

TECHNICAL ASSISTANCE COMPLETION REPORT

TA No., Country and Name TA 4513-SAM: Strengthening State-Owned Enterprise Corporate Governance			Amount Approved: \$400,000 Revised Amount: N/A	
Executing Agency Ministry of Finance (MOF), the State Owned Enterprises Monitoring Division (SOEMD)		Source of Funding JSF	Amount Undisbursed: \$25,939	Amount Utilized: \$374,061
TA Approval Date: 20 Dec 2004	TA Signing Date: 24 Feb 2005	Fielding of First Consultants: 23 Nov 2005	TA Completion Date Original: 31 Oct 2007 Actual: 31 Dec 2007	Account Closing Date Original: 31 Dec 2007 Actual: 24 Apr 2008
<p>Description</p> <p>The Strategy for the Development of Samoa (SDS) 2002-04 and the SDS 2005-07 prioritized private sector development as central to attaining the national objectives of creating macroeconomic stability, public sector reform, and economic growth. Improvement in the performance of the Samoa's 24 public bodies was identified as a specific priority. The technical assistance (TA) was designed to develop capacity of the directors of the public and private boards to manage and improve the performance of the boards in the context of the ADB's Samoa Country Strategy and Update (CSPU) 2005-06 that focused on the twin objectives of (i) improving the environment for the private sector and (ii) ensuring access to, and quality of, basic social services.</p> <p>The 24 public bodies, fully Government owned with total assets of ST1.1 million and revenues equivalent to 37% of GDP in FY2002/2003, played an important role in the Samoan economy. Under the Public Bodies (Performance and Accountability) Act (2001)/Regulation (2002) (the Act), directors and chairpersons played a key role in improving performance and the corporate governance conditions of the public bodies. The Samoan Institute of Directors (SIOD) was established in November 2005 to support professional development of the directors of boards in the private and public sector. The TA goal was to strengthen the corporate governance of the public trading bodies and public beneficial bodies and by extension support development of capacity in the private sector to improve the contribution of the boards to growth and social development. Strengthening of the SIOD as a professional development body, the main component of the TA, was seen instrumental in strengthening performance of the both the private and public sector boards. Capacity building for SOEMD, established to guide and direct the Government's state-owned enterprise (SOE) portfolio, was also identified as crucial for enabling the MOF to reinforce SIOD's efforts and to improve corporate governance as given in the Public Bodies Act.</p> <p>Expected Impact, Outcome and Outputs</p> <p>The TA impact was envisaged as improved contributions of the boards to economic growth and social development in Samoa. The outcome of the TA was to create conducive environment for sound corporate governance, particularly for the 24 Samoan SOEs, but also for private sector development. The TA had three outputs to (i) assist the SIOD provide valued continuous professional development program for the directors, (ii) promote effective SOE board structure and composition, and (iii) strengthen SOEMD role in promoting SOE compliance with legislation. The TA also complemented a concurrent small scale technical assistance,¹ aimed at privatizing selected SOEs. The TA design was appropriate and the rationale was aligned with the national strategies and ADB's strategic objective to develop private sector. However, by the completion of the TA, the Act had not been fully implemented. The Cabinet had been reluctant to replace public servants on boards due to the small pool of trusted directors available in the private sector. SIOD training is envisaged to help identify potential directors and as confidence is built overtime, Ministers would be more willing to hand over their director responsibilities. Clauses were to be amended to reflect current practice regarding the provisions of the Act for remuneration and number of directors on boards, providing that board directors continue to receive meeting fees, whereas the legislation does not allow for remuneration for board duty. The clause establishing an independent committee for appointing Public Body directors was recognised as unacceptable and the preferred option of a Cabinet appointments committee would be covered in an amendment to the Act. While the TA formulation would have benefited from a critical review of the Government ownership and political economy considerations surrounding the implementation of the underpinning legislation, overall, the TA rationale, formulation, including the extent of the stakeholder consultation were adequate and appropriate, and TA objectives, terms of reference, executing arrangements, and implementation schedule were deemed satisfactory and appropriate.</p>				

¹ ADB. 2004. *Small Scale Technical Assistance to the Independent State of Samoa for Privatization Support*. Manila.

