

Reforming the Pacific Regional Institutional Framework

August 2006

Kaliopate Tavola
Makurita Baaro
Lucy Bogari
Lourdes Pangelinan
Adrian Simcock
Epa Tuioti

Acknowledgements

The preparation of this report would not have been possible without the generous assistance, openness and close cooperation of the representatives of countries, territories and organisations of the Pacific region and beyond with whom we spoke. We thank them most sincerely for their help.

Kaliopate Tavola
Makurita Baaro
Lucy Bogari
Lourdes Pangelinan
Adrian Simcock
Epa Tuioti

Table of Contents

Executive summary and recommendations	i
Recommendations	iii
1 The consultations	1
1.1 Effectiveness of interagency cooperation and collaboration	1
1.2 Regional and national disconnect	2
1.3 Centralisation and regionalism	4
1.4 Governance issues	4
1.5 Quality of service by regional organisations	5
1.6 Cost savings versus quality of service delivery	5
2 A new Regional Institutional Framework – the overall institutional arrangements	6
A three-pillared institutional framework	7
3 The Pacific Community and its secretariat	10
4 The Pacific Islands Forum and its secretariat	12
5 Coordination issues	15
6 Change management	17
Appendix 1: Approach and methodology	18
Appendix 2: Executive summary of Mr Tony Hughes’ report	21

Executive summary and recommendations

The report on a new regional institutional framework was commissioned by the Pacific Plan Action Committee (PPAC). The aim in doing so was to present the report to Pacific Islands Forum Leaders at their October 2006 meeting, after PPAC had considered it in August 2006 in Nadi, Fiji Islands.

In this report, the project team proposes significant changes to existing regional institutional arrangements. Through these changes, it envisages the creation of a framework that will facilitate further development, implementation and monitoring of the Pacific Plan. Forum Leaders agreed that “given the central role of regional organisations, a regional institutions framework that is appropriate to the development of the Pacific Plan will be established”.

Forum Leaders also considered stronger relationships with the Pacific territories to be essential. The team trusts that the proposed framework will also assist in advancing the needs of the countries and territories of the region in pursuit of a broader vision, which is similar across the range of regional organisations. Forum Leaders have set out such a vision for the Pacific Islands Forum and the vision statements of other regional organisations endorsed by their members including the territories have much in common with it.

The regional organisations under discussion are the agencies represented on the Council of Regional Organisations in the Pacific (CROP):

- Fiji School of Medicine (FSM)
- Forum Fisheries Agency (FFA)
- Pacific Islands Forum Secretariat (PIFS)
- Pacific Islands Development Programme (PIDP)
- Secretariat of the Pacific Community (SPC)
- Secretariat of the Pacific Regional Environment Agency (SPREP)
- South Pacific Applied Geoscience Commission (SOPAC)
- South Pacific Board for Educational Assessment (SPBEA)
- South Pacific Tourism Organisation (SPTO)
- The University of the South Pacific (USP)

The terms of reference for this project place it clearly in the context of a September 2005 report on the regional institutional framework, written by consultant Mr Tony Hughes. The project team asks readers to consider its own conclusions and findings in light of this earlier work.

In his report, Mr Hughes identified a number of limitations on the effective operation of the current regional institutional framework. He considered that the regional architecture represented a collection of institutions and relationships that had evolved over time in an uncoordinated fashion. His view was that the institutional framework needed change to overcome coordination weaknesses and, more generally, to improve effectiveness and efficiency. His major recommendation was to consolidate the main regional organisations into a single “Pacific Commission”. He also made recommendations as to how to streamline operations if the current institutional framework was retained.

At the time, the Hughes report was criticised for an apparent lack of regional consultation in developing it and, more substantially, for fundamental problems with the proposed organisational

structure itself. It was felt that the proposed dual governance arrangements were unworkable because one governing body would be subservient to the other on the key matters of approving budgets and appointing a Chief Executive Officer. As a result, according to this line of reasoning, decision-making would be unequal and the status of territories, France and the United States of America as full members of the Pacific Community and other regional organisations would be jeopardised.

