

CONSULTATIVE DRAFT

Report to the Pacific Islands Forum

# Strengthening Regional Management

A Review of the Architecture  
for Regional Co-operation in the Pacific

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## Relevant definitions

<i>collaborate</i>	work jointly
<i>cooperate</i>	work or act together
<i>coordinate</i>	bring into a proper or required relation to ensure effective operation
<i>amalgamate</i>	combine or unite to form one structure or organisation
<i>integrate</i>	combine (parts) into a whole
<i>merge</i>	combine or be combined

*Source: Oxford Encyclopedic English Dictionary, 1991.*

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## I. Summary

The Pacific Plan is expected to identify practical policies and actions that can be undertaken by members of the Pacific Islands Forum and the Pacific Community acting together in a framework of strengthened regional cooperation. This report addresses critical aspects of the institutional architecture, policy coordination and management of operations constituting regional cooperation in the Pacific.

There are a number of constraints limiting the effectiveness of efforts in regional cooperation in the Pacific. Some of these relate to the condition of existing regional organisations created to foster such cooperation, and the relationships between them. These constraints are addressed in the report.

Other constraints, not addressed but noted as factors strongly conditioning the environment for regional cooperation, include the physical facts of distance, isolation and small country size that characterise the Pacific; the leading role being played by Australia and New Zealand in shaping regional policies and financing regional organisations and activities; the great disparities of size and resource endowment among the island members and sub-regions of the Forum and the Pacific Community; and the range of constitutional status that underscores the need to provide all island members of the Pacific Community with ready access to the opportunities and benefits of regional cooperation.

The condition and capabilities of the main inter-governmental Pacific regional organisations (PROs) are reviewed, and attention is focused on five of them (FFA, PIFS, SOPAC, SPC and SPREP) referred to in the report as the G5, with a view to removing barriers between them and strengthening their collective capacity. The effectiveness of the Council of Regional Organisations of the Pacific (CROP) as an instrument of inter-agency coordination is considered and found unsatisfactory.

A set of proposals is therefore made that would improve the chances of efficient and effective cooperation among the G5 by modifying institutional processes and behaviour without requiring any legal or structural changes. The report considers however that the full potential of the G5 for effective regional operations is unlikely to be realised while they are still legally separate entities, because of the enduring propensity for inter-institutional barriers to survive or be resurrected, for a multitude of reasons arising within or outside the institutions.

A further proposal is therefore made for conversion of the G5 into a Pacific Commission, by amalgamating their operations and funding arrangements under a unified management structure that would internalise and eliminate inter-G5 barriers. The separate (but overlapping) memberships and political character of the Forum and the Pacific Community would be preserved, but they would be served by a unified Secretariat and Directorates forming the Pacific Commission. Over time the Forum and the Community would inevitably move closer together until eventually a form of merger becomes possible that would be acceptable to all members. This approach is preferred by the report as likely to produce the more efficient and effective arrangements for strengthening regional cooperation.

The steps needed to implement each set of proposals are outlined in the report. Neither is expected to result in an increase in overall operating costs above present G5 levels. A decision would be made by the Forum in 2005 on which approach to adopt, and action to implement it would proceed during 2006-8.

## II. Recommendations (from sections VII and VIII of the Report)

(R1) Agreement should be quickly reached` among the G5 CROP members to reduce the procedural overburden on their efforts to cooperate, simplify the CROP agenda and processes to reflect the substantial differences of interest between the G5 and other CROP members, and reconstitute existing intra-G5 working groups as far as possible *as if there were no institutional barriers between them.*

(R2) Those G5 PROs that have corporate planning exercises under way now should design their mission statements (or equivalent) for both external and internal use, and state clearly their intention to pursue their corporate goals in close and practical collaboration with other regional organisations.

(R3) The current reorganisation of PIFS should ensure that

- (a) institutional space is provided between the functions of supporting and servicing the political decision-making role of the Forum, and those of inter-G5 coordination and the delivery of regional outputs for which PIFS is responsible; and
- (b) when other G5 PROs are engaged in activities or have capabilities in areas where PIFS is charged with taking action to achieve Forum goals, PIFS gives priority in its response to collaboration with and use of those activities and capabilities.

(R4) An inter-G5 working party administratively led by PIFS and with technical support by SPC should be established to examine the feasibility and costs of establishing a unified internal broadband communications system for the G5, and make appropriate recommendations.

(R5) An inter-G5 working party should be established, administratively led jointly by PIFS and SPC, to examine the feasibility and costs of options for the unification of personnel and accounting systems among the G5, using the unified G5 communications system to be separately proposed, and make appropriate recommendations.

(R6) An inter-G5 working party should be established, administratively led by PIFS, to examine the feasibility and financial and other benefits of consolidating the procurement arrangements of the G5, and make appropriate recommendations.

(R7) Decisions on R1-R6 should not be taken before consideration of recommendations R8 and R9 for amalgamation of the G5 PROs to form a Pacific Commission. If those two proposals are accepted, decisions on R1-R6 will not be separately required, and work on those areas will be incorporated into the planning of the amalgamation.

(R8) The G5 PROs should be amalgamated and converted into a Pacific Commission during 2006-7 on lines described in the report

(R9) Inter-G5 working groups should now be set up to examine, plan and report on all aspects of the amalgamation and conversion, under the joint supervision of PIFS and SPC

### III. Themes of the Report

1. This report is about the working of a core group of regional organisations in the Pacific and their collective capacity to deliver the regional elements of the forthcoming Pacific Plan. It is about recognising strengths and overcoming weaknesses; removing barriers and releasing potential; and combining central coordination with delegation—while making the most effective use of scarce human and financial resources. The report is about strengthening regional management so as better to achieve regional goals.
2. The ideas involved are simple, and the report is addressed to important persons with many calls on their time. The report concentrates on overall analysis and the arguments of principle supporting its proposals. If the proposals are accepted, those who will have to implement the changes will be responsible for their detailed planning. Implementation will require well-coordinated preparation and execution.
3. The report is a contribution to the process surrounding and supporting development of the Pacific Plan, commissioned by Heads of Governments of the sixteen Pacific Islands Forum member countries in April 2004. The content of the Plan is currently under development by a Forum-wide Task Force of senior officials, assisted by broad-based in-country consultations and overseen by a Core Group of past, present and future Forum chairpersons.
4. The concept of an overall plan for the Pacific was sceptically received in many quarters. The language of the April 2004 declaration and subsequent documentation was criticised as dismissive of political realities and lacking practical substance. The criticism was premature. Part of the problem was the early use of the term ‘Pacific Plan’, as if a workable and technically sound plan had suddenly sprung fully formed from the waves.
5. The Forum’s 2004 pronouncements did not purport to *be* a plan with an implementable statement of issues, goals, resources and activities in a time-frame with targets and performance indicators. They were a call for a regional version of such a plan to be produced, something that would move the region forward on issues and in policy areas where a common interest can be identified and pursued together—recognising that action at regional level will only work if it is directed to goals that embody acknowledged national interests.
6. The forthcoming Pacific Plan is thus best seen as an expression of resolve by Heads of Governments to strengthen cooperation among their countries *in those areas where such cooperation is the best way of achieving national objectives*. Those areas are not static. National objectives change over time, being periodically—in some cases frequently—reviewed and redefined through national political process. The institutional means of acting regionally need to be able to respond flexibly and effectively to expressions of need at national level, while keeping a sense of collective directional stability over the medium term. Implementation of a good regional plan will be based on and reflect national aspirations, but it will also help to shape them by interaction and feedback. Where institutions share ownership, access to resources and accountability they need to be under strong common policy direction and management.

7. What are commonly referred to as the institutions of regional cooperation in the Pacific were not designed as a coherent structure. They were created at different times over several decades in response to different needs, some internal to the Pacific islands, some not. To some extent they were not designed for regional *cooperation* so much as for delivery of external aid on a region-wide basis, for which little substantive interaction among national recipients may be needed. There is currently some uncertainty about what will be required of the Pacific regional organisations (PROs) by the Pacific Plan, and a sense of impending disturbance of existing structures is noticeable. The ToRs for this report have contributed to this by referring to the possibility of ‘significant institutional reform of regional architecture’. That wording has had a formative effect on the report.
8. To the extent that there is a regional architecture in existence, it consists of a frame fitted around a collection of existing institutions and relationships, rather than a deliberate design that shaped the institutions and the way they relate to each other. This report takes on the normal role of the architect, namely that of collecting and assessing information on the foreseeable needs of the client, and designing affordable and efficient structures to meet them—without unnecessarily demolishing what is still of use and value.
9. There are hundreds of regional organisations in the Pacific, with new ones appearing all the time and a smaller number passing away as specific regional needs wax and wane. This report considers the condition of the ten PROs that presently make up the Council of Regional Organisations of the Pacific (CROP). For reasons explained in the report it then concentrates on five of them (FFA, PIFS, SOPAC, SPC and SPREP) which it refers to as the G5.
10. Together the G5 comprise a formidable body of professional and technical expertise, and an extremely valuable collection of knowledge of the Pacific region and its island countries and territories (PICTs). These five high-profile PROs produce a flow of technical information, studies and plans relevant to PICT needs and development issues. Over USD50m of external assistance directed to PICTs is annually handled by and through the G5, and the PICTs’ relations with the rest of the world are partly managed, and substantially influenced, by the G5.
11. The human resources, archives, developmental activities, policy advice, representational functions, information technology, telecommunications and administrative services of the G5 are divided into five legally watertight compartments. The definition and pursuit of five separate sets of institutional goals and the defence (not to say enlargement) of five separate patches of institutional turf, at the same time as simple common-sense requires them to collaborate closely in many of their activities, absorbs substantial amounts of senior management time and leads to some painful contortions.
12. Meanwhile the CROP structure that has evolved since the 1980s, ostensibly to promote cooperation among PROs, has taken to behaving like an institution itself, a super-PRO with its own charter and mandate. Its efforts to achieve inter-PRO cooperation have been cumbersome, time-consuming and excessively formal, consuming a significant amount of expert resources in the process. In an effort to remain small, CROP presents itself as an exclusive club that lesser PROs are not eligible to join. But CROP as such is not directly

accountable to anyone, and the lack of machinery for compelling cooperation among its members, particularly among the G5, means that lack of consensus can prolong institutional tussles indefinitely.

13. Recently the most valuable role of CROP has been its spawning of working groups to address specific developmental issues that no single G5 PRO can address successfully on its own. Yet even here the heavy bureaucratic process apparently required to set up and support CROP Working Groups appears ludicrous compared with the no-fuss, fast-moving cooperation among disciplines possible within an integrated multidisciplinary organisation.
14. Many people working at management level in the G5 recognise these problems and have thought about how to deal with them. Most of the ideas in this report on rationalisation and sharing of services have come from persons inside the PROs, some of whom have already begun low-key discussions among themselves along these lines. Useful observations and suggestions have also come from aid donors and institutions working in the region and dealing with PROs. From those inputs, study of material collected from PROs and more generally, and the writer's observations over a working lifetime in the same broad field as the PROs, two categories of recommendations emerge.
15. The first set of proposals would change the way the G5 behave, without requiring any changes to their constitutional basis or legal personality. These mainly relate to the practical amalgamation of common services in administration, IT/communications and electronic access to archives, joint procurement of big-ticket goods and services, the exercise of greater care not to duplicate or overlap functions, and refocusing of CROP on practical matters. These changes would yield significant savings and improvements in intra-G5 operations and would be worthwhile in any case.
16. That would not, however, overcome the problem of mental barriers related to the separate legal and political personalities and lines of accountability of the G5 institutions, which are described later in the report. Unless this problem is tackled the true development potential of the resources collectively managed by the G5 will not be realised, and inter-G5 boundaries and tensions will continue to hobble efforts at regional cooperation. To get full service-delivery benefit from its high-quality human resources and USD 68m annual funding, the G5 mindset has to change, its bureaucratic model has to be reformed and its operations amalgamated under unified management.
17. To achieve this, the second set of proposals would amalgamate the G5 institutions to form a Pacific Commission, organised into semi-autonomous but centrally accountable service-providing directorates under a single CEO.

All issues of cooperation and coordination among the present G5 would be internalised into the corporate planning and management systems of the Commission, where any territorial disputes would become irrelevant and evaporate, or be resolved by an appropriate process managed by the CEO. The directorates would initially be geographically located substantially where the G5 are now. Directorates would organise regular meetings of regional political and technical heads and relevant non-state bodies in their respective fields. Overall funding levels would remain broadly unchanged. Incoming funds would be traced to end-uses as the providers of funds might require, but

would otherwise merge into the consolidated fund of the Commission, feeding an integrated programme-based budget.

This structure would simultaneously serve both the Forum as the regional council of Heads of Government of independent and self-governing countries, and the Pacific Community as a consultative, deliberative association of all island countries and territories and supportive 'others', including all members of the Forum. The Forum and the Conference of the Pacific Community would continue to meet much as at present, with unchanged powers, but would be served by the single Secretariat at the apex of the Commission. Other G5 memberships would merge into the Commission structure and eventually fall away by specific acts of self-termination in an appropriate legal form.

18. More detailed proposals for both sets of changes appear in the report. The report concludes that while the first set of changes are worthwhile in themselves, when they are considered in the round they will be seen to result in a half-baked cake. Re-baking a half-baked cake may not be the best way to get a good final product. To realise the full potential of the G5 for cost-effective regional cooperation and practical support for the Pacific Plan within an acceptable time-frame, it may be wiser to adopt the second and more radical set of proposals at the start, setting a clear goal for implementation of the necessary changes within a definite time. Put bluntly, a Pacific Plan of substance will need stronger regional coordination and unified direction of core regional operations, and the best way to get that will be through a Pacific Commission.

#### IV. Constraints on regional cooperation

1. Regionalism involves cooperation among countries to identify region-wide issues, develop region-wide policies in response, mobilise resources on a regional basis and execute relevant activities in a coordinated manner across large parts of the region, with appropriate degrees of integration. Acting regionally in this way can relieve the burden at national level of trying to provide specialised services with very high unit costs. On the other hand it may demand scarce resources of money and skilled people that might be allocated and applied at national level to the same or other issues. It also means making and carrying out certain domestic policies in a regionally-oriented manner, with an impact on the availability of domestic services.
2. Regional programmes in developing countries are often aimed at strengthening, or even providing, national-level capacity to deal with issues affecting a number of countries. But there are tensions between allocating resources to national and regional activities, and between greater and lesser levels of region-awareness in conduct of domestic policy, that have to be resolved politically by interaction among member governments—and the bilateral and multilateral donors who actually fund most of the activity.
3. When Heads of Governments get together away from home a mutually uplifting experience can occur, in which their political feet temporarily leave the ground. The officials in attendance may be less ready to pull them back to earth than their advisers at home. Heads of Governments in regional conclave may experience a strong sense of regional identity and common purpose, and

their resulting joint statements may be set on a high visionary plane and be luminously expressed <sup>1</sup>. But when they get home the tone commonly changes. Regionalism generally does not play well in domestic politics <sup>2</sup>, and governments are mainly concerned with staying in office. Statements by Heads of Governments for home consumption may therefore shift to expressing reservations about loss of sovereignty and determination to protect the national interest, or simply saying nothing at all about regional issues. The actual order of political priorities thus revealed constrains national capacity to commit the resources needed for effective regional programmes, even in areas that are recognised as appropriate for regional cooperation.

4. Current studies of the potential content of the Pacific Plan are therefore exploring ways to make it highly relevant to achievement of domestic political goals, linking the Plan to concerns increasingly being felt by Pacific voters—such as the need for access to jobs and incomes through labour migration and inward investment. In this quest other constraints on Pacific regionalism become important. These mainly relate to the extraordinary range of country economic and social circumstances to be found in the Pacific region. This can be seen in two parts: first the dichotomy between the island countries on the one hand and Australia and New Zealand on the other; and second the wide disparities of current conditions and development potential among the island countries themselves.
5. The presence of Australia and New Zealand as full members of the Pacific Islands Forum <sup>3</sup>, aside from stretching the normal meaning of ‘Pacific Islands’, has had a formative influence on the character of that body, the evolution of the ‘regional institutional architecture’ and the practice of regional cooperation. It is one of the most striking differences between the Pacific and Caribbean regional arrangements <sup>4</sup>, broadly equivalent to having the USA and Canada as full members of the Caribbean Community—an unthinkable concept for the independent Caribbean states.
6. Australia and New Zealand form the south-west rim of the Pacific. They were invited to join the original Forum grouping <sup>5</sup> in 1971 because they very much wanted to be, they were clearly in and of the Pacific region, they were

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<sup>1</sup> The Report of the Eminent Persons Group and the Forum documents initiating work on the Pacific Plan are probably unsurpassed in development literature in this respect.

