foundation

has successfully contained this global epidemic to just a handful of cases in Samoa.

The fact is there are certain social problems that only civil society can effectively deal with. In Samoa, Faataua Le Ola and Samoan Lifeline (FLO) has successfully reduced our suicide rate from one of the highest to the lowest in the Pacific. Mapusaga o Aiga (MOA) successfully deals with domestic violence and physical and sexual abuse within our society. The Family Health Association deal with sexual and reproductive health issues. The Mapusua of Nuanua o le Alofa organization is extremely successful in promoting the rights of the physically disabled.

I am privileged and proud to either being Patron (FLO) or assist some of these Non-Government Organisations (NGOs) in any way I can. We have long established NGOs involved in work with the physically and mentally challenged in our Society (Loto Taumafai, PREB (Blind), IHC are just a few of the NGOs in this field.

It is important to emphasise the importance of a well led and fully empowered umbrella organization. The Samoa Umbrella for Non Governmental Organisations (SUNGO) is a strong vibrant organization providing excellent leadership, resources, and essential manpower training for all NGOs.

SUNGO's efforts have allowed all our NGOs to lift their accountability and record-keeping, enabling access to essential funding from the European Union (EU) Microprojects Fund, NZ Aid, AUSAID, Japan and many other International Institutions and NGOs.

SUNGO are actively involved with Oxfam in advising government on our continuing World Trade Organisation (WTO) accession, as well as the Economic Partnership Agreement (EPA) negotiations with the European Union.

While Samoa cannot always follow their well intentioned advice on all matters, they certainly provide the necessary social conscience-that ingredient that is so vital to any successful negotiation that impacts on the lives of our people (h).

Our Church community are traditionally not active politically in Samoa, but the World Council of Churches (i) through their Pacific Branch, have been very proactive in many areas impacting on peoples livelihoods, and even recently in the developing massive problem of HIV/AIDS in some Pacific countries.

Grassroots Empowerment – the vital Role of Micro-Credit in Human Development

The United Nations declared 2006 the International Year of Micro-credit and the Nobel Committee recently awarded the Nobel Peace Prize to grameen bank founder and micro-credit superstar, Bangladesh's Mohammed Yunus.

In Samoa, we have our own super-star, American Gregory Casagrande, his general manager Elrico Munoz, and their South Pacific Business Development (SPBD) Foundation.

It has been a pleasure and privilege working with them. SPBD has lent out \$14,250,168 to 7349 women since its inception in late 1999. This fiscal year so far, they have lent our 1466 loans worth \$1,527,710.

SPBD's repayment rate is a staggering 98.71%, with no write-offs! Their target for 2007 is \$5 million disbursed to 3,500 clients.

We are working hard that they commence operations in Savaii by early 2008. This has been helped greatly by a \$1million soft term advance from New Zealand's internet multi-millionaire Sam Morgan.

These micro, non-secured, loans – beginning at ST\$750, not only empower the women, they add dignity to their lives. It enables them to start little shops, develop farms, go into cottage industries, start cake stalls and bar-b-que stands, sewing centres, and a myriad of other economic activities.

The number of successful medium to large businesses that started with an SPBD loan are growing. The success of SPBD is based on teaching financial literacy and sound fiscal management to its women clients. There is an annual Prize Giving with the Misa Telefoni Shield going to the most successful village Centre.

Small Businesses-Key to Human Development

Samoa instigated a successful Small Business Project in collaboration with Asian Development Bank (ADB). This Project assists in strengthening the capacity and resources of organizations that are providing training and advisory services to micro and small enterprises.

These organizations are:

a. **Small Business Enterprise Centre (SBEC)**

SBEC has funded 440 ADB Projects and 85 NZAID Projects – total loans approved \$8,018,134.

SBEC conducts business trainings and provides guarantees for loans of trainees who have successfully completed their training courses. In 2007 so far, 279 trainees have successfully completed SBEC's training programs.