Following consideration of the Hughes report, PPAC decided to explore further the ideas in the report and in particular to receive the views of member countries. To this end, it developed terms of reference that required the project team to “canvas and synthesise stakeholders’ views, including those of the Forum, CROP governing bodies and members, and CROP organisations”.

The project team travelled widely around and beyond the Pacific during June and July 2006. It carried out consultations in all 26 member countries and territories of Pacific regional organisations, as well as with a substantial number of development partners and other stakeholders. The views of those consulted are reflected closely in the recommendations of this report. On many issues, the perspective was the same throughout the region.

Based on its analysis of the feedback it has received, the project team accepts some but not all of the Hughes report’s assessments. Specifically, it agrees with the earlier assessment that current inter-agency coordination through CROP is insufficient and that significant institutional change rather than “tinkering” is required.

Consultation did produce positive feedback in regard to the existing agencies. That is, the team found among stakeholders a general satisfaction with the services of regional organisations and a view that most of these organisations had significantly improved the quality of their assistance in recent years. Some stakeholders put current concerns in perspective by pointing out that other international agencies and bilateral donors suffer from similar or greater coordination problems, which they are now trying to address through initiatives on donor harmonisation and coordination.

On the other hand, few stakeholders suggested that making no change is a real option for the Pacific region. To the contrary, most saw the present exercise as a welcome and timely opportunity to provide the region with a best-practice institutional framework that is highly effective and efficient in serving the interests of its members.

The team concurs with the view held by most stakeholders that the proposal to create a single organisation out of the major regional organisations is unworkable. It therefore proposes the alternative of a three-pillared regional institutional framework. In this framework, the Pacific Islands Forum and its secretariat would remain essentially unchanged (some functions of the FFA would be assimilated) but PIFS’ core business would be more clearly defined, the other major technical agencies would be folded into one secretariat under the governance of the existing Pacific Community and the academic and training institutions would form a third pillar.

In this report, the team makes a number of recommendations about how the concept of a merged technical agency could be taken forward. By integrating many of the current regional programmes into one agency, the proposed structure would significantly strengthen the effectiveness of regional collaboration and coordination. Importantly, this concept would allow the non-Forum members to maintain their equal decision-making role within the new organisation.

Further, the team is convinced that a clearer role for PIFS is essential in order to achieve a more effective regional institutional framework. To this end, it suggests an institutional strengthening initiative. Such a project would more clearly define the core business of PIFS (the team is providing a broad recommendation in this regard) and the set of core capacities that the organisation needs to fulfil its critical key role in the region. Non-core activities should be divested from PIFS to the Pacific Community Secretariat or other agencies as appropriate.

The team is of the view that governance and management arrangements of the academic and training institutions that are current members of CROP – FSM, PIDP and USP – should not be changed as part of the proposed institutional reform process. While the team is aware that the recent FSM review recommended that FSM and USP merge, it considers that this suggestion is best considered by the councils of these two institutions.

Separate sets of recommendations of this report relate to coordination issues within the proposed new regional institutional framework and to change management matters.

Recommendations

Overall institutional arrangements

1. Existing CROP agencies should be reorganised in a regional institutional framework that is based on three pillars:
 - a. a political and general policy institution – the Pacific Islands Forum and its secretariat;
 - b. a sector-focused technical institution – the Pacific Community and its secretariat; and
 - c. academic and training organisations, namely the Fiji School of Medicine, the Pacific Islands Development Programme and The University of the South Pacific.
2. The Pacific Islands Forum Secretariat should, within two years, assimilate the current functions of the Forum Fisheries Agency that relate to political and international legal issues and negotiations.
3. The Pacific Community Secretariat should, within two years, integrate the current work programmes of SOPAC, SPBEA, SPC and SPREP along with FFA’s technical functions, in particular its fishery development work.
4. SPTO should be integrated into the Pacific Community Secretariat if and when membership issues are addressed in a way that makes its integration feasible and desirable.
5. Governance and management arrangements of the academic and training institutions that are current members of CROP – FSM, PIDP and USP – should not be changed as part of the proposed institutional reform process.

The Pacific Community and its secretariat

6. The governance arrangements and legal framework for the new organisation should be provided by the existing Pacific Community, which is a non-political institution, has the widest membership coverage of all regional arrangements and provides for equal participation by independent states and territories.