<sup>2</sup> New Zealand is something of an exception because of its large Polynesian population, and in both NZ and Australia security issues in the Pacific islands have recently brought regional concerns to the front of the domestic political agenda. Normally in both countries Pacific regional matters are buried in national news media and public awareness by domestic political issues.

<sup>3</sup> They are also active members of the Pacific Community (formerly the South Pacific Commission (SPC)) along with France and USA, but the less ‘political’ agenda there and the lower profile the developed countries adopt in it make that a less conspicuous role.

<sup>4</sup> The Caribbean situation is briefly outlined in Box B at page 28 and more fully described in the Annex specially written for this report.

<sup>5</sup> The island members were Cook Islands, Fiji, Nauru, Tonga, and (Western) Samoa. Australia and New Zealand went to great lengths, despite some differences of view between them, to make sure they both became founder members of the Forum. This is documented in *Australia and the Origins of the Pacific Islands Forum*, Stuart Doran, DFAT Canberra, 2004. On the islands side there was some hesitation about the invitation, but those were early days in the ‘decade of becoming independent’, and the need for financial backing for the embryonic institution was no doubt a conclusive factor.

able and willing to provide financial support and they were opposed to French nuclear testing in the Pacific—the most prominent of the issues whose inadmissibility to the SPC agenda led directly to the creation of the Forum. Over the years the Forum has expanded to include sixteen independent and self-governing states, France has long ago stopped its nuclear testing, and New Caledonia and French Polynesia now have observer status at the Forum and are widely seen as valuable potential members.

7. Australia and New Zealand have been strong financial and technical supporters of the Forum and PIFS from the start—providing over two-thirds of core financing, and several times intervening in management to strengthen what they and others saw as administrative or financial weaknesses. They draw virtually no services from PIFS—or any other PROs—other than statistics and information. What they get in return is the right to exert influence on regional affairs through the Forum machinery. Their participation in and financial support for PROs is intended to serve their national interest in the stability, prosperity and security of the Pacific, an interest they assume any sensible person must share. The intensity of their political involvement has fluctuated with the rise and fall of domestic political attention to Pacific issues. Currently for both countries this is at a historically high level, mainly because of well-publicised security concerns in Solomon Islands and PNG.
8. Sometimes the confrontational style of political management practised in Canberra and Wellington has intruded on the Forum and grated upon Pacific Island sensibilities. On occasion the strategic priorities of Australia and New Zealand have been too openly assumed by their representatives to be also those of the island states. From time to time such irritations have led to suggestions of a change of membership status for one or both of the two countries. Neither Australia nor New Zealand would welcome such a move, and in the present climate of actively addressing regional security concerns, joint operations to assist Forum members in trouble, and work being done on the Pacific Plan, all with strong Australian and New Zealand involvement and funding, no-one is currently suggesting it. But the idea remains in the PICT subconscious.
9. The economic and social interests of Australia and New Zealand are unlikely to coincide precisely with those of the island countries, individually or as a group. Scope for cooperation lies where national interests substantially overlap, rather than precisely coincide. Assessing the degree of overlap is both a technical and political exercise involving all significant stakeholders whose support is needed. Regional cooperation based on the Forum can be mobilised in practice only if it is perceived by Australia and New Zealand to be in their interests, or at least not contrary to them, so they tend to have a prominent role in defining when and where cooperative action should take place.
10. In a sense this is no different from the case of other Forum members, as the Forum generally proceeds by consensus. But Australia and New Zealand tend to make their detailed views known on most issues and argue their case vigorously in regional meetings, sometimes demonstrating an ‘un-Pacific’ insistence on getting their way. Many island members have neither capacity nor inclination to cover so much ground, but resent the dominance of discussions and outcomes by the two developed countries. Putting this observation in a Pacific Plan context, notions of regional governance and forms

of regional integration (and an associated redefinition of sovereignty) may be more freely discussed and readily accepted by countries who could expect to dominate an 'integrated' Pacific region, than by those who sense that they would be at the bottom of the heap.

11. As well as driving important aspects of policy, Australia and New Zealand are footing the major part of the regional cooperation bill. Ready access to the financial and human resources of Australia and New Zealand through their sustained budget support and programme funding is clearly of crucial importance to the PROs, and specifically the G5, in a material sense. But with accountability for proper use of this assistance comes a sense of being beholden to the authorities in Wellington and Canberra to a greater extent than PICTs would really like. There is a readily-stirred suspicion among them that the regional paymasters use this position to call the shots on policy, even though they often fall over backwards not to appear to do so <sup>6</sup>. It seems clear that Australia and New Zealand value the policy leverage that their supportive financial role gives them and regard it as money well spent.
12. Second, among the island countries there is a wide range of national circumstances that has to be taken into account in analysing issues for their regional applicability and devising appropriate policy responses. The PROs have developed great skill in handling such a diverse group, but the stretching of analytical concepts and programming techniques to embrace countries as dissimilar as PNG and Tuvalu and sub-regions as different in resources and structures as Melanesia and Micronesia severely tests both planning and diplomatic skills. Of close to nine million people living in the PICTs, 7.5 million are in the five Melanesian countries <sup>7</sup>, and three-quarters of those are in PNG.
13. The PNG factor in Pacific regional affairs, deriving from PNG's sheer physical and economic size and closeness to Asia, has in theory been problematic since the 1970s, but in practice it has been deftly handled both by PNG and by other PICTs. PNG has generally refrained from over-engagement in Pacific regional affairs, being careful not to throw its considerable weight around, not pressing for proportional representation in PRO employment, and not placing heavy demands on PROs for their technical assistance. In return the other PICs have accepted PNG as a fully integrated member of the region, while acknowledging that PNG's location as a natural bridge to Asia means that it must also develop closer links with countries to its north and west. The rest of the region's relationships with PNG appear to be in cordial equilibrium, and the present review should not disturb them.

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<sup>6</sup> There seems no immediate prospect of reducing this conspicuous financial dependence on Australia and New Zealand. Informal indications through PRO channels suggest that increasing relative contributions by PICTs is not presently 'on', partly because of a perception that Australia and New Zealand are prepared to go on paying, and partly from a concern among some PICTs that existing member contributions to PROs may not be being used to overall best effect. No proposals are made in this report for increased contributions. If changes proposed here are implemented the question of appropriate contribution levels can then be addressed in a changed institutional environment.

<sup>7</sup> Fiji Islands 0.85m, New Caledonia 0.24m, PNG 5.8m, Solomon Islands 0.47m, Vanuatu 0.22m. These countries also comprise 98% of the total land area of the island members of the Pacific Community.

14. Part of PNG's interaction with the region takes place through the Melanesian Spearhead Group (MSG). PNG's physical size and development potential plus the economic depth and diversity of Fiji and New Caledonia make the MSG a significant factor in future Pacific regionalism. This is the only inter-country grouping of any economic consequence in the region that does not include Australia and New Zealand. As a result it is short on funds but long on politics. The power and influence of the MSG, with an updated focus and perhaps a new name, is set to grow slowly but steadily. This is likely to provoke concerns among other PICTs about regional balance, some strains among MSG members themselves about leadership and direction of intra-MSG trade and investment, and concerns in Canberra and Wellington about their lack of direct access to MSG deliberations. The prospect of MSG institutions proliferating could be problematic for region cooperation, but it is not improbable. These possibilities will have to be factored in to the promotion of Pacific regional cooperation and the design of regional activities.
15. The Fiji factor has been around since the colonial period. The natural advantages of Fiji's location as a communications and administrative hub made it a regional colonial capital for Britain. Its relatively better educated and skilled people provided missionaries, doctors, teachers and artisans to the region. Later, as most colonies became independent, Fiji was the natural location for USP, UN agencies and PROs. Over time employment opportunities at USP in particular have been seen as disproportionately benefiting Fiji. Resentment by other PICTs at Fiji's capture of the lion's share of collateral development benefits led to SPREP being located in Apia, FFA in Honiara, ADB and UNESCAP in Vila, though these agencies would arguably have all been financially more cost-effective located in Fiji.<sup>8</sup>
16. Fiji has always protested its innocence in all this, while quietly welcoming the foreign currency and jobs. But the natural factors in its favour are such that all Fiji has to do is make sure it has the region's best facilities and most skilled workforce—and avoids further political violence—and institutions will gravitate there. For this G5 review, the Fiji factor means that any structural reforms should not significantly increase the proportion of G5 institutional activity in Fiji. As a reformed structure develops, functions will certainly be relocated, but as part of a phased and even-handed redistribution.
17. The 'former US Trust Territories' factor refers to the physical remoteness of the Micronesian republics of Palau, FSM and Marshall Islands from the centre of gravity of regional cooperation, and their strong historical and current links to Asia and USA. Participation in the G5 machinery is helpful to them in practical ways, outstandingly so in the case of FFA and SPC, and membership of the Forum provides a valuable political and strategic link to other small and independent PICTs to offset their economic dependence on Asia and USA. In a development unforeseen a few years ago these historically non-ACP states<sup>9</sup> are now being drawn into the Pacific's 'aid-and-fisheries' relations with the European Union.
18. The non-independent territories factor, meaning how to engage the remaining US and French territories in the process of regional cooperation

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<sup>8</sup> ADB has now moved to Suva and UNESCAP's Pacific office is said to be moving there.

<sup>9</sup> Though they count Spain and Germany as former colonial powers, that's pre-EU history.

and closer economic and political relations, is steadily becoming less contentious. Tactful behaviour and skilful diplomacy by PIFS and SPC and the perceptible positive trend in the attitude of France to political evolution in its territories have removed most of the heat that once surrounded this topic. At the same time studies of regional security have shown that the non-independent PICTs must be treated as participating equal partners, backed by metropolitan reinforcements, if regional arrangements to counter trafficking in drugs, arms, and people and to enforce plant and animal quarantine are to succeed.

19. Observer status at the Forum, associate member status in PIFS, FFA and SOPAC, and full membership of SPC and SPREP means that the circle is almost complete for American Samoa, French Polynesia and New Caledonia, and further development assistance needs can be finessed. Only Wallis and Futuna and Pitcairn await appropriate solutions, and the first of these is under active consideration in Noumea. In the structural changes proposed in this report, care will be taken not to prejudice the access of non-independent PICTs to assistance from and through the G5. In most respects they can expect to benefit from significantly easier and wider access to G5 services.
20. At the lower end of the size/higher end of the vulnerability scale, the PROs must pay special attention to the needs of the Small Islands States, where the financial and other burdens of sovereignty often appear to outweigh its social and economic benefits but there is no other constitutional model available.<sup>10</sup> PROs and their associated aid donors are accustomed to the very high unit costs of assisting SIS with education, health, environmental management and aspects of governance and economic management, and there is no end in sight to this need. Smallness and long distances are essentially what the Pacific development challenge is all about, and the SIS highlight these factors.
21. These constraints on regionalism are also conditioning factors in the design of appropriate regional architecture. The environment in which any institutions of Pacific regional cooperation must operate is characterised by
  - regional isolation and economic marginality, except for the tuna fishery
  - widely differing country sizes, capabilities and economic circumstances, separated by long distances, different cultures and historical experiences
  - fragile physical environments in both the atolls and the high islands
  - overweighting of population and land resources in Melanesia
  - shortage of experienced bureaucrats, planners and managers
  - generally weak government systems and capacity to deliver on policies
  - dependence on foreign aid for public sector development programmes
  - strong engagement and regional influence from Australia and New Zealand

This suggests that regional institutions should keep demands for skilled Pacific islands personnel within bounds; should be flexible and multi-disciplinary in structure and operations; and should be intellectually and politically robust enough to ensure that the views and needs of island members are given full weight in policy-making and advisory services.

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<sup>10</sup> See reference in the Annex on the Organisation of Eastern Caribbean States, with the obvious caveat on their very different situation from that of the Pacific SIDS.

## V. The state of the 'CROP' PROs

1. Ten PROs are members of the Council of Regional Organisations of the Pacific. Five of these—FFA, PIFS, SOPAC, SPC and SPREP—are treated here as the core group (G5). Their operations and relationships are discussed in some detail, and proposals are made for changes to both. Their distinctive 'core' quality lies in the *degree and intensity of their policy and operational interaction with PICT governments and populations, with regional and international aid donors and with each other* that characterises their operations. They are entirely the creatures of governments and aid donors, and they are deeply enmeshed in the development process at national and regional levels.
2. Three of the other five—FSchM, PIDP and SPBEA—though also created by governments, perform their roles in Pacific development in the field of education, training and research without such intensive governmental interaction. SPTO is positioned at the interface between PICT governments and national tourist operators, has always had strong commercial connections, and should increasingly become owned and controlled by the national tourism industries in its member countries. The fifth, USP, has a wide outreach and a pervasive impact in its member PICTs, but compared with the G5 it is a very large institution with a very specific goal and specialised organisational characteristics, and a need for intellectual independence that can all too easily be compromised by too close a relationship with other government-controlled institutions.
3. Apart from the progressive privatisation of SPTO, this report therefore makes no proposals for change in this second group of PROs. The institutions are reviewed briefly here for record purposes (in alphabetical order of acronyms), and do not reappear in the report's substantive recommendations.

*Fiji School of Medicine:* By far the oldest PRO, FSchM was established in 1885 to train Pacific islanders as vaccinators against infectious diseases. Over the years it has produced most of the Pacific's medical and dental practitioners, from whose ranks in turn have come presidents, prime ministers and diplomats to the world. It now has over 1400 full-time-equivalent students from 29 countries, 90% of them from 18 PICTs, with the biggest contingent from Fiji. FSchM is entirely directed to training in health disciplines. It has a close affinity and strong linkages to USP, and any future institutional integration should be in that direction. It needs to know what the G5 PROs are doing in the health area, and to be able to engage in specific collaborative health-training activities as a partner or contractor, but it does not need to be formally integrated with them or to become part of the proposed Pacific Commission.

*Pacific Islands Development Programme:* PIDP was established in 1980 as a programme of the USA-funded East-West Center (EWC) in Hawai'i. It has 21 members, all PICTs. Its governing body is the similarly funded Pacific Islands Conference of Leaders meeting every 3-5 years. With a small academic staff and around twenty research fellows, PIDP conducts research on Pacific islands issues and supports trade and development cooperation between PICTs and the USA. Staff and fellows have undertaken valuable specific tasks on politically sensitive issues in the region that could have been difficult for G5 PROs or USP to handle.

PIDP also supports the US-Pacific Islands Joint Commercial Commission (JCC) set up in 1993. The focus and effectiveness of the JCC has come under question by both sides, and PIDP has been asked to work with PIFS to reinvigorate it. PIDP's role under EWC's current strategic plan is to continue this work and to 'bring Pacific Island perspectives in to broader Asia-Pacific cooperation'. To do this PIDP needs to be in regular contact with G5 and USP, and to be able to collaborate with them when appropriate, but it is unaffected by proposals in this report for rationalisation of G5 activities and the eventual establishment of a Pacific Commission.

*South Pacific Bureau for Educational Assessment:* Established in 1980 (after 16 years of careful thought) SPBEA is a small, highly focussed institution performing a crucially important service to education in its nine PICT members<sup>11</sup> at a total cost of just over FJD 1m annually. Australia and New Zealand are also members. SPBEA's task is the establishment and maintenance of regionally appropriate and recognised quality assessment and control practices in education and training. This has led to some tensions with national education authorities, but the need for credible external moderation is now accepted. The scope of SPBEA's concern is broadening to address a Regional Qualifications Framework covering vocational and academic, formal and non-formal education and training (and requiring a substantial increase in staff and funds), and it expects to play a key role in the Pacific Education Plan currently in preparation. No change to SPBEA's status or relations with the G5 PROs is proposed in this report. It appears to know where it is going and to be working well. If SPBEA were to 'move' institutionally it should not be to USP, whose outputs it may need to appraise, but to SPC, where it originally came from and where its functions would fit easily alongside other human resource development concerns. In that case it could form part of a future Pacific Commission.