In 2006, we traveled to the island of Savaii to open SBEC's first training centre and office on that island. This has greatly enhanced SBEC's sphere of operations to the rural areas.

b. Women in Business (WIB)

Close to 500 WIB members have savings programs. The number of women who have completed financial literacy training exceed 1000 and over 50 have received micro-credit loans.

c. Matuaileo'o Environment Trustee Incorporation (METI)

METI so far has 5 cooperatives focusing on virgin oil production. Average membership of cooperatives is 12.

METI is operating a soap factory and the Project is assisting in improving the efficiency of these operations.

d. Development Bank of Samoa (DBS)

DBS is gradually expanding its micro-credit portfolio with assistance from the Project. DBS administers 60 micro-credit loans and 200 SBEC guaranteed loans.

There is a great opportunity the Project will not only enhance DBS's capabilities, but its inclination to enter into and become a major player in the micro-credit area.

The expansion of micro – credit not only increases economic activity, provides employment and income, but most significantly increases the self-esteem of recipients.

It provides that real catalyst that puts the humanitarian base into human development activities. It also helps prevent crime through encouraging people in the rural areas to work rural resources, and discouraging the urban drift.

Importance of Tourism and Efficient Air Transport in Development

In 2006 Samoa had a record year for visitor arrivals and tourism earnings. The present marketing plan has set a target for Samoa's tourism earnings to be in excess of \$1.47 billion tala by 2011. Currently, tourism looks set to earn between \$290 million - \$300 million in the year to 30 June 2007.

Samoa is close to 18 months into a successful Joint Venture airline with the Virgin-Blue group - "Polynesian Blue". This new airline can be credited for most of the visitor arrival increases from Australia, which, with New Zealand are Samoa's main markets.

Polynesian Blue is being hailed by the international community, especially Asian Development Bank (ADB) as a model for a successful budget carrier partnership between a Pasifika government and an international airline.

Its first year's profit exceeded budget, being in excess of \$3.2 million, and it has directly contributed to a 33.2% growth in Australian visitors and 18.8% growth in visitors from New Zealand.

Polynesian Blue has ensured very competitive cheap airfares and increased capacity to market to visitors.

The success of this joint venture airline and its impact on tourism growth is one of the most significant contributing factors to the present success of Samoa's economy and its sustainable strong growth into the foreseeable future.

The Samoan Success Story

Samoa's reform program has been successful. This success is measured not only by good economic indicators, but by good social indicators based on a stable political system and an enabling legislative and institutional framework.

Our annual growth rate has been 4.2% per annum for the ten year period to 2005. Our foreign reserves have remained strong, based on good remittances and tourist earnings overcoming a current account deficit. Currently our overseas reserves exceed \$200 million, sufficient to cover 4 months of imports. Tourism receipts are running 12 ½ % higher than fiscal 2005-2006, and remittances are 7% up, heading for \$300 million this fiscal year.

Our private sector is no longer starved for credit allowing them to be our “engine of growth”. Available credit has expanded 14.5% per annum between 1994 and 2005. Inflation rates have now stabilized at an average 4.2% in the past 10 years.

The Successful Reform Agenda

Measures implemented are based on widely based and stakeholder driven Statements of Economic Strategies (SES) which determine that Samoa’s growth must be private sector driven.

Samoa hosts The South Pacific Games (SPG) in August 2007 and the sporting infrastructure, including supporting facilities and services, while having a short-term impact on credit and our fiscal position, augurs well for the future.

There is now a strong economic base on which Samoa’s future development as a nation can be based and maintained.

Key reforms include:

- Establishment of the Central Bank of Samoa in May 1984.
- Financial Liberalisation and Deregulation of Banking in January 1998
- Introduction of a broad based Value-Added Goods and Services Tax (VAGST) in 1994. VAGST is now set at 15% since 1 October 2006.