Delivery of Inputs and Conduct of Activities

The delivery of the TA inputs, comprising a total of 10 person-months (pm) of international consulting services allocated between a corporate governance, capacity development, and director development expertise, and 11.5 pm of domestic consulting services, were deemed adequate and of satisfactory quality. With respect to the TA's SIOD strengthening component, the TA assisted with the launch of the SIOD, delivered a 12-month professional development program (PDP), including 20 courses for 220 participants, prepared market research to guide further PDPs, manuals covering PDP topics, a director mentoring program adopted by SIOD, best practice statements for the SIOD board, designed an accreditation process for qualifying members to SIOD, designed and implemented SIOD director databases, developed codes of ethics for SOE director conduct, and implemented awareness building on the role of SIOD. Although the TA delivered recommendations on the board structures' and remuneration policy and legislation amendments, the inputs for developing effective SOE board structures were deemed premature in light of the low priority assigned to the necessary legislative changes. With respect to its SOEMD strengthening objective, the TA conducted on-the-job and formal training, prepared capacity development plans, mentored the staff of SOEMD, prepared training manuals and director database, and reviewed the SOEMD mandate to enhance the division's credibility and effectiveness. The terms of reference were fulfilled and the consultant inputs were deemed of high quality. The SIOD PDP received particular acknowledgement and recognition in Samoa. Progress and final reports were of good quality. There was no change of TA scope during the implementation. All activities were accomplished at the input level. ADB's reviews were conducted and by the Pacific Headquarters Division until April 2006, when the responsibility was delegated to the South Pacific Subregional, supported by private sector focal in the Pacific Liaison and Coordination Office. ADB's TA administration involved five missions and was deemed satisfactory. The SOEMD performance was satisfactory as it was focused on the TA management and progress and provided the necessary support and trainees for the TA. However, the intervening diversions during the TA implementation—the death of the first Head of State and the right hand drive issue—in addition to the lacking championing of the fully implementation of the Act by the Ministry of Finance, caused the TA implementation to suffer from limited Government commitment to fully enforce the spirit of the Public Bodies Act, crucial for underpinning the TA.

Evaluation of Outputs and Achievement of Outcome

The Output 1—The Institute of Directors providing valued continuous PDP for directors: The TA considered SIOD's financial self-sufficiency a challenge, but not impossible. The TA provided seed funds in the amount of \$75,000 for commencing its operations, facilitating initial staffing and procurement of essential equipment. By the completion of the TA, financial self-sufficiency was only partially achieved. In addition to a Cabinet directive, the efforts of the CEO of Ministry of Finance made it mandatory for SOEs to register as members of the SIOD, thereby providing the needed financial support to SIOD. SIOD's operating costs can be covered by the membership fees, but the cost for international specialist for continued PDP required additional funding/subsidies before the local trainers can fully deliver the intended curricula of training. By the end of March 2008, SIOD achieved a membership of 155 paid-up institute members. A significant capacity development was delivered under the TA through the PDP program to 122 attendees—accessible to the SIOD membership. The course evaluation showed that 90% of the participants rated the PDP satisfactory. Many of the courses were conducted in Samoan, attracting greater local participation. The TA produced as knowledge products best practice statements and a database of potential directors, with both outputs viewed as satisfactory by the Government and the SIOD. Nevertheless, the adoption of the best practice statements remain awaiting the SIOD Board review and the database of directors while helpful, will usefully deliver its purpose once the provision of the Public Bodies Act for replacing Government officials as Board members by private sector directors have been implemented. While the TA input delivery was hampered from in some cases due to the extended process for engaging a dedicated chief executive officer for SIOD, the TA successfully achieved this output.