*South Pacific Tourism Organisation:* SPTO is distinguished from all other PROs discussed here by its strong connections with private enterprise and its ability to fund its core budget of just over FJD 1m without developed-country support. These are important and related strengths on which to build. Set up as the Tourism Council of the South Pacific (TCSP) in 1980 by a group of PICT Visitors' Bureaux, the institution has had a turbulent history, too complicated to relate here, involving the Forum, the EU and TCSP's Governing Council and aid-funded management. After twenty years it had become SPTO with all the governance paraphernalia of a PRO and was losing a sense of direction. New management and changes at board level have corrected that. Meanwhile, with valuable assistance from TCSP/SPTO programmes that got delivered despite the high-level turbulence, the tourism industry has grown into a leading sector in several PICTs, and great efforts are going into further development at national level, many of them with help from SPTO. The right path for SPTO is for it to become increasingly owned, financed and controlled by PICT national tourist industries, attracting donor funding for its training and small-business extension programmes by being clearly focussed, well managed and an efficient deliverer of outputs—very much the path it is on now. SPTO can and does have MOU-based cooperative programmes with other PROs where their objectives coincide. It would not be helpful to SPTO's public-private sector identity and operations or its future effectiveness for it to be more closely integrated with the G5 or other PROs, or for it to become part of the proposed Pacific Commission.

*University of the South Pacific:* USP is by far the largest of the PROs under discussion here, with over 1000 professional staff located at the main campus at Suva, smaller campuses in Samoa and Vanuatu and 14 USP centres around the PICTs, serving over 10,000 full-time equivalent students (15,000 students

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<sup>11</sup> Fiji, Kiribati, Nauru, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.

enrolled). It is vastly different in its nature, operations and impact from all other PROs (except perhaps FSchM, which has one-tenth of USP's student numbers).

Around four-fifths of USP's full-time students are from Fiji, significantly in excess of Fiji's share of member PICTs' population, and Fiji citizens predominate in the academic and administrative staff. The Suva campus is a major source of incomes to Fiji through employment, purchase of goods and services and payment of taxes by individuals and USP itself. The concentration of the benefits of USP in Fiji has long attracted adverse comment in the region. USP is responding by addressing the scope for further decentralisation in its current strategic review<sup>12</sup>, but the imbalance will be very difficult to remove.

A large university cannot escape some involvement of teachers and students in the national politics in its country of location, and USP has several times been disrupted by Fiji's ethno-political troubles. By the same token, a regional university needs to keep some distance between itself and the currents of contemporary regional politics, so as to preserve its academic independence, the credibility to provide impartial commentary, and the ability to chart sustainable long-term paths for regional intellectual development.

For those reasons any kind of structural integration of USP with G5 or the Pacific Commission proposed in this report would be inappropriate. USP has good relations with the present G5, some of whom help to conduct degree courses at USP. It needs to maintain such relations with the present G5 and any future Pacific Commission, and to have the opportunity to tender for regional research projects in competition with other regional and national universities and research institutes. But it would equally be inappropriate for USP to set itself up in competition with G5 for execution of aid-funded programmes in PICTs, unless these are clearly part of its core regional mission to provide undergraduate and graduate training.

4. Turning now to the G5 PROs, the following five sections provide (in alphabetical order of acronyms) basic information on the size and orientation of each organisation, with an assessment aimed at indicating strengths and weaknesses as service deliverers, and the relevance of 'institutional identity' in enabling or preventing the full potential of their resources being realised. These brief descriptions are unable—and do not attempt—to do justice to the range, richness of content and technical quality, of the activities of the G5. Their corporate and strategic plans and annual and specific programme reports do that well, and make good reading.<sup>13</sup> Here we are concerned only with understanding their existing and potential effectiveness in promoting regional cooperation and implementing the expected requirements of the Pacific Plan, and considering whether this would be improved by changing their institutional relationships.

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<sup>12</sup> *A Regional University of Excellence: a vision to the year 2020*, USP, Suva, 2004

<sup>13</sup> It proved impossible to obtain for this report an analysable assessment of the value placed by the PICTs on the G5's outputs and the effectiveness of their participation in the governance of the G5. PIFS despatched questionnaires prepared for this purpose to over twenty PICT governments. Only three were returned, and only one of those was from a Forum island country. No conclusions have been drawn from this response for the purposes of this report. PIFS considers that the poor response reflects weak internal systems in PICTs for preparing such information.

## 5. Forum Fisheries Agency (FFA)

*Location:* Honiara. FFA has problems retaining overseas staff because of chronically poor quality of local infrastructure and services. Temporary relocation to Brisbane was considered during SI security crisis 1999-2002 but not implemented. Security is now satisfactory and infrastructure is expected to improve.

*Established:* 1979, following 1977 Forum decision, with advisory assistance from FAO, as sustainable management of highly-migratory fish stocks in EEZs became recognised as a major development issue for PICTs

*Constitution:* South Pacific Forum Fisheries Agency Convention, 1979

*Membership:* 16 Forum members and Tokelau

*Governance:* Forum Fisheries Committee (FFC) oversees the Secretariat headed by the Director and a Deputy.

*Mission* "To support and enable members to achieve sustainable fisheries and the highest levels of social and economic benefit in harmony with the broader environment" (Strategic Plan 2005-2020)

*Programmes and main sub-programmes (currently being realigned to this structure following adoption of Strategic Plan 2005-2020)*

*Fisheries Management:* (i) Ecosystem-based Fisheries Management; (ii) Monitoring and Compliance; (iii) Treaties and Arrangements Administration; (iv). Legal Frameworks and International Law.

*Fisheries Development:* (v) Economic Development and Marketing Support; (vi) Treaty, Access and Trade Negotiations

*Corporate Secretariat Management and Member Support Services*

*Staff numbers:* professional 30, support 25, total 55.

<i>Annual Total Budget (2005) USD 000s</i>	4000
Of which Administration	970 (24%)
Directorate	610 (15%)
Communications and IT	450 (11%)
<i>Members' annual contributions</i>	800
Of which PICTs	220 (28%)
<i>Donor programme funding</i>	2000

*Assessment:* A review of FFA's governance took place in mid-2005 at New Zealand's request, focusing on the role of FFC, with a view to closer ministerial supervision of FFA and less micro-management by member government officials. The review was accompanied by a remarkable decision (undoubtedly reflecting members' satisfaction with FFA's record) to lift membership financial contributions by an across-the-board 50% to take effect in 2006.

The FFA Secretariat is itself engaged in a corporate revitalisation process based on a new Strategic Plan 2005-20. Neither the governance changes nor the new plan seem completely sure about FFA's future role in the context of increasing pressure on oceanic fish stocks, country concerns at lack of onshore developments and the painfully slow establishment of the Western and Central Pacific Fisheries Commission. (WCPFC, 'the Tuna Commission'). Difficult issues lie ahead.

FFA has much to be proud of. It has a distinguished record of assisting PICTs to plan, negotiate and manage access to their EEZs by foreign tuna-fishing vessels, and it has established an effective vessel-monitoring programme to assist in enforcement. FFA has been much less successful in advising and assisting in the establishment of domestic fishing fleets and processing enterprises, where it seems to lack the commercial experience and industry connections for effective engagement.

The scientific underpinning of FFA's activities lies in SPC's Ocean Fisheries Programme. The institutional division between tuna fisheries and the rest of ocean

and inshore fisheries management looks increasingly artificial as tuna stocks come under ever greater pressure. The trade and investment interests of FFA's island members are being targeted by the relevant division of PIFS. This undertaking should include investment in fishing and fish processing, drawing on FFA for relevant resource management inputs. SPREP is widening the reach of its concerns for environmental sustainability to coastal and marine resources (bumping into SOPAC along the road). And the current advent of the Tuna Commission, which FFA has done much to bring into being and help its members to comprehend, will progressively redefine FFA's core role.

This will increasingly be seen as assisting its island members to manage their own EEZs and enabling them to participate effectively in WCPFC's management of the High Seas Zones. Promotion of trade and investment in fisheries should be led by PIFS. FFA needs to pare down its scope to this core role, sharpen its focus, and strengthen its links to other PROs in the broader management of marine resources. In due course it should become a key part of the Marine Resources Directorate of the proposed Pacific Commission.

## 6. Pacific Islands Forum Secretariat (PIFS)

*Location:* Suva, in excellent offices funded by Australia in 1976 at a cost then of \$1.5m

*Established:* 1972 as South Pacific Bureau for Economic Cooperation (SPEC), becoming SP Forum Secretariat in 1988 and Pacific Islands Forum Secretariat (PIFS) in 2000.

*Constitution:* Pacific Islands Forum Secretariat Agreement, targeted for revision in 2005

*Membership:* 14 independent or self-governing island countries plus Australia and New Zealand. French Polynesia and New Caledonia have observer status, and Timor Leste is an associate observer.

*Governance:* Heads of Government meet annually (or as required) as the Pacific Islands Forum ('the Forum'). The Forum Officials Committee (FOC) meets twice a year to supervise work of PIFS and prepare for Forum meetings. Secretary General directs PIFS and reports to FOC and the Forum itself. There are two Deputy SGs.

*Mission* "We will honour the vision of the Leaders for free and worthwhile lives for all Pacific people through deeper and broader regional cooperation"

*Motto:* 'Excelling Together for the People of the Pacific'

*Programmes and main sub-programmes:* PIFS is currently being reorganised in accordance with its new Corporate Plan 2005-7. This adopts the four key areas of concern identified by the Eminent Persons Group's April 2004 Review of the Forum (economic growth, sustainable development, good governance and security) as forming PIFS's corporate goals, along with implementation of the Pacific Plan and the prior commitments of its existing work programme. According to PIFS's 2005-7 Budget and Work Programme, the main programmes are now: Economic Governance; Political and Security Governance; Sustainable Development; Good Governance; Pacific Plan; Communications and Liaison; Enabling Mechanisms; Corporate Services: Management of the Secretariat:

*Staff numbers:* professional 50, including 20 in overseas trade offices, support 40.

<i>Annual Total Budget</i>	in FJD '000s	27000
Of which Regular Budget		4800 (18%)
Extra Budget		22200 (82%)
Corporate Services		2500 (9%)
Management of Secretariat		2000 (7%)
Communications and Liaison		1300 (5%)

<i>Members' annual contributions</i>	3500
Of which PICTs	850 (24.7%)
<i>Donor programme funding</i>	20000 (90%of EB) (inc. Trade Offices)

*Assessment:* The effectiveness of PIFS has to be seen in the light of its being both the Secretariat to the Forum meeting of Heads of Governments and other Forum-based ministerial and official gatherings, and a PRO charged with delivering advisory and technical services to members.

The first role requires close engagement with and support to the regional political leadership, and interpretation of Forum intentions into policy directions for implementation by the relevant organisation. The second role requires managerial and professional skills to be committed to well thought-out programmes of activities in collaboration with other organisations.

A perceptible distance, spanned by sound bureaucratic linkages, needs to be maintained between these two roles. Most Forum governments are used to 'cabinet office' procedures, where technical ministries are given time and space to evaluate political initiatives and prepare coherent proposals for implementation on a sound technical basis. Similar processes should be acceptable in regional governance. The Pacific Commission proposed in this report is designed with this in mind.

The current reorganisation of PIFS aims in part to implement Forum decisions taken in April 2004, which included preparation of the Pacific Plan, and in part to remove internal rigidities and move operational responsibility down the structure so as to make clear the 'space' between policy decisions and implementation referred to above.

Aspects of this reorganisation have revived older concerns about functions of PIFS overlapping with the roles and capabilities of the other G5 PROs. It is important that the responsibility of PIFS for the overall coherence of policy advice to Forum meetings and members does not spill over into engagement in policy formulation and advisory activities in areas for which PIFS does not have the primary responsibility. PIFS needs to be seen to have a care for this. In due course the roles of political secretariat and technical service provider can be effectively distinguished, without becoming disconnected, in the organisation of the proposed Pacific Commission.

## 7. South Pacific Applied Geoscience Commission (SOPAC)

*Location:* Suva, in rehabilitated and converted offices provided by Fiji

*Established:* in 1972 as CCOP/SOPAC, a UN programme, in response to requests for help from Fiji and others with promoting and managing offshore mineral and petroleum prospecting ; separated from UN and renamed as SOPAC in 1990. Under threat in mid-1990s of closure or merger with other PROs.

*Constitution:* Agreement Establishing the South Pacific Applied Geoscience Commission

*Membership:* 16 Forum members plus American Samoa, French Polynesia and New Caledonia as Associate Members

*Governance:* Director reports to SOPAC Governing Council, made up of ministers or senior officials of member countries' natural resource ministries.

*Mission:* (referred to by SOPAC as its Mandate ) "...contribute to sustainable development, reduce poverty and enhance resilience for the peoples of the Pacific by supporting the development of natural resources, in particular natural resources, investigating natural systems and the management of vulnerability through applied environmental geosciences, appropriate technologies, knowledge management, technical and policy advice , human resource development and advocacy of Pacific issues".

*Programmes and main sub-programmes:*

*Ocean and Islands:* 1.(Natural) Resource Use Solutions; 2.Monitoring Physical and Chemical Change in Ecosystems; 3.Ocean Governance

*Community Lifelines* (ie. energy, water and sanitation, and information technologies): 1.Resource Assessment, Development and Management; 2.Asset Management; 3.Advocacy and Governance.

*Community Risk:* 1.Strengthening Resilience to Disasters; 2.Mitigating the Effect of Hazards; 3.Mainstreaming Disaster Risk Management

*Corporate Services*

*Staff numbers:* professional 40, support 40, total 80

<i>Annual Total Budget</i>	in FJD '000s	14200 (inc. 2200 'unsecured funds')
	Of which Regular Budget	2100 (15%)
	Extra Budget	12100 (85%)
	Corporate Services	1060 (7.5%) (without Info. and Comms.)
	Directorate	595 (4%)
	Information and Communications	695 (5%)
<i>Members' annual contributions</i>		1500 (inc. associate members)
	Of which PICTs	450 (ditto) (30%)
<i>Donor programme funding</i>		12100

*Assessment:* The modern SOPAC is reborn, self-made and self-confident. Ten years ago many observers doubted if it had a continuing role in Pacific development. Under energetic and imaginative leadership SOPAC set out to find or make roles for itself, with striking success. Apart from the sea-bed minerals and oceanographic elements of the Ocean and Islands programme, which are descended from the original CCOP-SOPAC mission and are of abiding importance to PICTs, SOPAC's current programmes are the result of skilful and determined efforts to identify a bundle of roles that would attract funding and justify the institution's continued existence.

SOPAC was quick to spot gaps in the Pacific regional coverage of emerging international and national concerns, and to propose programmes to aid donors to tackle them, seemingly regardless of whether other (less aware, slower to respond) PROs might be more appropriate for the task. SOPAC was also quick to see the importance of IT developments and to make use of them at all levels of its work, including the development of its archives and library.

As a result SOPAC is engaged in high-profile programmes (involving PICT governments, communities and international aid donors) that have only a tenuous connection with geo-science but strong affinities to the roles and programmes of other PROs. It produces a flow of science-based and other reports, and makes effective use of media to advertise its activities and achievements.

Since its turf claims were established SOPAC has been equally successful in defending them and in asserting ownership rights (while affording access) to the records and information it is assembling. An attempt in 2000 to merge SOPAC into SPC on cost-effectiveness grounds was easily sidelined. The outcome is that SOPAC is widely regarded as the leading example of hijacking of regional roles and resources, and the failure of the CROP machinery to ensure coherent PRO development.

The successful re-invention of SOPAC is a remarkable story that transmitted worthwhile development messages—'*making a difference to the lives of people*', '*putting the science back into policy*'—and SOPAC is producing valuable work, but it is a less happy story in terms of Pacific regional cooperation. The G5's credibility and effectiveness as a group has been battered by SOPAC's expansion of its role and functions.

In the short run this can be ameliorated by the intra-G5 collaboration on common services proposed in this report, which will inevitably highlight functional overlaps and encourage cross-border technical teamwork. In the longer run SOPAC should become a key component of the Environment, Climate and Earth Science Directorate of the Pacific Commission, with responsibility for some of SOPAC's current outputs shifting to other directorates.