7. The administrative arm of the new organisation should be known as the Pacific Community Secretariat or some similar name. It should be headed by a Director-General.
8. The headquarters of the organisation should be in Noumea, the current seat of the Pacific Community.
9. In support of regionalism, the specialised functions of the agencies to be consolidated into the new organisation should continue to be performed from their present locations: Apia, Honiara, Noumea, Pohnpei and Suva.
10. The Fiji Government should, as a matter of urgency, pursue the project to construct a “Pacific Village” in Suva to house the various Suva-based regional programmes of the new organisation.

The Pacific Islands Forum and its secretariat

11. The Pacific Islands Forum should remain the pre-eminent political organisation and the political voice of the independent states of the region.
12. The role of PIFS should be to:
 - support the Forum and associated Forum ministerial meetings and processes; and
 - provide specialised policy support and assistance to Forum member governments in its areas of core expertise.
13. The capacity of PIFS should be further strengthened by:
 - a clear definition of its core business;
 - the development of a set of key competencies required for this core business; and
 - a divesting of current activities that may be categorised as non-core business, based on the results of the work recommended above.
14. The identified group of FFA’s current activities should be integrated within the existing organisational framework of PIFS.

Coordination issues

15. The nexus between regional and national initiatives should be strengthened by establishing offices of the regional organisations or placing staff members in each member country and each member territory.
16. Formal institutional linkages between the two main organisations of the region should be maintained through the Secretary General of the Pacific Islands Forum and the Director-General of the Pacific Community Secretariat.

Change management

17. The Pacific Community Secretariat structure should be in place by the beginning of 2009, following a transition period of no more than two years. The present technical agencies would lose their separate identities and become components of the new organisation on 1 January 2009.

18. The transition to the new structure should be managed by a Transition Task Force made up of representatives chosen on a subregional basis from among member states and territories, heads of the organisations to be consolidated, PIFS and a task force leader.
19. The Transition Task Force should be headed by a full-time task force leader from outside the current regional organisations. The task force leader should be a skilled change manager and negotiator, have organisational development expertise, and be knowledgeable about the Pacific region and its institutions. He or she should be chosen by the Transition Task Force and report to it.
20. The Secretary General of PIFS should select an advisory group to assist with the proposed institutional strengthening initiative (see recommendation 13).

1 The consultations

Consultation has been at the heart of the process of reviewing the Pacific regional institutional framework. The project team held some 100 meetings throughout the Pacific Islands region and beyond during June and July 2006. Project team members visited senior representatives – including some heads of government and administrations – of all the countries and territories belonging to regional organisations in the Pacific, as well as United Nations agencies, non-governmental organisations (NGOs) and other bodies. Despite the number and diversity of the countries, territories and organisations consulted for this review, many of their opinions contained common strands of thought. This congruity was evident in both people’s assessments of the current Pacific regional institutional framework and their ideas for reform. It helped to validate the conclusions and recommendations reached by the project team.

Widely shared views that emerged from the consultations are summarised below. To keep the focus on the ideas rather than on those who put them forward, the points are presented thematically and are not attributed to particular people or countries. It should be noted that these observations do not necessarily represent the views of the project team; the conclusions, however, are the team’s own.

1.1 *Effectiveness of interagency cooperation and collaboration*

The major reservations expressed about Pacific regionalism related less to the work of regional organisations than to the regional architecture in which those organisations currently operate.

Some aspects of the current framework were considered positive. According to those consulted, the CROP coordinating mechanism – including the various thematic CROP working groups – has carried out useful work in some significant areas, notably in developing a regional ocean policy and in harmonising terms of conditions of employment for member agencies. Some stakeholders also put current concerns in perspective by pointing out that other international agencies and bilateral donors suffer from similar or greater coordination problems, which they are now trying to address through initiatives on donor harmonisation and coordination.

On the other hand, those consulted were strongly of the view that at present there are fundamental barriers to more effective cooperation among regional organisations. One reason given for the existence of these barriers was that the organisations have been set up at different times and with different objectives, with the result that they are not all pursuing a broader and shared vision for the region. Each of the regional organisations is autonomous and answerable to its own governing council.