The Output 2—Effective SOE board structure and composition: In November 2006, TA delivered an analysis of the SOE board structures and composition. As a result, the Cabinet requested for relevant amendments to the SOE enabling legislation, completed in the first quarter of 2007 and endorsed by Cabinet in May 2007. However, adoption of the legislative amendments has not seen further progress six months after the closing of the TA in 2008 due to other priorities of the Attorney General. In addition, TA outputs for the appropriate policy on board structures (numbers, skills, chair responsibilities) and basis for determining remuneration have not been adopted due to the apparent lack of political interest in this agenda. Currently, directors on SOE boards are not being appointed and selected by merit and the independent selection committee as intended under the Public Bodies Act has not been established. The output did not achieve the intended results within the time frame of the TA and the CEO of MOF and SOEMD need to ensure that were the legislative amendments given a high priority, compliance with the Act by SOE could be achieved.

The Output 3—Strengthened SOEMD role in promoting compliance with legislation: The TA delivered a combination of training, capacity building, and enhancement of the SOEMD's relationships, reporting and monitoring arrangements. SOEMD consists of an Assistant CEO, a Principal Research Officer, 2 Senior Research Officers and 3 Research Officers. Intermittent short-term consultant inputs were provided in good quality. However, the staff capacity is hampered by limited accounting skills. Recruitment for such skills would need a higher status in selection criteria in addition to a higher status needed for SOEDM reports, when submitted to the Cabinet. However, the TA component

generated a gradual improvement of SOE corporate planning during the TA implementation was observed. The majority of the SOEs now deliver required quarterly and annual reports, though delays persisted, particularly in the delivering the annual reports. Financial management is also improving. The role of MOF in assessing the community service obligations (CSOs) as set out in the Public Bodies Act has been strengthened with the new CSO guidelines approved by Cabinet in June 2007. In terms of output indicators, regular, timely, and relevant feedback and guidance from SOEMD on SOE was affected by the composition of the SOEMD staff that was inexperienced with the SOE financial analysis. In addition, SOEMD's success is subject to the quality of the SOE's financial reporting. This cannot be changed in the short-term due to constraints in financial staff both at the SOEMD and SOEs, in part due to salary conditions offered. No ad hoc (board of director) selection committee was established to act based on SOEMD's advice on skills required and candidates available. Both budget constraints and the adoption of the board structure and remuneration policies work against the SOEMD and hampered achievement of the objectives under the TA outputs.

Overall Assessment and Rating

This TA is rated partly successful. The TA inputs were provided satisfactorily, but outputs 2 and 3 did not achieve the intended objectives. Output 2 was not achieved due to the low priority given to the legislative amendments to the Public Bodies Act. For output 3, the improvement in the capacity of SOEMD requires budget increases to attract staff with accounting and corporate finance experience. TA had, nonetheless, a noticeable impact on developing awareness and understanding on sound corporate governance by boards in the public and private sector. Improvements were made in compliance to the Public Bodies Act/Regulation. The TA successfully assisted with the establishment and operations of the SIOD and its PDP. Although the objectives under TA two of the three outputs were not fully achieved, the TA itself made an important contribution to the awareness of good corporate governance practice within SOEs, Government, and private sector stakeholders. The indirect benefit is that it closed the gap between the current and good practice in favor of more open discussion on the topics relevant to the enforcement of the Public Bodies Act. This TA has thus laid a foundation for follow-on assistance in public sector/SOE reform.

Major Lessons

Successful public sector reform requires strong support by the highest level of Government. Attaining substantive reform on board composition, improvement in performance of the boards of the public bodies, effective role of the SOEMD in guiding SOEs require additional external support. However, formulation of this requires detailed due diligence and policy dialogue with an objective of creating champions at the highest levels of leadership in the Samoan political economy in addition to incorporation of a strong local knowledge to enable effective TA input and policy advocacy.

Recommendations and Follow-Up Actions

Advancing public bodies' contribution to growth and social development requires adoption of changes to the Public Bodies Act and assigning a higher priority to the SOEMD role and reports to the Cabinet. This, in turn, requires commitment by the highest political levels, including through policy dialogue. Future assistance is recommended to private sector development, public sector, and particularly SOE reform, with formulation strongly grounded to an analysis of the political economy considerations and policy dialogue and agreement on shared objectives with the highest leadership in Samoa.

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