## 8. Secretariat of the Pacific Community (SPC)

*Location:* Modern head office in Noumea, purpose-built by France ten years ago, regional office in Suva, field offices in ten other PICTs.

*Established:* 1947

*Constitution:* Canberra Agreement, 1947, read with Declaration de Tahiti Nui, 1999.

*Membership:* all 22 PICTs, Australia, France, New Zealand and USA as full members. SPC operates in English and French languages.

*Governance:* Governing body is the Conference of the Pacific Community (Conference), meeting every two years. Committee of Representatives of Governments and Administrations (CRGA) meets annually on behalf of or in association with Conference. The Director-General as CEO is 'fully responsible' for managing SPC within policy guidelines set by CRGA and Conference. Suva-based programmes report to Senior Deputy DG located there.

*Mission (from 2003-5 Corporate Plan)* 'to help Pacific Island people make and implement informed decisions about their future.'

*Guiding principles (ditto):* Focus on member priorities—respond to needs—alleviate poverty and promote sustainable development—promote gender, environmental and cultural sensitivity—provide excellent service—emphasise results and accountability—operate with transparency.

*Programmes and main sub-programmes: Land Resources (Agriculture and Forestry) (by objectives—programme nomenclature under review);* 1. Sustainable management of integrated forest and agricultural systems; 2. Improved biosecurity and trade facilitation (includes plant and animal quarantine issues)

*Marine Resources:* 1. Coastal Fisheries; 2. Oceanic Fisheries; 3. Regional Maritime Programme (*mission:* safer shipping, cleaner seas, improved social and economic wellbeing of seafaring communities within the Pacific region)

*Social Resources:* 1. Community Education, Culture, Women and Youth; 2. Demography/Population and Statistics; 3. Public Health; 4. Information and Communication Technology, Media Production and Training.

*Administration and Programme management/Support (combined here for brevity):* 1. Directorate; 2. Corporate Services, Noumea and Suva; 3. IT and Communications, Noumea and Suva; 4. Translation and Interpretation; 5. Publications and Library.

*Staff numbers:* professional 178, support 106, total 284

<i>Annual Total Budget</i>	in CFP units <sup>14</sup>	000s	30000
Of which Core Budget			8700 (29%)
Non-Core Budget			21300 (71%)
Corporate Services			2800 (9%)
Directorate			900 (3%)
Communications and IT			700 (2.3%)
Translation and interpretation			1000 (3.3%)
<i>Members' annual contributions</i>			7600
Of which PICTs			760 (10%)
<i>Donor programme funding</i>			21300

*Assessment:* SPC is the largest and oldest of the G5, and its programmes have long pedigrees. If SPC's non-Pacific metropolitan members had not banned 'political'

<sup>14</sup> 1 CFP unit=100 CFP francs, and is approximately equivalent to USD 1.00

discussions in the 1960s the history of Pacific regional organisations might have been very different. As it was, the institution lacked a clear sense of direction during the 1970s and 1980s as the Forum and other PROs emerged onto the regional stage. During the 1990s SPC underwent a thorough shake-up under a reforming leadership. The improvements made then have been sustained and extended, helped by external reviews in 1996 and 2001, with another due in 2006.

The modern SPC has particular strengths as a regional organisation through its outreach, inclusion of all PICTs as full members, bilingualism and generally apolitical tenor. Its sustained investment in information technologies, driven by the need for secure, high-quality internal links between Noumea and Suva, provides a extendable platform for continued growth at falling unit costs. These attributes form a solid base for regional work programmes with an appropriate blend of control and delegation. The management systems in place or being developed have the potential to support a bigger institutional workload than SPC currently undertakes.

SPC seems not to have made full use of its strengths to build its regional effectiveness, perhaps wary of getting too close to regional politics and content to leave that to PIFS and Forum as ‘the pre-eminent political grouping’<sup>15</sup> of the region. But SPC’s reticence may have led PIFS to feel it should take on policy advisory tasks that intrude upon functions where SPC has accumulated regional expertise. These include the sustainability of development policies, education and training, public health, gender and youth, maritime security and trade in plant and animal products.

Almost immediately, SPC’s internal IT network can be extended to reach all G5 PROs at low investment cost, providing greatly reduced operating costs for intra-G5 usage<sup>16</sup>. This opens up fast, ready internal access to the information and people of the G5 as a group, with eventually huge potential for inter-disciplinary team-building and inter-professional consultations. In the longer run, SPC’s operating systems look suitable to provide a large part of the administrative base for the proposed Pacific Commission.

## 9. South Pacific Regional Environment Programme (SPREP)

*Location:* Apia, in modern purpose-built offices.

*Established:* in 1973 as a regional conservation programme within SPC, becoming SPREP in 1982, moving to Apia in 1992 and becoming independent from SPC in 1993.

*Constitution:* Agreement Establishing SPREP, 1993

*Membership:* as for SPC (all PICTs plus Australia, France, New Zealand and USA). SPREP has limited French language capability.

*Governance:* The Secretariat is headed by the Director, who reports to the SPREP Meeting, held annually.

*Mission (stated as Vision in Action Plan):* ‘(to make the) People of the Pacific islands better able to plan, protect, manage and use their environment for sustainable development’

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<sup>15</sup> *inter alia*, in the Report of the Eminent Persons Group, 2004. There is no obvious competition for this position. The Pacific Island Conference of Leaders that governs PIDP (see above) seems to have no such ambitions—though it may have pioneered the use in the Pacific of the term ‘Leaders’ to refer to Heads of Government or their representatives.

<sup>16</sup> To avoid conflict with the telecommunications service providers in Fiji, Samoa and Solomon Islands this would be an internal network, and G5 external traffic would still be carried by the public system.

*Programmes and main sub-programmes (from 2004-13 Strategic Programmes)*  
*Island ecosystems:* 1. Terrestrial Ecosystems; Coastal and Marine Ecosystems;  
 2. Species of Special Interest; 3. People and Institutions  
*Pacific Futures:* 1. Managing Multilateral Environmental Agreements and Regional  
 Coordination Mechanisms; 2. Environment Monitoring and Reporting; 3. Climate  
 Change, Climate Variability, Sea Level Rise and Stratospheric Ozone Depletion;  
 4. Waste Management and Pollution Control; 5. Environmental Policy and Planning.  
 ‘Also addressed’: *Cross-cutting issues (from 2005-9 Action Plan):* 1. Integrated Policy,  
 Planning and Partnerships; 2. Human Resources Development and Training; 3. Public  
 Awareness and Education; 4. Knowledge Management.

<i>Staff numbers:</i>	professional 35, support 35, total 70
<i>Annual Total Budget</i>	in USD ‘000s 9000
Of which Regular Budget	1000 (11%)
Extra Budget	8000 (89%)
Corporate Services	600 (7%)
Directorate	400 (4.5%)
Communications and IT	200 (2.2%)
<i>Members’ annual subscriptions</i>	USD 000s 1000 (inc. associate members)
Of which PICTs’ subscriptions	360 (ditto) (36%)
<i>Donor programme funding</i>	8000

*Assessment:* Like other G5 PROs, SPREP is awash with the current language of international conferences, multilateral institutions and organisational planning. But through the verbiage it is possible to discern SPREP’s core concern with the interaction between human activity and the natural environment and the solid work it is doing in this field, of great importance to the Pacific.

SPREP seems to have been caught off balance by the exponential growth of global concern, and therefore donor funding, directed to environmental issues—even though it has been at the forefront of international deliberations on the subject. Together with the physical remoteness of Apia compared with Suva, this has led to other G5 PROs, particularly get-up-and-go SOPAC but also politically-sensitised PIFS, moving in on what SPREP regards as its turf. Aid donors and UN agencies have contributed to this by bestowing their sponsorship on different PROs for closely related purposes.

As a result there are overlaps among the programmes of SPREP, SOPAC, SPC and PIFS. Many observers are confused about PRO responsibility for regional programmes in environmental conservation, waste management, climate change and variability, coastal zone management and sustainability of ecosystems. Competing with its G5 fellows for incoming donor money, SPREP feels it must explicitly embrace sustainable economic growth, poverty alleviation and good governance in its strategic planning statements (as all the G5 PROs claim to be targeting these goals their attainment should be confidently expected—but see Box A on the next page for a cautionary note on sustainability).

Most of SPREP’s sub-programmes and planned outputs are thus closely related to those of other G5 PROs. The sharing of common services among the G5 proposed in this report will go some way to highlight this and point the way to closer cooperation. But the most effective way of achieving SPREP’s goals lies in it becoming part of the Environment, Climate and Earth Science Directorate of a Pacific Commission.

### **Box A: Defining sustainability**

‘Sustainability’ has become part of the development mantra, and is rapidly being emptied of meaning by unthinking repetition. Every one of the G5 PROs pledges allegiance to ‘sustainable development’, and each gives the phrase a slightly different spin to serve its corporate goals and attract donor funding. For the concept to regain its cutting edge as a discipline on planning and policy-making, it is necessary to step back and think about its basic meaning.

The idea only makes hard sense in the context of analysis of systems—any system in any field of human or natural activity. Sustainability is the quality present in a system of being able to be kept going, of not running out of what is needed to sustain the system in operation—not consuming a system’s stock of natural, human or financial capital, or cutting off the flow of external support. It does not mean independence. All systems depend on other systems. The sustainability of system A depends on the continued supply of inputs from systems B and C, and system A’s outputs are sustaining yet other systems. Self-sustainability is a nice idea, but it is a myth.

There are no exceptions to this. Even the sun is consuming itself. All systems are growing, are in equilibrium, or dying, according to the balance between their consumption of inputs from other systems and production of outputs for use by themselves and other systems. This applies to individuals, households, businesses, economies, nation-states, plants, animals, marine and terrestrial ecosystems and the earth itself—all activity on earth is dependent on radiation from the slowly dying sun.

It is necessary therefore to *define the systemic context* every time the concept of sustainability is deployed in analysis or argument about interventions in the developmental—or evolutionary—process. ‘Sustainable development’ of what system, using and replenishing what capital, with what dependency connections to other systems? At what price in terms of impact on other systems shall we decide that this system is to be sustained—or not sustained? Promote culture at the cost of GDP, or the other way round? Feed the growing population at the cost of converting forest to gardens, or import rice instead—using what for money?

The management of development is about making trade-offs between the competing demands of systems to which different people attach very different values. Not everything we would like to keep can be sustained. What shall we sacrifice, in hope of what gain? In the Pacific as elsewhere, these questions need to be openly and deliberately addressed, not drowned by the crowd chanting the development mantra.

## VI. Common G5 features and issues.

1. *The personality of CEOs:* Organisations tend to reflect the personality of their chief executive, and the G5 PROs are no exception. Some of the institutional characteristics noted in the foregoing descriptions of the G5 can be traced to the influence of past CEOs. An institutional head with a collegial, consultative management style is more likely to make friends with other CEOs and build useful institutional bridges, but may have difficulty controlling fractious or dysfunctional elements within the organisation, and after a few years the institution may have a feeling and appearance of having lost its way. A hard-driving, brook-no-opposition CEO may in the short run exceed quantitative output targets and build a high institutional profile, but may isolate the institution from the support it needs to achieve longer-term outcomes in which others have important contributions to make.

These observations are relevant here for two reasons. First, under the six-year limit on tenure of office broadly followed in the G5, CEOs change regularly and those elements of institutional character attributable to them are also subject to change. Second, to the extent that this pattern can lead to marked institutional character swings, this would be tempered by drawing the G5 into a Pacific Commission composed of semi-autonomous directorates under a single chief executive, producing a kind of collective personality—with the proviso that the CEO of the Commission should possess an appropriate blend of leadership and managerial skills to bring to bear upon shaping that institution's corporate character.

2. *Use and misuse of 'mandates':* Possession of 'the mandate' is commonly used around the G5 to denote primary responsibility for a policy area. A mandate is a directive or power to act given by a superior authority. Mandates are expected to be more specific than statements of vision, but they are often much the same as a statement of mission—both are only a step away in the hierarchy of planning statements from the descriptions of policy issues and responses. Noticeably paralleling the increasingly reverential references to heads of governments constituting the Forum as the 'Pacific Leaders', the notion of 'having the regional mandate' has come to have an aura of tabu: 'SPXYZ has the such-and-such mandate, so hands off that, everyone else,'—and by the same token, 'This looks like trouble, so let's leave it to SPXYZ, they have the mandate'. Like the notion of Pacific Leadership, the concept has its uses but it also has a potential downside, and needs to be handled with care.

Mandates are claimed and conceded through a process involving external agencies, CROP, PRO governing bodies including the Forum, and the negotiating skills of CEOs. The results are expressed in resolutions of conferences and the opening passages of corporate and strategic plans. For practical reasons it is necessary to know who has primary responsibility for analysing issues and developing policy in a given area, but virtually no development issues and policies can be successfully treated in isolation from others. Without exception, achievement of mandates requires collaboration with other agencies. Recognition of mandate-complementarity and overlap needs careful management. CROP has made very heavy going of this, arguably

its only real policy-level task.<sup>17</sup> Problems arising in this area among the G5 would be internalised within the proposed Pacific Commission where they would either evaporate or be resolved by the CEO, but by the same token the 'mandate' of the Commission itself will need careful definition.

3. *Ethical standards and work practices:* In preparation of this report no concern was encountered about corruption, sexual harassment, gender equity or safety at work within G5 PROs, nor were any indications found of problems in these areas. This does not mean that problems do not exist, but suggests that G5 managements are generally perceived to be confronting the risks and dealing with problems properly if and when they do arise. Given who they are and what they do, the G5 PROs should be standard-setters for the region in transparent, accountable and fair practices within their own organisations. Managements and staff are aware of this and seem to be meeting their responsibilities.
4. *Financial structure:* Table 1 on the next page summarises features of G5 finances relevant to this report. Money values in this discussion are in USD and are approximate because of rounding and exchange rate assumptions.

Annual budgets including funded and not-yet-funded projects total close to \$68m, of which about \$16m or 23% represents core budgets—keeping the show on the road—of which all-members' contributions provide 80%<sup>18</sup> and PICTs contributions, at just over \$2m, provide 13%. Close to \$52m of donor funding is managed by G5 on behalf of the PICTs as the target beneficiaries of regional projects and programmes.

Administration and corporate services, where proposals in this report should have a significant impact in efficiency gains, account for \$6.5m, two-fifths of core budgets, and a further \$3.5m, or just over one-fifth, is spent on 'directorates' services—slightly differently defined among the G5 but a reasonable proxy for the cost of institutional management.

Communications and IT, where this report suggests substantial efficiency gains are readily available by joining forces, account for \$2.6m or about one-sixth of core budgets.

The financial costs of bilingualism amount to just over \$1m. This is almost all in SPC, with a token allocation for SPREP, amounting to 7% of total core budgets.<sup>19</sup>

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<sup>17</sup> Its other real task is the practical one of harmonisation of conditions of service, where it has been more motivated and much more successful.

<sup>18</sup> The other 20% comes from fees for various services, notably including the FFA vessel monitoring system

<sup>19</sup> This is by its nature a skill-intensive and costly service, but the concentration of costs disguises the wider spread of benefits from having a bilingual capability and services within the G5. This is an important door through which the French-speaking PICTs are enabled and encouraged to enter the arena of Pacific regional activity. Within the proposed Pacific Commission this will become more self-evident.

TABLE 1: SELECTED G5 BUDGET INFORMATION, APPROX.2005 VALUES, USD 000s

Source: rounded figures from latest budgets and annual financial statements

Item	FFA	PIFS	SOPAC	SPC	SPREP	Total	%
Annual total budget	4000	16260	8520	30000	9000	67780	100
Regular Budget	2000	2880	1260	8700	1000	15840	23
X-Budget(aid-funded)	2000	13380	7260	21300	8000	51940	77
Admin/ Corp Services	970	1500	636	2800	600	6506	41#
Directorate	610	1200	357	900	400	3467	22#
Comms and Info Tech	450	780	417	700	200	2547	16#
Translation and Interp.	na	na	na	1000	100	1100	7#
Members contributions	800	2100	900	7600	1000	12400	78#
PICTs contributions	220	510	270	760	360	2120	13#
Budget size as % SPC	13	54	28	100	30	na	na

# percentage of Regular Budget

As mentioned earlier, the financial thrust of this report is not to reduce overall costs or return money to G5's member contributors <sup>20</sup>, but to increase significantly the efficiency and effectiveness of the combined G5 operations with the existing level of funding. Consultations within G5 for this report indicate that the present financial managers are confident this can be done.