Although organisations were established to respond to different specific needs, mandate “creep” has set in, leading to perceptions of overlaps between the agencies. Examples given include the area of fishery development (SPC and FFA), sector-specific environment issues (SPREP and FFA, SPC for marine-related matters; SPREP and SOPAC for energy), information technology and GIS (SOPAC and SPC).

PIFS was seen as overlapping with essentially all other major CROP agencies because of its recent interest and development of some expertise in areas traditionally covered by them. A common view was that PIFS needs to stay focused on clearly defined core functions rather than involving itself in technical programme delivery that could result in overlap and confusion. Most people interviewed had a much clearer understanding of the mandate of the other agencies than of PIFS’ core business.

Donor partners remarked that this expansion of mandates is possibly partly driven by competition for their funding. A number of them commented that it is difficult at times to know which Pacific agency they should deal with on which subject and noted that the current confusion and uncertainty about overlapping mandates seriously limits effective regional management.

Some stakeholders used the example of Pacific Plan's implementation matrix to demonstrate this lack of clear responsibility. Most initiatives showed more than one implementing or collaborating agency and often more than one lead agency.

To address concerns of overlapping mandates, interagency areas of activity were adjusted significantly in the mid 1990s; at that time, efforts were made to refocus the work of PIFS by transferring its programmes to other agencies. More recently and at the end of a large energy project that it was implementing, SPC's remaining energy programme activities were transferred to SOPAC, which also had an energy section. Notably, though, these useful adjustments were, respectively, the result of an external review and an initiative of the two CEOs rather than the outcome of a CROP process as such.

A number of those consulted said they felt the CROP coordinating mechanism has taken on the characteristics of an institution rather than a process and has developed a "personality" that was neither intended by its founders nor needed now.

The team found a general belief among those consulted that the regional institutional architecture could and should be reformed to provide better coordination and, as a consequence, more responsive and better services to members. "Tinkering" with existing institutional arrangements was not considered an acceptable proposition.

The team concurs with this view, which Mr Hughes also expressed in his report. It further notes that the current CROP mechanism has had ample time to demonstrate its strengths and weaknesses. While the team believes that stronger leadership and stronger commitment to addressing difficult and sometimes sensitive issues would have assisted CROP in achieving its stated goals, it considers that the current coordination mechanism has intrinsic weaknesses that render it no longer suitable.

1.2 Regional and national disconnect

A consistent perception among those consulted was that there is a "disconnect" between national and regional processes. Views on this topic were expressed strongly.

Some stakeholders at the national level expressed concerns that regional processes tend to drive rather than reflect national concerns – and often reflect the views of major donors. Others considered that some regional processes are having little direct impact on the lives of people in member countries and territories. In contrast, sector-focused technical programmes (for instance, in agriculture) were generally seen as "making a difference" in a positive way.

Smaller countries spoke of regional organisations "bulldozing" their members into supporting particular positions. PIFS' policy and "coordination" function, in the view of some agencies, has evolved into a "control" function. Another perception was that regional organisations sometimes adopt an advocacy role – speaking "for the region" – when members have not properly endorsed the views expressed. There was a feeling that unless there is a clear mandate for advocacy, regional agencies should focus on research, policy support to members and the implementation of programmes.

On the other hand, countries spoke positively of the policy support from regional organisations that has aimed to enable them to manage the demands of increasingly complex international and regional arrangements. The well-coordinated preparations for the World Summit on Sustainable Development some years ago are one such positive example; the regional MDG report is another.

Many of those consulted said national mechanisms often lack the capacity to respond to regional activities adequately or absorb the assistance available. Smaller countries particularly argued that, although it has been acknowledged in the region that they should receive special treatment, this principle is not reflected in their everyday dealings with regional organisations. The issue is also addressed in the latest Pacific Plan Report (draft July 2006), albeit somewhat vaguely, in its support for the establishment of “national policies and mechanisms for regionalism as the most critical element in ensuring that the best possible connections are made between national priorities and regional decisions and resource allocations”.