- Tax review saw corporate taxes fall in 2000 from 35% - 29%, now 27% since 1/1/2007. Personal taxes now top off at 27%, and the tax threshold is increased to \$12,000.
- Output and Performance based budgeting introduced in 1996.
- State Owned Enterprises (SOEs) were reformed and restructured to be not only performance based but to be commercially oriented.
- New and comprehensive legislation were introduced to improve budget preparation and management, to reform treasury functions, and to strengthen the structures and performance of SOE's.
- Strong emphasis on corporate governance seminars and imposing strict corporate governance principles to SOEs.
- Institute of Directors established with compulsory memberships by SOE directors. Strong leadership role in training directors and other corporate governance disciplines.
- Gradual but effective privatization of SOEs continue to be implemented.

Empowering the Private Sector

There have been comprehensive measures to strengthen and empower our private sector.

I preface my remarks by making the most important point that the best and most effective support government can provide are strong macro-economic indicators, a robust economy, and the necessary available credit to allow private sector activities to thrive.

These measures have proven most successful:

- i. The issue of a fourth banking licence. Sceptics said the new bank would only survive 6 months. After more than two years of operations, it is now strong, viable, and profitable.

- ii. Substantial reductions in tariff rates (from 60% to 20% or less in some cases) to change our revenue structures before full WTO membership to more reliance on VAGST as government's main source of revenue.
- iii. Reductions in corporate and personal tax rates to 27% and increasing the VAGST exemption to \$52,000.
- iv. Establishment of a Venture Capital Fund (VCF) to fund sound projects that may be considered too "risky" by the established banking sector.
- v. New progressive companies legislation passed in 2006 to reform archaic laws (1955 NZ Act) assumed at Independence in 1962.
- vi. Encourage small business development with an ADB Project and strengthening the Small Business Enterprise Centre (SBEC).
- vii. Encourage the micro-credit operations of SPBD foundation.

As the private sector Minister, I meet with the private sector regularly, at least every 2 months. These meetings allow effective dialogue and enable private sector ideas to be reflected at the highest policy levels of government.

This continuous consultation process including budget support, has enabled government to assist in strengthening these private sector institutions such as the Samoa Chamber of Commerce, Manufacturers' Association, Elei and Garment Manufacturers, Women in Business, Crops Corporation Association for Exports, Samoa Hotel Association, Samoa Organic Farm Association.

The strength of these institutions and their improved capacity – allow not only more effective implementation of private sector initiatives, but better dialoguing with government and its institutions.

Conclusion

It is difficult in any Presentation such as this lecture, not to sound as if Samoa is blowing its own trumpet – a process which is not only anathema to our culture, but is certainly very un-Pasifika and un-Polynesian.

Our values systems are culturally based, and this rock, provides the foundation of our economic, political, and social successes.

We have established clearly articulated goals and have worked hard to achieve those goals in a climate of political stability and based upon a strong economy.

We have enabled and empowered our public service (now one of the highest paid in the region from 1 July 2007) who work successfully within a framework of transparent and accountable processes.

We have also empowered and emboldened our reforms by engaging community wide ownership and support through aggressive stakeholder consultations. We conduct the consultations before we move ahead with any reform agendas.

The success of Samoa's development and reforms is not rocket science. It also owes a lot to good leadership and the indomitable spirit of our people. That spirit which allows a country of 175,000 people to win the prestigious Hong Kong Sevens, to host the best South Pacific Games in 2007, challenge for the Heavyweight Boxing title, and provide at least 40% of the players for the mighty All Blacks.

In our defence, let me say finally that confidence in our abilities as a people, is a very important ingredient for any successful reform or development agenda.

It has been a special privilege and real honour to be invited to address you all here today, at the opening of this prestigious Public Policy Institute.

It is my very special honour to dedicate this Lecture to His Highness Malietoa Tanumafili II, our revered Head of State who passed away recently.