5. *Staffing and conditions of service.* In this area SPOCC/CROP has a long and rather successful history, and staff working in this area have accumulated expertise. The need for harmonisation of terms of service among the main PROs (in this report, the G5), particularly for the heads of the organisations, was one of the main reasons for the creation of SPOCC, and still provides the agenda item that reliably attracts the keenest attention. The outcome of harmonisation of contract conditions tends to be a rise in the average and total costs, but over the years SPOCC/CROP has made significant efforts to identify trade-offs and avoid a ratchet effect on payroll costs. The overall result is a considerable degree of harmonisation of conditions, with any differences made transparent and related to specific circumstances, eg the Noumea housing market. This is potentially very helpful to implementation of proposals in this report for integration of G5 staff into a unified structure in the employment of a Pacific Commission.

Table 2 on the next page draws together the outline staffing statistics for the G5 to indicate the dimensions of the personnel management task. Nearly half the G5's 580 employees are with SPC. Nearly two-thirds of these are in Noumea, twice as many as in Suva. The Suva-based part of SPC, FFA, PIFS, SOPAC, and SPREP all have between 50 and 90 employees. Suva accounts for exactly half of all G5 employment. Overall about 43% of G5 employees are classified as 'support' and are locally recruited, and 57% are classified as professional and are recruited through regional and international advertisement (to which of course locally resident persons can respond).

Typical all-up personnel costs for Suva-based staff are USD80-100k pa for professional and USD25k pa for support staff. All the G5 currently employ a small team of professional and support staff to manage their human resource.

<sup>20</sup> Those who have paid up, that is. Arrears of PICT contributions constitutes a continuing burden on G5 finances, necessitating use of reserve funds and short-term bank financing.

It is clear from discussions with them that a unified staffing structure would enable this element of overhead costs to be significantly reduced, without losing the human touch of personnel management at the employment site.

TABLE 2: G5 STAFFING, APPROXIMATE NUMBERS MID-2005  
classified as Professional (regional/international recruitment) and Support  
(recruited in country of institutional location)

Staff category	FFA	PIFS	SOPAC	SPC			SPREP	Total
				Nou	Suv	Total		
Professional	30	50*	40	100	75**	175	35	330
Support	25	40	40	65	45	110	35	250
Total	55	90	80	165	120	285	70	580

\* includes 20 at overseas Trade Offices    \*\* includes 35 located in 10 PICTs

6. *Management capture of governing bodies.* An able CEO of a corporation can usually arrange things so that the governing body (board of directors, shareholders' AGM, members' meeting) does pretty much as the CEO wishes. This corporate governance phenomenon occurs widely in both public and private sectors, and the G5 PROs are no exception. Astute use of advance publicity, high-tech presentations, well-written papers, one-on-one briefings of key persons, 'planting' of helpful questions, and of course appropriate hospitality and entertainment can normally ensure a smooth passage for what management wants from the governing body meeting. There is no equivalent in the G5 environment of angry public company shareholders at the AGM waving their voting papers and noisily demanding the CEO's head on a plate.

This being so it is unsafe to rely on PRO governing bodies to rein in a CEO who is going too far too fast or headed down the wrong track, or to stimulate a slow-moving CEO or bolster the morale and decisiveness of one who is unsure what to do. Too much presently depends on the CEOs being their own performance monitors and ethical counsellors. CROP as presently constituted cannot perform this function, and it is difficult to see how it could unless its Chair is given executive authority over the other members. A Chair who is only 'first among equals' is not in a position to impose sanctions or solutions. This issue is therefore further addressed in the next section of the report.

### **Box B: Caribbean comparisons**

*(for fuller discussion of cooperation in the Caribbean see the specially written Annex to the report)*

Making comparisons between the Pacific and the Caribbean is tempting but dangerous. With over three hundred years of close colonial contact with Europe and North America, two hundred of years of formal education, and the obliteration long ago of any indigenous population or customary land tenure systems, the Caribbean is a very different place from the Pacific, even before its more compact inter-island geography and strong education-based personal ties among the elite of different countries are considered. The post-independence Caribbean experience of regional cooperation is thus of great interest to the Pacific, but it would be unwise to draw lessons or transpose models too readily from one to the other. With that caveat, the account at the Annex to this report of relevant features of the Caribbean's experience, which has been broadly contemporaneous with that of the Pacific, holds valuable messages for PICTs.

The Caribbean efforts in regional cooperation stem from a strong sense of common history, culture and ethnic origins, reinforced by shared educational experiences and—for example—regional pride in achievements of the West Indies cricket team. Though the Caribbean has strong economic and social ties to USA and Canada and is heavily dependent on the US in many ways, the big neighbours play no direct part in the main Caribbean regional organisations. As noted in the main text, this is a crucial difference from the Pacific, with important consequences for the funding and direction of regional cooperation. As in the Pacific, there are dozens of organisations engaged in promoting regional cooperation in various fields, and there is no single comprehensive machinery for bringing them all together, nor any prospect of it. Like the Pacific too, cooperation among governments pre-dates independence, and by the 1960s organisations dealing with transport, communications, education, health, and statistics were in operation.

In 1973 the Caribbean Community (Caricom) was established by treaty as the umbrella organisation, with responsibility for fostering economic cooperation, coordinating foreign policy among member states, and developing functional cooperation and common services in health, education and culture communications and industrial relations. The Community is governed by the Conference of Heads of Government (the Conference) and the Community Council of Ministers (the Council). The Secretary-General (SG) is CEO of Caricom, and is the top regional bureaucrat. The affairs of Caricom are directed by a Bureau of the Conference made up of the current, incoming and outgoing chairs of the Conference, and the SG. A Quasi-Cabinet comprises Heads of government with specific leadership tasks in critical areas of Community concern. The Council has a broader responsibility for development for Community strategies, planning and coordination. Four Ministerial Councils assist the operations of Caricom, dealing with trade and economic development, foreign and community relations, human and social development, and ,finance and planning. Three Bodies of the Community cover legal affairs, budget and central banking. Thirteen other organisations for functional and regional cooperation are included in the scope of Caricom, and eight regional institutions, including two universities and the regional development bank, are Associate Institutions of the Community. Beyond this again lie scores of public and private sector regional organisations known to but not part of Caricom.

Though not without problems, the machinery of functional (low-politic) cooperation in the Caribbean is considered to work well. More difficult are the 'high-politic' areas relating to economic integration and the ceding of elements of sovereignty to a regional body. The Caricom Single Market and Economy (CSME) has been 16 years under implementation and the end is not yet clearly in sight. Countries continue to grapple with thorny questions of national-regional allocation of policy and regulatory powers. Finally in this brief glance at a rich topic, appointments to the regional CEO jobs, including the SG of Caricom, are by inter-government consensus and there is no six-year rule. And institutional managements do tend to 'capture' their governing bodies.

## VII. Making the most of the existing structures

### 1. *Refocusing CROP.*

After reciting the Leaders' Vision for the Region, the CROP Charter of July 2004 goes on:

"CROP is a family of highly professional, transparent, accountable and dynamic organisations working together...to honour, promote, implement and realise the vision of the Forum Leaders. CROP will collectively (do this) by assisting member countries and territories achieve their common goal of sustainable development and peaceful co-existence, and by enabling the people of the Pacific to live free and worthwhile lives".

"CROP functions as (1) a coordination mechanism between the heads of the regional organisations in the Pacific, and (2) a high-level advisory body, which provides policy advice and may assist in facilitating policy formulation at national, regional and international levels"

This language strikes a self-important note inappropriate for a simple piece of inter-organisation coordinating machinery—such as the original SPOCC was intended to be. CROP seems to have become a 'virtual' regional organisation itself, without physical form and with obscure accountability and a curiously assorted membership. As if aware of this the Charter continues:

"CROP is a partnership of equals with the chair of CROP playing a vital coordination role. It is neither a legal entity nor a separate organisation. The guiding principles of CROP organisations will be to:

- a. Promote sustainable development and alleviate poverty for the people of the Pacific....
- b. Focus on the priorities and needs of members...
- c. Maximise opportunities for and value of cooperation between organisations....
- d. Listen, understand, anticipate and respond to global and regional needs...
- e. Ensure best practice..."

"...to be eligible for membership in CROP, organisations will have

- a. Governing bodies which determine the organisations' policies and work programmes and on which Forum Member governments have a majority, and which between them provide a region-wide representation; and
- b. Activities that include provision of advice to Member governments and implementation of region-wide programmes aimed at assisting sustainable development....."

Out of good intentions have come perverse results. Interviews for this report found many complaints from G5 officials about CROP's excessive formality, bureaucracy and obsession with process rather than substance. It is as if the full paraphernalia of regional meetings (derived in turn from that of international meetings) has been applied to CROP procedures. Even the Working Groups set up by CROP to tackle practical cooperative planning and operations get bogged down in inter-organisational protocol.<sup>21</sup>

While it is doubtful if all the existing members meet the membership criteria in the 2004 Charter, and at least one is uncertain why it became a member,

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<sup>21</sup> Making the quality of some of their work, such as recent outputs on management of ocean resources, all the more remarkable. There is great interdisciplinary potential in the G5 waiting to be unlocked by faster, more flexible procedures and better communications.

other PROs are seeking to join CROP. The motivation seems to be partly to gain access to inward flows of regional aid funds, which are perceived to be substantially controlled by CROP, and partly to be able to use CROP's well-established 'harmonisation' process to improve management's conditions of service. But the whole idea of exclusive membership, with entry qualifications and attendant privileges, is out of place in a developmental service-providing environment. Simple functional need for a working relationship should justify its creation.

Under present arrangements it will not be easy to bring CROP back down to the reality of simply facilitating inter-PRO cooperation, for reasons related to its being under multiple G5 control. In a sense CROP is instinctively trying to perform part of the role envisaged for the Pacific Commission proposed in this report, but it totally lacks the structure to do so. As a first-stage measure,

(R1) agreement should be quickly reached` among the G5 CROP members to redesign the CROP agenda to reflect the substantial differences of interest between the G5 and other CROP members, simplify the processes of initiating and conducting intra-G5 consultation and cooperation, and reconstitute existing working groups as far as possible as if there were no institutional barriers between them.

While some improvements can be made this way, this is inevitably going to highlight the need for pressing on to full removal of barriers by institutional amalgamation. In that context it is important to note that while the changes recommended in this report, if adopted, will see the end of CROP as it now exists

(a) the need for fast and effective machinery of interdisciplinary cooperation among the (now) G5 disciplines will become a critically important management concern of the Pacific Commission, and

(b) there will remain, and in some ways become even more important, a need for effective machinery of *voluntary* inter-organisational consultation among the Pacific Commission and other institutions engaged in Pacific development—mostly engaging the Commission at directorate level.

## 2. *Clarifying missions and mandates.*

The earlier discussion of the present condition of the G5 PROs illuminates some of the problems of hitting the right note in statements of missions and mandates. What are they for? Who is the target readership? Internally these statements should be a touchstone to help guide management and staff in the continuous exercise of judgement and choice in planning and operations. Externally these statements should help to project the institution's image of itself, establish corporate identity and 'sell' the institution to member governments and sources of funds.

Current statements range from the appealing modesty of SPC's 2003-5 corporate plan '*to help Pacific Island people make and implement informed decisions about their future*' and a similar environment-focused expression of corporate vision from SPREP; through FFA's effort to wrap the EEZ tuna fishery in sustainability, welfare and environment; PIFS's oath-of-allegiance mission statement '*We will honour the vision of the Leaders for free and*

*worthwhile lives for all Pacific people through deeper and broader regional cooperation; to SOPAC's all-things-to-all-aid-donors recital of its mandate, too long to repeat here but appearing at the bottom of page 19.*

None of these seems completely satisfactory. More thought is needed to strike the desirable balance between the internal and external uses of these statements.

(R2) Those G5 PROs that have corporate planning exercises under way now should design their mission statements (or equivalent) for both external and internal use, and state clearly their intention to pursue their corporate goals in close and practical collaboration with other regional organisations.

### *3. Respecting and using other agencies' scope and capabilities.*

All G5 PROs should adhere to this precept, but it is particularly important for PIFS because of the frequency and intensity of its contact with the Forum, Heads of Government and Ministers <sup>22</sup>, and for SPC because of the wide political spectrum embraced by its answerability to the Pacific Community.

Both the Forum and the Community are entitled to expect prompt attention to be paid to their decisions by competent and reliable officials. They are also entitled to expect the advice they receive from PIFS and SPC to originate in proper consultation and technical assessment of policy options, and the organisational response to their decisions to similarly reflect coordinated planning and management.

PIFS and SPC must therefore organise sound advice to their governing bodies and subsequently implement decisions in areas for which they are functionally responsible. But they both must also have a regard for the functional responsibilities and capabilities of other agencies in the region, and particularly the other G5 PROs.

Interviews for this report made it clear that defining and manipulating the boundaries and spaces between the G5 agencies is a constant source of friction among them and an unwelcome burden on development management in the Pacific. The impact of SOPAC's aggressive expansion was mentioned in the assessment at page 20. More recently PIFS's move to reorganise around the 'four pillars of development' <sup>23</sup> identified during the 2004 consultations and deliberations on the Pacific Plan raised concerns among other PROs whose interests might be affected. Most obviously, sustainable development is everyone's baby; and more generally, upon examination each of the four pillars will be found to have connections to other G5 activities with which PIFS's efforts will need to be coordinated.

Ultimately these problems can best be overcome by the structural changes recommended in Section VIII, but meanwhile (and recalling the discussion at page 19)

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<sup>22</sup> The need to make the distinction clear within PIFS in respect of its own areas of responsibility was discussed earlier in the assessment at page 19.

<sup>23</sup> Economic growth, sustainable development, governance and security.

(R3) The current reorganisation of PIFS should ensure that

(c) institutional space is provided between the functions of supporting and servicing the political decision-making role of the Forum, and those of inter-G5 coordination and the delivery of regional outputs for which PIFS is responsible; and

(d) when other G5 PROs are engaged in activities or have capabilities in areas where PIFS is charged with taking action to achieve Forum goals, PIFS gives priority in its response to collaboration with and use of those activities and capabilities.

4. *Internal digital communications.* This area of existing G5 activity offers the most immediate scope for efficiency gains even without any structural changes to the G5, and has great potential for further cost-effective development as part of the changes envisaged in this report. SPC already has a high quality internal broadband satellite link between its Noumea and Suva locations. One access point to this is physically adjacent to PIFS, so connecting PIFS will cost almost nothing. At an investment cost of less than USD50,000 and an affordable annual charge, SPREP and FFA can both be linked to the same system by installing satellite dishes and renting satellite transponder space. G5 PROs would continue to use national telecommunications carriers for external traffic, as SPC does now, obtaining the necessary permissions from the relevant national authorities for installation of the dedicated internal G5 system.

The joint internal communications system would make possible the unification and centralisation of administrative and accounting systems; central processing and filing of personnel and financial data with immediate retrieval; access to a consolidated electronic library and archive and statistical database of priceless value to all G5 professional and technical arms; and the creation of intra-G5 task teams able to work together across existing G5 boundaries by fast email, document transfer and video-conferencing. While the full potential of this change cannot be achieved until the separate G5 legal identities are drawn together in a Pacific Commission, very significant streamlining of communications, speeding-up of processes and reduction of process costs is achievable within the existing G5.

(R4) An inter-G5 working party administratively led by PIFS and with technical support by SPC should be established to examine the feasibility and costs of establishing a unified internal broadband communications system for the G5, and make appropriate recommendations.

5. *Unifying personnel and accounting systems.* There is considerable scope for amalgamation of personnel management records and procedures and financial accounting systems among the G5. Already there is a high degree of awareness of each other's systems and some commonality of software use. PIFS, SOPAC and SPC use the same accounting package. Suva-based G5 managements have informally explored the scope for economising on administrative costs by centralising and even contracting out the data-

processing components of their tasks. Significant operating economies and improvements in ease of use will be possible, while providing privacy protections within the system for any data not appropriate for general access. Technical feasibility is not in doubt. Given reliable digital communication links to Honiara and Apia, as envisaged above, FFA and SPREP could readily be part of these developments.