Ultimately, to be effective, most assistance available at regional level requires members to be committed and to have sufficient capacity at national level. For example, in making suggestions to improve statistical services, a recent independent review of SPC programmes noted that National Statistics Offices (NSOs):

“... generally have a relatively low status in national public sectors, lack the requisite budgetary resources to undertake core functions, lack trained demographers and personnel, and often do not interact effectively with key national stakeholders, especially Finance and Planning Ministries, or with key producers of statistics in the areas of health, education and labour. National governments must raise the profile of the NSOs, commit adequate funding to support their functions and take ownership of national project activities supported by the Demography/Population and Statistics Programmes if the activities of the Programmes are to be effective in addressing their needs and be sustainable in the long term.”

As noted in the previous section, a common theme to emerge from those consulted was that regionalism should exist not for its own sake but as a vehicle for advancing national interests. Clear concerns were expressed that the present regional institutional framework is not advancing those interests well enough. Equally, the team notes that, in identifying shortcomings within regional processes, countries can all too easily avoid acknowledging any weaknesses on their side. They have their responsibilities too. Ultimately any regional organisation, process or framework is only as strong as the commitment of its members.

Subregional mechanisms – for instance, the Micronesian Leaders’ Summit and the Melanesian Spearhead Group – were seen as a useful means of creating an effective linkage between national and regional structures.

In consultations concerning the link between regional and national functions, an important point made was that strengthening the regional architecture should not in any way detract from national sovereignty, nor should national sovereignty be ceded in any way to a regional organisation.

The development of country-specific engagement strategies (to be guided by national development strategies), which has long been a standard programming tool for donors, was also suggested as having great potential for strengthening links between national and regional initiatives. Another suggestion was to place more offices or personnel in member countries and territories (see also section 1.3).

The team concurs with the views of many stakeholders that the nexus between regional and national initiatives needs strengthening.

1.3 Centralisation and regionalism

Some members raised the point that the newer members of regional organisations – who are geographically distant from the perceived centre of the region – find it difficult to access regional organisations and their level of difficulty increases the further they are from the centre. Although offering no precise definition of the geographical divisions involved, in essence the comments reflect a perception of a “north–south” divide within the regional institutional structure. The recent opening of an SPC office in Pohnpei, FSM was seen as a model that could be used in reaching out to members in a proposed new regional architecture.

As discussed in the Hughes report and the recent SPC Corporate Review, many are concerned about the increasing centralisation of regional services and agencies in Fiji Islands. While Fiji has evolved into something of a regional hub and offers logistical advantages, at least for the South Pacific, there is a fear that, in the long run, even greater centralisation could undermine the very concept of Pacific regionalism.

Stakeholders felt that, as a minimum condition, any new institutional framework should not lead to greater centralisation. Rather, the current locations of regional organisations in Apia, Honiara, Noumea and Pohnpei should be maintained.

Another argument was that national capacity could be strengthened if any future consolidated regional organisation had a representative in each member country or territory, similar to the USP approach of having a University Centre in each of its member countries.

1.4 Governance issues

Whereas the main criterion for membership in the Pacific Islands Forum is political independence, the membership of some other regional organisations (namely SOPAC, SPC and SPREP) gives both territories and sovereign states full and equal membership rights and obligations. Stakeholders, in particular those representing territories, stressed that any institutional rearrangement must maintain equal membership terms for territories, France and the United States of America. This point was presented as “non-negotiable”.

Similarly, representatives from the independent states greatly appreciated the opportunity to discuss, at the highest level, sectoral issues with their counterparts from the territories. They saw great value in sharing experiences across the whole Pacific Community and also considered it essential that certain sectoral transboundary issues be coordinated Pacific-wide in the context of equal partnerships.

Also emphasised by stakeholders was that any future governance arrangements must respect and maintain the separation of high-level political processes such as the Forum and the essentially non-political nature of the other agencies, in particular SPC.

1.5 Quality of service by regional organisations

The region has a strong sense of ownership of its institutions. The work of regional institutions was highly valued by those consulted. Their staff were considered competent and committed, and many stakeholders believed that the quality of services has improved significantly over the last 10 years or so.

The Forum was acknowledged both as the foremost political process of the region and as the international voice for Pacific Island states. PIFS was regarded as the appropriate secretariat to that process. Similarly, its support to other Forum ministerial meetings was acknowledged as being very important.