In the Dedication of my novel "Love and Money" to His Highness – I wrote these words:

"This work is dedicated with love and affection to His Highness Malietoa Tanumafili II. He is the embodiment of all that is good and noble in the Samoan character. Samoa's time honoured customs and traditions thrive under his patronage and leadership."

My special thanks to your Excellency President Note, Honourable Minister Zackios and the government and People of Majuro for honouring me with this invitation. My special thanks to the Asian Development Bank (ADB) for funding my participation.

I pray for God's blessings on this Public Policy Institute and all who will work in this august institution. May it be the fountain from which special blessings and economic prosperity will flow throughout Pasifika.

God Bless you all

Soifua ma la Manuia

Misa Telefoni Retzlaff

Deputy Prime Minister

SAMOA

Notes:

(a). P.77 of the publication of my writings: "To Thine Own Self Be True". (Malua Printing Press).

(b). There were negative growth rates recorded (-2% in 1984) and an average 1.5% - 2.5% in the late 70s.

Inflation rates were 33% in 1980, 20.5% in 1981, 18.5% in 1982 and 16.4% in 1983.

An unusually volatile period politically saw three different Prime Ministers in one year.

(c). In his 1984 Notes: "Towards Defining Culture"
T.S. Eliot wrote these words.

(d). Budget Speech 2002 – Samoa Treasury Document

(e). Human Development Report 2006 – (Malgrave MacMillan) – UNDP
Publication – "Beyond Scarcity: Power Poverty and the Global Water Crisis".

(f). See Note (a) – Here briefly are the seven premises:

Premise 1: *"Good governance, in any country, is only as good as the weakest link, in any of its component parts".*

Premise 2: *“The success of any good governance agenda is directly related to a nation’s leaders’ level of integrity.”*

Premise 3: *“Strong leaders of integrity in a country can overcome the governance problems created by weak systems, but the strongest systems can be completely undermined when the leaders are dishonest”.*

Premise 4: *“Accountability and transparency are greatly encouraged by leaders of integrity. The reason is quite simple: being honest, they have nothing to fear from complete and full disclosure, for it always confirms their honesty”.*

Premise 5: *“For any agenda for good governance to be successful, sensitivity must be shown to the particular country’s unique situation, and the appropriate time frame for necessary changes to occur must be provided for”.*

Premise 6: *“The worst thing America and the West can do is to try to impose the same agenda of good governance on all countries”.*

Premise 7: *“Do not impose a standard system of democracy that may not be the model that will work successfully for every small state”.*

- (g). National White House Security Statement issued on 20 September 2002.
- (h). Professor Jane Kelsey is a professor of Law from my old alma mater Auckland University. She has quoted my statement often (“Samoa will not allow its culture to be sacrificed at the altar of globalisation”).

For the World Council of Churches Pacific Office (Suva) she published “A People’s Guide to the Pacific’s Economic Partnership Agreement”. She sets

out definitive advice on the Pacific's negotiations with EU on implementing the Cotonou Agreement 2000.

In April 2004, for the Pacific Network on Globalisation (PANG) she published: "Big Brothers Behaving Badly".

- (i). PANG, in collaboration the World Council of Churches, and Oxfam, recently conducted a workshop in Apia on the WTO, and the EU EPA negotiations. After this Oxfam's Barry Coates presented me with the formal submission that I refer to

- (j). In a Paper presented to a recent Conference in Auckland on "HIV/AIDS and the Law" – I emphasized Pasifika was tragically posed at going down South Africa's path (HIV/AIDS incidence jumped from 1% to 20% of adults in 7 years) if it did not "take drastic action now". Pasifika have to act now to avoid a humanitarian disaster later.

See also "AIDS and the Law. Does Protection Exist for AIDS victims" – a Paper I delivered to the 12th Commonwealth Law Conference in Kuala Lumpur. This Paper is on Butterworths and other web-sites and included in my book "To Thine Own Self Be True".