(R5) An inter-G5 working party should be established, administratively led jointly by PIFS and SPC, to examine the feasibility and costs of options for the unification of personnel and accounting systems among the G5, using the unified G5 communications system to be separately proposed, and make appropriate recommendations.

6. *Joint procurement of goods and services by the G5.* Consolidating the purchasing power of the G5 would make a total shopping basket twice as big as that of SPC, the biggest of the G5. In the area of duty air travel alone the combined purchasing power of the G5 is estimated at over USD10m pa, a big enough sum to negotiate significant discounts and special deals. Health, travel and property insurance, supplies of office equipment and consumables all offer prospects of worthwhile saving through consolidated procurement and competitive tendering for ad hoc or period supply contracts.

(R6) An inter-G5 working party should be established, administratively led by PIFS, to examine the feasibility and financial and other benefits of consolidating the procurement arrangements of the G5, and make appropriate recommendations.

7. *A cake half-baked, or properly cooked.* The measures indicated in the six recommendations above are worthwhile in themselves, and require no amendments to G5 constitutions or memberships. They are do-able within existing institutional frameworks, and they would result in more cost-effective and capable organisations for implementation of the Pacific Plan and related purposes. But the outcome would still fall well short of the potential capability of the combined resources of the G5.

Continued separate institutional identity within the G5 will get in the way of optimum interdisciplinary effectiveness, and will remain open to risk of fragmentation over issues affecting the perceived interests of individual G5 PROs and their regional or international supporters. Experience suggests that if this can happen, it will. Sooner or later the half-baked cake is very likely to collapse under pressure. It is a second-best solution.

The next and last section of this report proposes to tackle this by establishing an 'amalgamated G5' organisation, under a single secretariat serving both the Pacific Islands Forum and the Pacific Community. In the early stages of the study this was seen as a possible next stage, a further option after implementing the non-structural improvements already indicated. In recent discussions two points were made that suggest a different approach.

First, the ToRs for this report specifically direct its attention to possible changes to the ‘regional institutional architecture’, so the concept of structural change is not one that in principle frightens the report’s instigators. Second, in a two-stage approach to this subject involving structural change at the second stage, a significant part of the stage one improvement work would subsequently have to be re-done to take account of the changes to the structure—there are useful architectural parallels in repairing and re-equipping a building, and then deciding to make major structural changes—most probably an inefficient use of resources overall.

There is merit therefore in considering the proposals in section VIII for a fully-baked institutional cake before deciding on the six proposals set out above for making the most of the existing structures. If the proposals in Section VIII are acceptable to the Forum and work on them is authorised, the specifications for work on the improvements to G5 operations described above will naturally then be revised and incorporated into the plans to amalgamate the G5 in a new institutional structure

(R7) Decisions on R1-R6 should not be taken before consideration of recommendations R8 and R9 in section VIII of this report for amalgamation of the G5 PROs to form a Pacific Commission. If those two proposals are accepted, decisions on R1-R6 will not be separately required, and work on those areas will be incorporated into the planning of the amalgamation.

## VIII. Amalgamating the G5 to form a Pacific Commission

### 1. *The case for a Pacific Commission.*

The arguments for formal, structural amalgamation of the G5 PROs into a Pacific Commission <sup>24</sup> are simple:

- effective promotion of regional cooperation in the Pacific needs a strong institutional symbol of region-wide identity, common purpose and capability—none of the G5 PROs meets this requirement on its own
- the separate existence of the G5 PROs has a fragmenting, even divisive, effect on the region as they compete for status, allegiance, funding and ‘mandates’
- the original reasons for the separate existence of the G5 are no longer convincing or even relevant
- the expert multi-disciplinary personnel and stock of knowledge controlled by the G5 constitutes a priceless developmental resource for the Pacific that cannot be fully utilised because of institutional barriers

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<sup>24</sup> The name Commission is used here because it has an appropriate ring of comprehensiveness and getting things done. Though Commissions are commonly run by Commissioners, as in the case of the EC, this is not always the case, and there seems to be no overriding ‘corporate governance’ reason why the Pacific Commission could not have the structure described in this section

- the CROP machinery for overcoming barriers among the G5 and undertaking joint planning and operations is slow, cumbersome and vulnerable to individual G5 hold-out, with no enforcement capability
- the proposed amalgamation can be planned and carried out within existing resources of staff, members' contributions and donor funding, and office accommodation <sup>25</sup>
- the financial benefits of amalgamation are not quantifiable until more detailed planning is done, but efficiency gains of the order of 20-30% of G5 core budget costs, equivalent to USD3-4m annually, should be achievable.

Concerns were expressed during consultations that a bigger organisation might become too bureaucratic and slow to make decisions, or too big to be efficiently controlled and managed to adequate standards of accountability. The concern about excessive bureaucracy is real enough, but this sickness can afflict quite small organisations, and it is difficult to imagine anything more bureaucratic than CROP has become.

The problem lies in the way an institution is organised and directed, and is usually related to the degree of delegation and forms of supervision and accountability practised by management. The proposed Commission structure envisages a high degree of delegation to semi-autonomous directorates, linked to strong accountability and performance monitoring processes, and this should avoid unnecessary delays in decision-making.

Some misgivings were voiced about the size of the proposed management task. The amalgamated institution would have an initial strength of about 550 persons, roughly half professional and half support staff, handling an annual core budget around USD15m and a total annual work programme around USD70m—equivalent to a medium-sized transnational operation by Pacific regional standards. This would be manageable by existing G5 personnel in an appropriate organisational structure.

In sum, the creation of a Pacific Commission by amalgamation of the G5 PROs is expected to be technically feasible, to yield significant efficiency gains enabling a better job to be done with the same resources, and to provide a suitable institutional flagship for deeper and wider regional cooperation.

2. *Design criteria for a structural change.* Five criteria should be seen to be met for this proposal to command the necessary support.

*First*, the Forum's position as the pre-eminent political grouping in the region and the Pacific Community's uniquely comprehensive coverage of PICTs should both be recognised.

*Second*, the interests of the non-sovereign members of the Community in being able to play an increasing role in regional affairs and continuing to have access to services of regional organisations should be protected.

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<sup>25</sup> The amalgamation of G5 and creation of the Pacific Commission is feasible with or without access to the proposed Pacific Village at Laucala Bay, which has been under discussion for some years with the Fiji Government. But if the Pacific Village goes ahead it will be able to accommodate the Suva-based directorates of the Pacific Commission, greatly enhancing the efficiency and amenity of the Commission.

*Third*, a reliable, no-fuss way of eliminating territorial disputes among the (ex-)G5 service providers should be established.

*Fourth*, the flow of existing services and outputs from (ex-)G5 work programmes should be uninterrupted (with the prospect of subsequent enhancement by greater internal efficiency).

And *fifth*, the amalgamated organisation should be seen as likely to provide more effective support for implementation of the Pacific Plan than a continuation of the current G5 architecture.

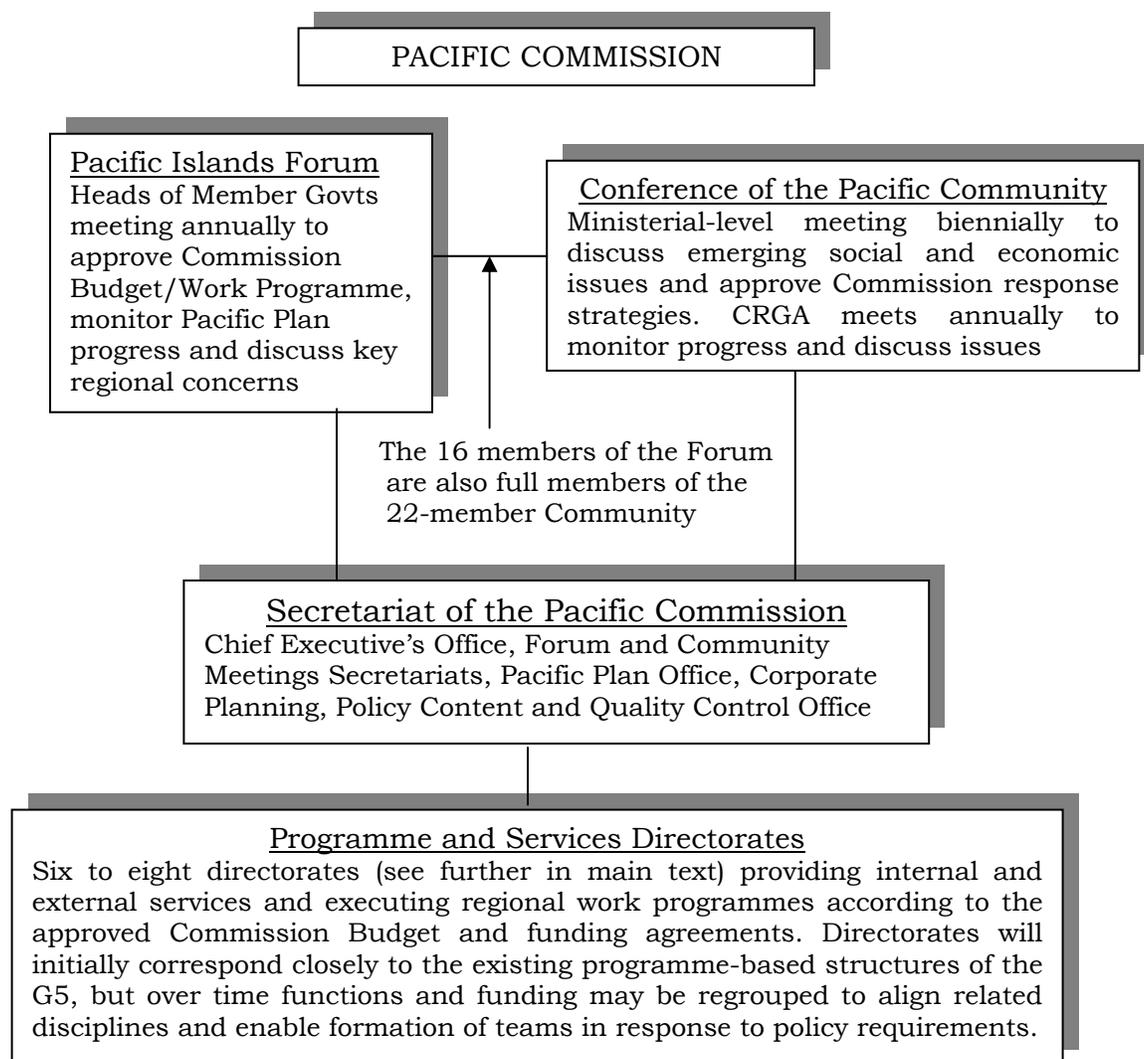
It is proposed to meet these requirements by

- preserving unchanged the membership arrangements of the Pacific Islands Forum and the Pacific Community so that all the powers, rights, duties and responsibilities of membership of both bodies are maintained, until such time as the members themselves decide to change them (for reasons other than the present exercise in strengthening regional management)
- demonstrating in the detailed planning that the changes here proposed do not diminish access by Community members to what are presently G5 services, or make the Community subservient to the Forum, or the Forum to the Community—consultations showed that this is an area of significant unease that must be dispelled by transparent and credible exposition
- providing the Forum and the Community with a single Secretariat serving both organisations, to be known as the Pacific Commission, with ‘chinese walls’ protecting the few areas requiring internal segregation of communications and documentation
- arranging for the governing bodies of FFA, PIFS, SPC, SPREP and SOPAC to resolve to transfer their functions, assets and liabilities and financial support to the Pacific Commission and in the case of FFA, SOPAC and SPREP to end their separate legal existence (institutional identities or ‘badges’ may be preserved for specific representational purposes)
- creating a unified organisational structure for the Commission, with a chief executive in overall control, a ‘cabinet office’ with separate branches serving as secretariats to the Forum and the Community, and technical directorates providing internal and external services and work programmes across all the fronts now covered by G5 (with functional regroupings among directorates as appropriate for efficient operations)
- establishing a single budget and overall work programme for the Commission, with decentralised management by the directorates in charge of sector programmes and sub-programmes, within which core budget or project funding provided for specific (groups of) PICTs can be tracked, and expenditure and performance can be verified
- applying ‘regional best practice’ planning, management, quality control and performance monitoring methods within the Commission, all under strong central coordination and decentralised operational control
- allocating responsibility for taking forward Pacific Plan concepts <sup>26</sup> to the appropriate Directorate of the Commission, either for direct advisory action, as in trade and transport developments, health and education initiatives, statistical services, cultural identity, disaster mitigation, waste management; or for consultation with other relevant organisations operating in the region, as in the case of tourism, police training, private sector inter-country collaboration, strategic bulk purchase and storage.

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<sup>26</sup> As described in Pacific Plan draft of 11 July 2005 prepared for the Core Group’s review.

### 3. Proposed structure in outline



### 4. More on Directorates.

Programme directorates will be oriented around work programmes and sub-programmes drawn up by the Commission to reflect decisions of the Forum and the Conference, and governed by funding approvals and performance monitoring requirements of the kind now familiar in G5 operations. Directors will have financial authority to expend budgeted funds to achieve work programme objectives and will be expected to manage the directorate with substantial autonomy within the Commission's rules and procedures. The directorates will be responsible for organising and supporting regional technical meetings at frequencies and with scope appropriate to the issues in each sector. The institutional identities established by G5 might be preserved where this has value in external relations or directorate morale, with continuation of 'badging' as (eg) FFA, accompanied by 'small print' stating that FFA is the Oceanic Fisheries Division of the Marine Resources Directorate of the Pacific Commission.

Service directorates, including the Secretariat itself (see diagram) will be oriented to plan, deliver and monitor the performance of internal corporate services and overall Commission activities. The function of quality control,

located in the Secretariat and reporting to the SG, will include checking programmes and projects for policy content and compliance with cross-cutting regional (Forum and Community) requirements relating to, eg, sustainability, gender and poverty alleviation.

The number and scope of directorates is to be decided during detailed planning. It is unlikely to be less than six because of the number and nature of programmes to be managed, and more than nine would unduly stretch the span of accountability to be covered by the Secretary-General and the top management team. By way of illustration only, possible directorate designations include

- Marine Resources [Management and Development]
- Economic [Management,] Planning [and] Statistics [and Demography]
- Earth Science, Land Resources and Environment
- Trade, Investment and Transport
- Human Resources [Health] [and Social Development]
- Institutions of Governance and Government
- Regional Security and International Relations
- [Commission] Corporate Services
- Secretariat of the Commission (including Office of the Secretary-General (see diagram for suggested scope)

5. *Membership issues.* Under this proposal, separate membership of FFA, SOPAC and SPREP will fall progressively away by decision of those governing bodies to close shop and transfer the business to the Pacific Commission. Memberships of the Forum and the Community, which are co-extensive with the full G5 coverage, will continue unchanged with all their rights and duties. Members contributions to all G5 PROs will be consolidated and continue to be paid <sup>27</sup>, but to the Pacific Commission. Former G5 programmes will appear in the Commission budget and work programme and be subject to members' review through those channels and through regional technical meetings at political and official level organised by Commission directorates.
6. *Communications with members.* The problem of inadequate and unreliable contacts and communications with PICT members, an acknowledged weakness under the existing G5 set-up, should be much reduced under amalgamation. A single institutional channel from the Pacific Commission, usually to the Ministry of Foreign Affairs, will be carrying a heavier load and demanding more attention—it will have the political status accorded to Forum traffic now—to its distribution to the responsible ministries and departments for attention and response.
7. *Senior management staffing.* The Pacific Commission's CEO would be styled Secretary-General (SG), and would be the Pacific's top regional official, authorised and able to represent the region internationally. Appointment would be by the Forum, in consultation with non-Forum members of the Community. Two Deputy SGs would be required, with duties to be determined in due course, but for example, one overseeing the SG's Office and the service directorates and the other overseeing the programme directorates. The officials heading the directorates would constitute the region's top team of public sector technocrat-managers under the leadership of the SG. High-profile and

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<sup>27</sup> 2005 approximate value USD 2.1m

demanding tasks, constant real-time communications and regular face-to-face meetings would ensure a close-knit and responsive team.