The work of the other regional organisations was highly regarded, and the agencies themselves were seen as accessible, flexible and responsive to the needs of their Pacific members.

Regional organisations, notably PIFS, were identified as lacking in capacity to deliver some services, thereby limiting the opportunity for members to engage constructively with regional processes. While acknowledging the importance of improving the capacity of regional organisations, some asked that this concern should not become the basis for arguing for the creation of a much larger regional bureaucracy. Instead most argued that any new structure should seek to remove existing bureaucratic bottlenecks and provide clearer focus to improve service delivery to members.

1.6 Cost savings versus quality of service delivery

Those consulted held the clear expectation that a reform of the regional institutional framework would lead to significant gains in the efficiency and effectiveness of service delivery. The efficiency argument is supported by the estimates contained in the SOPAC–SPC Integration Study, the Hughes report and the report prepared by accounting firm KPMG in support of the current review.

However, the project team found unanimous support for the view that any reform process should be driven by concerns of effectiveness rather than cost saving. While cost saving was seen as a highly desirable byproduct of reform, no one expressed a wish that it be the principal driver of the reform process, or be given priority to the extent that it reduces donor flows or service delivery. Rather, the goal of any cost-saving measures should be to improve further the quality of service delivery and bring regional services closer to their clients (for example, through establishing country offices or developing country strategies).

It was noted that there is potential for cost saving at the national level as well: under a framework in which regional organisations were easier and quicker to deal with, the countries that worked with them would also save costs directly.

2 A new regional institutional framework – the overall institutional arrangements

There is almost unanimous support for institutional change. This conclusion is supported by the project team's consultations in the 26 member countries and territories of Pacific regional organisations, as well as with a substantial number of development partners and other stakeholders.

Generally those consulted were comfortable with the notion of amalgamation or consolidation of regional functions, provided that the Forum and PIFS retained their current identities, SPC retained its non-political character, and agencies remained in their current locations and with their current areas of specialisation. Those consulted stressed that whatever the structure finally adopted, the regional organisations collectively had to be able to provide strong political coordination and support and to deliver effective technical programmes. To be worthwhile, any new architecture must be more responsive and provide better services to members than the current arrangements allow.

In accordance with the terms of reference for this review, the project team therefore discussed three basic options for a new regional institutional framework.

Option one is to retain the current institutional framework while improving efficiency such as through those measures identified in recommendations 1–6 of the Hughes report. Certainly, introducing efficiency measures would improve the functioning of regional agencies to some extent. However, such gains would not overcome the problems of constitutional barriers caused by segmentation, overlap, duplication and lack of coordination created by the current architecture.

As the summary of consultations shows (section 1), most stakeholders share the view that “tinkering” is not a satisfactory option; it will not bring about the level of effectiveness sought both by members requiring help to implement national development plans and by Forum Leaders working to implement the Pacific Plan. Stakeholders generally agree that creating regional architecture of significantly greater efficiency and effectiveness requires more than improved coordination between organisations. More fundamental change is needed to provide the Pacific with a modern best-practice institutional framework that will meet and support the current and emerging challenges and aspirations of Pacific Island countries and territories.

Option two involves the creation of a single regional organisation (or, more specifically, a single secretariat expected to serve two institutions, the Pacific Islands Forum and the Pacific Community). As proposed in the Hughes report, the regional organisation created would draw together all the principal CROP agencies (i.e. FFA, PIFS, SOPAC, SPC and SPREP). The single secretariat serving the Pacific Island Forum and the Pacific Community would include special measures “protecting the few areas requiring internal segregation of communications and documentation”. The CEO of the new organisation would be appointed by the Pacific Islands Forum, which would also approve the organisation's work programme and budget.

Few among those consulted supported the concept of a single regional organisation as recommended by Tony Hughes. The project team shares the view that this single-secretariat approach would create significant governance problems and jeopardise the equal decision-making status that non-Forum countries and territories currently enjoy as members of many regional organisations.

Given that option one does not go far enough to ensure substantial improvements in the regional architecture and option two introduces substantial governance problems, the project team puts forward

option three. This alternative approach would involve creating a three-pillared regional institutional framework, as outlined below.