8. *Financial aspects.*<sup>28</sup> The costs of the changes proposed should be contained within existing financial provisions. The impact of the changes on numbers employed, job classifications and grades and location of workplaces should as far as possible be phased over the expiry and renegotiation or non-renewal of contracts. By 2007 the size and shape of the Pacific Commission should be defined and its core budget appropriately constructed, with total operating costs no greater than the total G5 before amalgamation, and significantly greater overall productivity beginning to appear in increased collective output.

9. *Timing of effective amalgamation and work required for implementation.* It is important that the detailed planning of the operation should be done by the people who will have to implement it. Each part of the amalgamation has to be analysed and carefully planned so that implementation can proceed in a coherent pattern, each part supporting the others, and with minimum disruption to work programmes.

This is a substantial task and cannot be hurried. If the order to start work is given by the end of 2005, planning is likely to take most of 2006, and legal and financial changes would come into effect in 2007, making the Pacific Commission's first full year of operations 2008.

Working groups will be needed for each of the main areas of change, with representation at an appropriate level from each of the G5 PROs. The proposed areas for working groups and suggested responsibility for group leadership are:

1. legal and constitutional actions required by G5 and members: PIFS
2. budgets, funding flows and work programmes: SPC
3. staffing, personnel management and administrative processes: PIFS
4. overall schedule, gap-spotting and necessary action: SPC

10. *Concluding recommendations.* The conclusion of this report is that the arguments for strengthening regional management by establishment of a Pacific Commission on the lines described above are compelling. If that is also the conclusion of the Forum the recommendations in section VII fall away. If the Forum is not so persuaded, the recommendations in Section VII stand, as the second-best option for improving institutional capacity to implement the Pacific Plan.

(R8) The G5 PROs should be amalgamated and converted into the Pacific Commission during 2006-7 on lines described in the report

(R9) Inter-G5 working groups should now be set up to examine, plan and report on all aspects of the amalgamation and conversion, under the joint supervision of PIFS and SPC

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<sup>28</sup> The financial and staffing resources available if the amalgamation was taking place in 2005 are shown in Tables 1 and 2 on pages 27 and 28.

# Appendix A

## Terms of Reference for the Report

### Objectives

The objectives of the Analysis are to:

- (i) review the relevance and effectiveness of existing regional institutional mechanisms against the emerging regional priorities under the Pacific Plan;
- (ii) recommend how these mechanisms could be realigned or improved to make them more relevant and effective;
- (iii) investigate a range of reform options from minor adjustments of organizational mandates and charters through to significant institutional reform of regional architecture; and
- (iv) if/where necessary, recommend new or alternative institutional arrangements that best suit the region's needs and emerging priorities.

### Scope

The Analysis should include:

- (a) Description and analysis of the current regional institutional arrangements in terms of:
  - (i) their genesis, membership, objectives, priorities and current work programs;
  - (ii) the participation (effective or not) in and support by Member states and other stakeholders in the decision-making process and follow-up (implementation); and
  - (iii) the cost and benefits (to Members and other stakeholders) of the governance and operational institutional arrangements for national uptake and implementation of regional decisions or initiatives.
- (b) Description and analysis of how the Member governments and other stakeholders view the current institutional arrangements and the reasons why. Are they seen as a benefit or a burden and why? Are they perceived with any great support or conviction?
- (c) Analysis of the effectiveness of the regional institutional arrangements in supporting regional priorities and options for improvement.
- (d) Discussion and analysis of relevant experience from a comparable region or regions such as the Caribbean.
- (e) Reference to but not duplication of the work of the CROP Harmonization Working Group but a focus on broader issues of organisational mandates and regional architecture.”

### Report by consultant at conclusion of assignment.

Objectives (ii)-(iv) of the ToRs have been fulfilled, but objective (i) was affected by uncertainty about the eventual content of the Pacific Plan. Assumptions about likely content were made on the basis of documents seen that were still drafts for discussion. There is a significant gap in fulfilment of the ToR requirements under ‘Scope’, relating to analysis of the attitudes and perceptions of Member states. There is much less material in the report about this aspect than the ToRs probably envisaged. The problem was identified early on. ‘Other stakeholders’ were interviewed and their views are reflected in the report. For Member countries, the approved consultancy work plan assumed that information on attitudes and value assessments was already available or could be obtained by remote inquiry, but this was not so. PIFS on behalf of the consultant attempted to obtain comments from PICTs on PRO performance and the PICT-PRO relationship by issue of a questionnaire. Out of more than twenty sent out by mail and email, only three were returned, only one of them from a Forum member country. Discussion with PIFS suggested that consultations by the Pacific Plan Task Force might fill some of this gap, but those outcomes were not sufficiently specific for this purpose. I have suggested to PIFS that issue of the report in its present form for wide consideration and comment should stimulate countries sufficiently to provide their views, which could then be taken into account. In all other respects I consider that the ToRs have been fulfilled.

*Tony Hughes, 31 August 2005*

## Appendix B

### Institutions visited and officials consulted

Australian High Commission, Suva:

FAO, Apia:

French Embassy, Suva:

French High Commission, Noumea:

Government of New Caledonia, Noumea:

New Zealand High Commission, Suva:

UNDP, Suva:

US Embassy, Suva:

FFA, Honiara:

FSchM, Suva:

Pacific Power Association, Suva:

PIFS, Suva:

SOPAC, Suva:

SPBEA, Suva:

SPC, Noumea:

SPC, Suva:

SPREP, Apia:

SPTO, Suva:

USP, Suva:

## **ANNEX TO 'STRENGTHENING REGIONAL MANAGEMENT' REPORT TO PIFS**

### **MACHINERY OF REGIONAL COOPERATION IN THE CARIBBEAN**

**By Havelock R. Brewster**

**Executive Director for the Caribbean, Inter-American Development Bank,  
Washington, D.C.**

#### **Existing Set of Institutions and their Origins**

##### Origins of Institutions

Regional cooperation arrangements in the Caribbean have their origins as far back as the beginnings of British colonization of the area, beginning with the Barbados-based administration of the Leeward and Windward Islands, and culminating with the pre-independence West Indies Federation, created in 1958 and dismantled in 1962 on the eve of independence.

Regional cooperation efforts in the Caribbean and related institutions were stimulated by the anti-colonial movement; by a strongly felt sense of a common history and experience, culture and ethnic origins; by a recognition of the physical and political vulnerability of small, isolated island States; the economic and administrative disadvantages of small size, and the potential and actual benefits of regional cooperation; and by the impact and pressures of external developments, such as the movement towards trade liberalization around the world and the need to achieve greater competition; the spread of regional economic groupings, like the EU, NAFTA, MERCOSUR, ASEAN, and the proposed Free Trade Area of the Americas; and the need to participate effectively in the international community, particularly in such forums as the United Nations, the OAS, the Non-Aligned Movement, the WTO, the African-Caribbean-Pacific Grouping, among others. Thus, even prior to the Treaty of Chaguaramas, 1973, establishing the Caribbean Community (which was preceded by the Caribbean Free Trade Area (CARIFTA, 1968), regional cooperation in the Caribbean had found expression in an impressive array of separate functional efforts, such as in Commodity Agreements (oils and fats), the West Indies Shipping Cooperation, Air Transport (LIAT and BWIA), the Caribbean Broadcasting Union, the University of the West Indies, the Caribbean Development Bank, the Caribbean Examinations Council, the Standing Board of Health Ministers, the Caribbean Meteorological Service, the Caribbean Industrial Research Institute, the Statistical Coordinating Advisory Committee, the Institute of Monetary Studies (Central Banks), among others.

##### Institutional Architecture

Regional cooperation in the Caribbean is now centered around the Caribbean Community Institutions and has three principal objectives: (a) economic cooperation through the CARICOM Single Market and Economy (CSME); (b) coordination of foreign policy among the independent member states; and (c) common services and cooperation in functional matters such as health, education and culture, communications and industrial relations.

The principal organs of the Community are: the Conference of Heads of Government commonly called “The Conference,” and the Community Council of Ministers, commonly called “The Council.” The primary responsibility of The Conference is to determine and provide the policy direction for the Community. It is the final authority for the conclusion of Treaties on behalf of the Community and for entering into relationships between the Community and International Organizations and States. The Conference is also responsible for meeting the financial arrangements to meet the expenses of the Community, but has delegated this function to the Community Council. Decisions of the Conference are generally taken unanimously.

A *Bureau of the Conference* has been established, consisting of the incumbent Chair of the Conference, as Chair, as well as the incoming and outgoing Chairs of the Conference, and the Secretary-General in his capacity as the Chief Executive Officer. The responsibilities of the Bureau are to initiate proposals; update consensus; and mobilize and secure implementation of the CARICOM decisions in an expeditious and informed manner.

A *Quasi-Cabinet* has also been constituted to aid the principal organs of the Community. It consists of individual Heads of Government who have been assigned leadership functions in respect of the development and implementation of critical sectors of the Community mandate, namely, for External Negotiations, Single Market and Economy, Health and Human Resource Development, Science and Technology, Tourism, Agriculture, Security, Transport, Sustainable Development (including Environment and Disaster Management), Community Development and Cultural Cooperation, Justice and Governance, Bananas.

The Portfolio for External Negotiations, the CSME, and Health are serviced by *Specialized Units*, namely:

- The Caribbean Regional Negotiating Machinery (CRNM);
- The CARICOM Single Market and Economy Unit (CSME Unit);
- The Pan-Caribbean Partnership Against HIV/AIDS (PANCAP);

*The Community Council of Ministers (The Council)* is the second highest organ. It consists of Ministers responsible for community affairs and other Ministers designated by the Member States at their absolute discretion. It is responsible for the development of Community strategies, planning and coordination in the areas of economic integration, functional cooperation and external relations.

The principal organs of the Community are assisted in the performance of their functions by the following four *Ministerial Councils*:

- The Council for Trade and Economic Development (COTED) - which promotes trade and economic development of the Community and oversees the operations of the CSME;
- The Council for Foreign and Community Relations (COFCOR) - which determines relations with international organizations and third States;
- The Council for Human and Social Development (COHSOD) – which promotes human and social development; and
- The Council for Finance and Planning (COFAP) – which coordinates economic policy and financial and monetary integration of the Member States.

The Community institutional framework also embraces *Bodies of the Community*, namely:

- The Legal Affairs Committee – which is responsible for providing the Organs and Bodies with advice on treaties, international legal issues, the harmonization of laws of the Community and other legal matters;
- The Budget Committee – which examines the draft budget and work programme of the Community and submits recommendations to the Community Council;
- The Committee of Central Bank Governors – which makes recommendations to COFAP on matters relating to monetary cooperation, payments arrangements, movement of capital, integration of capital markets, and other related matters.

The Caribbean Community incorporates a number of *functional and other regional organizations*, namely:

- The Caribbean Disaster Emergency Response Agency (CDERA);
- The Caribbean Meteorological Institute (CMI);
- The Caribbean Meteorological Organization (CMO);
- The Caribbean Food Corporation (CFC);
- The Caribbean Environmental Health Institute (CEHI);
- The Caribbean Agricultural Research and Development Institute (CARDI);
- The Caribbean Regional IBSN Agency;
- The Caribbean Regional Centre for Education and Training of Animal Health and Veterinary Public Health Assistants (CREPAHA);
- The Assembly of Caribbean Community Parliamentarians (ACCP);
- The Council of Civil Society;
- The Caribbean Centre for Development Administration (CCDA);
- The Caribbean Organization of Tax Administrations (COTA)
- The Caribbean Food and Nutrition Institute (CFNI).

Under the Caribbean Community Treaty, provision is made for the following entities to be recognized as *Associate Institutions of the Community*:

- The Caribbean Development Bank (CDB);
- The Caribbean Examinations Council (CXC);
- The University of Guyana (UG);
- The University of the West Indies (UWI);
- The Caribbean Law Institute/Caribbean Law Institute Centre (CLI/CLIC);
- The Secretariat of the Eastern Caribbean States (OECS);
- The Caribbean Council of Justice (CCJ);
- The Caribbean Regional Organization for Standards and Quality (CROSQ).

In addition, outside this formalized institutional framework, Caribbean regional cooperation embraces a dense and extensive network of initiatives, organized through governmental, non-governmental, private sector, labour, sports, faith and gender based organizations. Examples include the Caribbean Regional Energy Development Programme, the Standing Committee of Caribbean Statisticians, the Technical Action Services Unit, the Association of Civil Aviation Authorities of the Caribbean, the Caribbean Broadcasting Union/Caribbean News Agency, the Caribbean Association of Industry and Commerce, the Caribbean

Employers Confederation, the Caribbean Labour Congress, Caribbean Cricket Board, Caribbean Baptist Women's Union. A large number of regional cooperation initiatives are also organized by the Caribbean Diaspora and even by non-Caribbean groups operating externally.

The Caribbean Community's Secretariat (CCS) is the organization responsible for servicing the principal organs of the Community. It provides administrative functions, political and technical advice and support for their organs, and Member States, as needed. The Secretary-General is the chief executive officer. He is supported by a Deputy, and other senior officials who head the Directorates for Foreign and Community Relations, Regional Trade and Economic Integration, and Human and Social Development. He also functions as Secretary-General for CARIFORUM, a grouping that brings together the CARICOM States (which now include Haiti and Suriname) with the Dominican Republic, for cooperation with the European Union in the framework of the ACP-EU Cotonou Agreement.

### **Modalities for Appointing CEO's of Regional Organizations, for Dispute Settlement, and for Foreign Aid Administration and Inter-Organization Relations**

As in United Nations organizations, there is no laid-down machinery or procedures for appointing the Secretary-General of CARICOM, or the CEO of other regional organizations. For appointments at this level there are no vacancy announcements, or even statements of qualifications and experience needed for those posts. There is also no formal machinery on procedures for premature renewal of regional organizations CEOs. There have been no instances of the need for removal.

Usually, there is a provision for the appointment to be made by the highest decision-making body of the organization, for a period not exceeding five years, and for reappointment. Thus, in the case of the Secretary-General of CARICOM, the appointment is made by the Conference. Beyond this, there is usually no further specification of modalities for making the appointment.

However, it is understood by convention that a national of the host country would not normally be appointed as Secretary General. The desirability of rotating the post among nationals of the membership is also recognized.

Candidatures for the position are informally put forward or suggested by interested Member-States, and CVs circulated. Member-States may also canvass support among the membership. Individuals may make their interest known to their governments. Usually there are very few candidatures. The governing bodies make a decision by consensus. Appointments of serving or former politicians to regional CEO positions have never been made.

Given the seriousness with which regional integration is taken in the Caribbean, all appointees to CEO positions, including the CARICOM Secretary General's position, have been exceptionally competent persons, with high qualifications, wide experience and records of distinguished public or academic service. Appointments have usually not given rise to political scrambles. The basic explanation for this situation must be importance attached by the

membership to the regional movement, and the high standards of public service and academic accomplishment found in the region.

The Secretary-General of CARICOM has wide administrative and coordinating functions, which are laid down in the Treaty of Chaguaramas as follows:

The Secretary-General shall be the Chief Executive Officer of the Community and shall, subject to the determinations of competent Organs of the community and in accordance with the financial and other regulations, perform the following functions:

- Represent the Community;
- Develop, as mandated, decisions of competent Organs of the Community into implementable proposals;
- Identify and mobilise, as required, external resources to implement decisions at the regional level and undertake studies and develop decisions on relevant issues into implementable proposals;
- Implement, as mandated, decisions at the regional level for the achievement of Community objectives;
- Implement with the consent of the Member State concerned, Community decisions which do not require legislative or administrative action by national authorities;
- Monitor and report on, as mandated, implementation of Community decisions;
- Initiate or develop proposals for consideration and decision by competent Organs in order to achieve Community objectives, and
- Such other functions assigned by the Conference or other competent Organs.

There is no formal machinery, procedures or rules for resolving differences among regional organizations. Given the highly specialized nature of these organizations, the scope for conflict does not tend to be wide. Also, to the extent that differences arise, the highly professional staff of these organizations have been able to resolve them, without having to resort to the political directorate of the Institution. Differences are more likely to arise as between different organs of the regional institution. They are resolved, in instances where they reach the Conference, by deliberation and consensus, or they are referred for further research and wider consultation.

Foreign aid, bilateral or multilateral, intended for purposes of regional cooperation, is negotiated with the organization concerned and assigned directly to that organization. The aid is usually for specific purposes, such as trade negotiations, disaster management, meteorology standards and quality, economic research on various issues of regional integration. There is generally a clear demarcation between foreign aid for national projects and for regional projects, on the part of both the recipients and the donors. Also, foreign aid does not usually come in the form of bloc grants for multiple regional organizations. The grants nearest to this form are those under the EDF Regional Indicative Programmes, and even in this case, the activity or organization to be supported and the allocation to be made, would have been predetermined at the time the programme would have been negotiated.

There would thus not normally arise any difficulties in respect of identifying aid to regional organizations as distinct from aid to individual States. Institutions that have large and diverse foreign aid supported programmes, such as CARICOM or the CDB, have centralized arrangements to ensure coordination and prioritization of foreign aid requests, as well as assessment and evaluation of foreign aid receipts.

Each organization established by Treaty or Statute is responsible for the financial management of any foreign aid received. When an organization does not have a specific legal identity enabling it to receive and administer foreign funds, such as the Caribbean Regional Negotiating Machinery, these functions may be assumed by the CARICOM Secretariat or by the Government of the country where the organization is located.

Inter-organizational relationships are usually pursued at the initiative and discretion of the professional staffs. Also, organizations are generally represented on their respective inter-governmental governing bodies, at the level of their professional staffs. They have the opportunity to fully participate in deliberations in each other's forums. This kind of relationship and coordination is actively encouraged.

The CEOs and Secretariats of regional organizations, especially the larger high-politic ones like the CARICOM Secretariat and the CDB Management, have a considerable capacity for capturing and manipulating the agenda of their governing bodies. This capacity derives from the high level of their organization and professionalism, and the apparent asymmetry this creates vis-à-vis the political directorates. This situation has been identified as a shortcoming to advancing the regional movement, as ultimately it creates bottlenecks to political decision-making and implementation.

### **The Status of Non-Independent Territories**

Montserrat is the only State that is a member of CARICOM that is not an independent State. It remains a dependency of the United Kingdom. Anguilla was formerly a part of the independent State of St. Kitts-Nevis-Anguilla but seceded from that State and reverted to the status of a dependent territory of the United Kingdom. It is not a member of CARICOM, but has the status of an Associate.

As a UK dependency, Montserrat, in order to accede to the original CARICOM Treaty of Chaguaramas of 1973, had to obtain from the UK an Instrument of Entrustment. That Instrument did not provide for Montserrat's involvement, nor did the other CARICOM Member-States so wish, in matters of foreign policy and defense. The 1973 Treaty did not go as far as the current Revised Treaty of Chaguaramas, which is the basis for the CARICOM Single Market and Economy (CSME).

Several aspects of the revised Treaty of Chaguaramas give rise to issues pertinent to Montserrat's membership, in particular, the provisions for the free movement of skills and capital and right of establishment. The question has thus arisen about the need for a new Instrument of Entrustment for Montserrat. In that connection, it is possible, in principle, for the United Kingdom to claim

reciprocity, which would enable UK nationals, capital, and companies to claim free access to CARICOM through Montserrat. These issues remain to be resolved.

Another issue arising concerns Montserrat's membership in the Caribbean Court of Justice (CCJ). As a member of the CSME, Montserrat is obliged to adhere to the CCJ. Adherence to the original jurisdiction provisions of this Court (concerned with disputes arising in respect of the CSME) does not pose a problem for Montserrat and the UK. However, the CCJ is also empowered to function as the court of final appeal, its appellate jurisdiction, for its Member States, in replacement of the Judicial Committee of the Privy Council (JCPC) of the House of Lords. As a UK dependency, Montserrat cannot replace the JCPC by the CCJ, and thus would have to invoke appropriate provisions in Agreement Establishing the CCJ (Article XXII), to enter a reservation with respect to its appellate jurisdiction, with the consent of the Contracting Parties.

### **Relevance, Effectiveness and Performance of Regional Cooperation Institutions**

The functional cooperation institutions, pre and post the Treaty of Chaguaramas, arose as a direct result of specific needs and the recognition of the potential benefits of cooperation. As such, they score high in terms of relevance and cooperation. Among the most outstanding examples of this kind of cooperation are the University of the West Indies, the Caribbean Examinations Council, and the Caribbean Development Bank.

For the most part, the regional institutions of functional cooperation, excepting the three examples given above, aimed at low-politic forms of cooperation, such as exchanges of information, experience, technical assistance and training and advisory services, rather than high-politic forms involving collective decision-making and action. There have been independent, detailed assessments of the three institutions mentioned above which cannot be elaborated on here in detail. Suffice it to say, for present purposes, that while there are many problems to be addressed, the consensus view is that these institutions have been and continue to be exceptionally relevant and effective in discharging their mandates. Their accomplishments unquestionably have been far superior to what conceivably might have been achieved with each participating State acting separately.

There have not been detailed evaluations of relevance and effectiveness of the low-politic forms of functional regional cooperation. The evidence suggests that they continue to serve relevant purposes, discharge their functions in a sufficiently effective manner and are valued by their memberships. Shortcomings expressed in respect of some activities include limited self-financing and hence excessive reliance on discretionary external support; duplication of functions; inadequate public communication; and failure to sufficiently engage the political authorities in the salience of the concerns being addressed.

The principal inter-governmental organs of the Community structure are those that have been subjected to close and continuing scrutiny, including thorough detailed officially-sponsored and academic -investigations involving the questioning of a wide cross-section of stakeholders. This section now reports on the main findings in respect of the performance of these institutions.

The basic and persistent problem has been recognized as very poor implementation of decisions taken by the Conference of Heads of Government, the highest authority of the Community, in particular those relating to the CARICOM Single Market and Economy (CSME), the wide-ranging provisions of which had been adopted in 1989 (the Grand Anse Declaration), later incorporated into the Revised Treaty of Chaguaramas. Governments had originally set 1993 as the target date for the implementation of the CSME, but it has become a moving target. To date, after 16 years since its adoption, only a small minority of the provisions have actually been implemented. Governments have now made a distinction between the Single Market (SM) and the Single Economy (SE), and set January 1, 2006 as the target date for the SM to become operational, and an 'indicative time line' of 2008 for the establishment of the SE.

In the period since the CSME's adoption, various measures have been put in place aimed at improving implementation. These included in particular, the institution of the Bureau of the Conference of Heads of Government, and the Quasi-Cabinet, innovations that stemmed from a modification of a proposal made in 1992 in the Report of the West Indian Commission (Time For Action) to establish a Commission composed of several members responsible for the main areas of the Community's mandate (similar to the European Commission's (EC) structure, but with the crippling difference that the proposed commission was not accorded legal powers similar to those of the EC).

In 2003, governments returned to the issue, and agreed that a Commission or 'similar executive mechanisms' should be established, as well as a system of automatic financing of the Community's institutions. The Commission was again subordinated to the sovereignty of member States, while its mandate overlapped those of other organs of the Community. These "decisions" are now undergoing ex post technical study, and thus have not yet been implemented.

Some observers believe that the failure of implementation lies in the fact that most of the provisions of the CSME, and especially those of the SE, are inherently high-politic in nature, such as macroeconomic coordination, fiscal policy harmonization, investment policy harmonization, monetary union and the harmonization of legislation (Customs law, Companies law, Banking and Securities legislation) – and are unlikely to be legally implemented and function in practice without the Community being delegated some degree of supranational authority, as distinct from reliance on the discretionary authorities of each State, exercised through the inter-government process of cooperation. Some are of the view that the mechanisms of the Bureau and Quasi Cabinet have not been adequately used so far. Others believe that the Secretariat needs to be given greater powers of implementation.

In the meantime, investigation of governmental and non-governmental stakeholders' perceptions of the performance of the Community have identified the following as the main weaknesses of the Community institutions: inadequate dissemination of information to stakeholders, and poor communication between the Secretariat and the practical organs of the Community; the assignment of excessive mandates to the Secretariat resulting in inadequate capacity and resources to execute them; wide geographic dispersion of the Member-States, requiring excessive and costly travel to meetings; unbalanced mandates of the various ministerial councils, and in some areas their diffusion across too many issue-areas; failure to make decisions at the Council level, resulting in an

overwhelming load falling on the Conference of Heads; use of the Bureau of Heads as an escape for the failure to deal with the devolution of executive powers; dissatisfaction of some Member-States as a result of unbalanced distribution of the benefits and costs of integration; insufficient involvement of the private sector and civil society organizations; geographic centralization of the Secretariat; and inadequate analytical capacity on the part of the Secretariat ('A Review of the Structure and Functioning of the Caribbean Community Secretariat', 2002).

Notwithstanding these shortcomings in the performance of the Community institutions, and the difficulty in advancing to a more mature and effective regionalism, it is widely believed that the Community has performed well in certain respects, particularly in keeping alive the Caribbean people's aspirations for closer unity; in enhancing the region's profile in international affairs; in strengthening the Community's external negotiating capacity; in expanding trade within the region; and in supporting very beneficial forms of functional cooperation and common services; such as in tertiary education, development banking, health (HIV/AIDS), disaster preparedness, regional and security and sports.

### **The Eastern Caribbean States Sub-Grouping**

This sub-grouping of Leeward and Windward Islands within the wider CARICOM has many of the characteristics that should make for closer and more effective cooperation. Apart from their common British colonial antecedents, and cultural and ethnic affinities, they are more homogeneous than the wider CARICOM group in terms of size, economic structure, level of development, and the kind of problems they confront; while they are less spatially dispersed.

Following the collapse of the West Indies Federation in 1962, the Leeward and Windward Islands created the West Indies Associated States Council of Ministers (WISA) in 1967. The mandate of this Organization was to support functional cooperation and common services in such areas as civil aviation, the judiciary, currency and central banking, and tertiary education. It is considered to have executed this mandate relatively successfully.

In 1968, these States also created the East Caribbean Common Market (ECCM). By 1981, the majority of the principles of the ECCM had not been put into effect. In that year, the Treaty of Basseterre established the Organization of Eastern Caribbean States. In principle, the OECS merged the functional cooperation mandates of WISA and the economic mandate of the ECCM, and, more prominently, had as its main purpose, to achieve the fullest possible harmonization of foreign policy among Member States; to seek to adopt, as far as possible, common positions on international issues and to establish and maintain wherever possible, arrangements for joint overseas representation, and/or common services. But it also aimed to strengthen the pre-existing WISA areas of functional cooperation, and to add such new areas as audit, statistics, income tax administration, customs and excise administration, training in public administration and management, scientific, technical and cultural cooperation, national defense and security.

The OECS Treaty made little difference in practice to the implementation of the Common market mandate inherited from the ECCM. According to one observer "the OECS Treaty was seen as, and in fact turned out to be, primarily a

vehicle through which the Member States were formalizing and quietly continuing that fourteen-year process of regional integration which, during that time, had largely been concerned with functional cooperation in some fields of government that had not been very politically salient. The Treaty essentially brought into the picture—as a new area of cooperation –foreign policy, specifically joint overseas representation. The Treaty was not, however, conceived as a foundation or a platform for building a deeper form of union—either political or economic – and so did not commit its Member States to achieving a union in time.” (‘The Treaty of Basseterre and OECS Economic Union’ by Earl Huntley).

In July 2001, the OECS Heads of Government made the decision to establish an Economic Union. Work had been initiated on the central issue of the creation of a new Treaty arrangement to replace the Treaty of Basseterre.

The institutions of the OECS are:

- Eastern Caribbean Telecommunications Authority (ECTEL);
- Directorate of Civil Aviation;
- Eastern Caribbean Central Bank;
- Eastern Caribbean Supreme Court.

The Eastern Caribbean States thus seem to have placed higher priority on, and have achieved greater success in, the development of functional cooperation and common services than on economic integration. Presumably, this has been because the Eastern Caribbean States considered that functional cooperation and common services yielded much greater benefits than the operation of a common or single market; and besides did not give rise to any significant costs for some members as did the latter.

In regards to the former, the OECS considers that it has already begun to establish an effective architecture of supranationalism. This is reflected in the establishment of the Eastern Caribbean Central Bank, the Eastern Caribbean Supreme Court, the Directorate of Civil Aviation, the Eastern Caribbean Securities Exchange, and some joint diplomatic missions.

In this respect, therefore, it seems that the OECS has made greater progress than the wider CARICOM. At the same time, it must be recognized that the CARICOM apparatus has imparted a stronger momentum to the process of economic integration, specifically the common (or single) market aspects, than did the OECS Treaty.

### **Financing of Regional Institutions**

Regional institutions – whether the principal organs of the Community including the Secretariat, the regional functional institutions, associate institutions of the Community, Bodies of the Community, or non-associated regional organizations – are separately and individually financed. They are not financed from a common pool of Community resources. In general, the allocation principle among the Member States is based on capacity-to-pay, usually Gross Domestic Product (GDP). The application of a benefit principle to the allocation formula has never been used. Discussed below are some particulars pertaining to the financing of the CARICOM Secretariat (CCS).

The capacity-to-pay principle is used in the financing of the CCS, specifically GDP. (The United Nations uses Gross National Product (GNP), plus subsidiary indicators such as population size, external debt stock and/or debt service requirements, modified further by the application of minima and maxima.)

In CARICOM the capacity-to-pay principle is also modified by the application of minima and maxima. For example, those States classified as 'More Developed Countries' (MDCs) – Barbados, Guyana, Jamaica, Suriname, Trinidad and Tobago – have been assigned a minimum contribution to the budget of seven percent and a maximum of 25 percent. Haiti has a minimum of three percent and a maximum of 6 percent; and the Dependent Territories (Anguilla, the British Virgin Islands, Turks and Caicos) a maximum of one percent. Table 1 shows the full contributions to the CCS budget:

Table 1. Contributions to the CARICOM Secretariat, 2002  
Percent

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Anguilla	0.30
British Virgin Islands	0.36
Turks and Caicos	0.16
Haiti	3.0
The Bahamas	9.80
Belize	2.89
Barbados	10.74
Guyana	7.00
Jamaica	22.78
Suriname	7.00
Trinidad and Tobago	25.00
Antigua and Barbuda	1.77
Dominica	1.77
Grenada	1.77
Montserrat	0.35
St. Lucia	1.77
St. Kitts and Nevis	1.77
St. Vincent and the Grenadines	1.77
Total	100.0

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Source: CARICOM Secretariat

The benefit principle in budgetary allocation has never been used, presumably because of the difficulties in identifying and quantifying benefits (e.g. trade-related, increased efficiency and lower prices, investment income, employment, remittances, etc.) attributable to the integration process; and because the benefits may already have been captured in the national income statistics. Also, given the apparent skewed distribution of benefits, some member States might well claim they should contribute little or nothing.

Currently (2002), the CCS budget is about US\$10.0 million. This is equal to about 0.03 percent of the total CARICOM GDP (US\$30 billion). (The budget of the European Commission is about 1.3 percent of the Member States total GNP – that is about 44 times that of CARICOM in percentage terms.) In addition, the CCS is the recipient of about US\$4.0 million yearly, equal to 40 percent of the

CCS budget in external support to various technical programs. One of the specialized units of the Community – the Caribbean Regional Negotiating Machinery (CRNM) has an even higher percentage of external contributions to its budget.

An interesting innovation in the financing of regional institutions is that pertaining to the Caribbean Court of Justice (which is due to enter into operation in the near future). The Conference authorized the Caribbean Development Bank to raise US\$100 million in the international capital market to be used as a Trust Fund, the income of which would finance the expenses of the Court. Each Member State of the CCJ was in turn assigned a portion of the loan (based on the capacity-to-pay principle), the repayment and debt services of which (to the CDB) it would be individually responsible for.

In 2003 the Conference of Heads of Government “adopted the principle of automatic resource transfer (‘own resources’) for the financing of community institutions, certainly for the establishment of the Commission and any new tier of governance.” The source of finance was not specified, nor was the set of institutions to be so financed.

This decision may have been influenced by several factors: - the CCS budget has not always been free of the problem of arrears and untimely payments; governments’ fiscal stringency had kept the budget within tight controls; the budget had become increasingly dependent on external resources and thus on the priorities of bilateral and multilateral donors; implementation of the CSME inevitably would require the establishment of a number of new regional institutions, making reliance on governments’ annual contributions (which would need parliamentary appropriations for each such institution) increasingly politically unfeasible. The practical aspects of implementing the principle of automatic financing is still undergoing technical study.

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