A three-pillared institutional framework

In the proposed framework, regional institutions would be organised under three pillars:

1. The Pacific Islands Forum and its secretariat would remain essentially unchanged (although PIFS would assimilate some functions of the FFA). PIFS' core business, however, would be more clearly defined.
2. The other major technical agencies would be folded into one secretariat under the governance of the existing Pacific Community.
3. The academic and training institutions would form a third pillar.

The team considers that this third option is the best possible model for the region at this particular time. It would lead to more coherent planning and implementation of regional programmes, while keeping political processes separate from non-political ones. It avoids the problems identified with the other options as noted above and is consistent with the priorities, concerns and aims expressed by the large majority of people consulted.

There are other advantages. Internally, a unified structure would assist substantially in overcoming the kinds of coordination problems that agencies currently experience. Many functions – which are likely to include purchasing, finance and information technology – could be centralised, saving costs.

External financial research commissioned by the project team has indicated that the recommended reforms would save initial costs involved in running Pacific regional institutions of up to about USD 6 million. While this figure is broadly in line with the cost saving estimates put forward by the Tony Hughes report, the team believes they are somewhat optimistic. KMPG, the accounting firm contracted to undertake the study, also pointed out that its calculations were based on a number of assumptions that needed further analysis. In the interest of caution surrounding this and other transitional costs yet to be identified, and to ensure that services to members of regional organisations would not be reduced, the team suggests that no more than a USD 3 million saving from the reforms be relied upon.

Engaging with a “one stop shop” for sectoral technical programmes would be easier not only for member countries and territories, but also for countries and agencies outside the region. Donors and other external stakeholders would gain a more unified service from a single regional technical organisation. (Such gains would be maximised, of course, if donors working in the region correspondingly harmonised their approaches to a greater extent.)

Certainly there are some potential disadvantages related to a unified structure, including the following:

- A larger organisation could lead to a bigger bureaucracy for members and others to deal with, slowing down the organisation's decision-making and reducing its responsiveness to need. The use of modern management approaches is an effective way of addressing this risk.
- As some existing agencies (e.g. SOPAC and SPBEA) gain more members, there is a risk that their services may be diluted. To address this concern, access to particular services could be restricted to current members of these organisations until resources allow their extension to newer members.

- Poor leadership of a large agency would have more severe consequences for the region than poor leadership of one of a multitude of smaller organisations. Effective governance mechanisms can manage this risk.

The project team considers that the potential advantages of a unified agency structure outweigh these potential disadvantages. As long as the risks are known and acknowledged, they can be minimised through measures such as those noted above. In essence, what is needed is careful change management and, subsequently, effective governance mechanisms.

The project team considers that this approach would create the framework needed for better delivery of services and, in doing so, would address the current concerns that regional stakeholders have expressed (section 1). Further, it would open the way for greater cooperation in future in working towards the economic growth, sustainable development, good governance and security of the region.

The project team considers that while strengthening the regional institutional architecture is vital, it must be seen as a task concerned with more than simply fixing problems. Specifically, the aim must be to set the stage for a new level of regional cooperation that will give Pacific people the greatest possible opportunities for personal, national and regional development in a demanding global environment. The team trusts that its proposal will provide the foundation for this objective.

Recommendations on overall institutional arrangements

1. Existing CROP agencies should be reorganised in a regional institutional framework that is based on three pillars:
 - a. a political and general policy institution – the Pacific Islands Forum and its secretariat;
 - b. a sector-focused technical institution – the Pacific Community and its secretariat;
 - c. academic and training organisations, namely the Fiji School of Medicine, the Pacific Islands Development Programme and The University of the South Pacific.
2. PIFS should, within two years, assimilate FFA’s current functions that relate to political and international legal issues and negotiations.
3. The Pacific Community Secretariat should, within two years, integrate the current work programmes of SOPAC, SPBEA, SPC and SPREP along with FFA’s technical functions, in particular its fishery development work.
4. SPTO should be integrated into the Pacific Community Secretariat if and when membership issues are addressed in a way that makes its integration feasible and desirable.
5. Governance and management arrangements of the academic and training institutions that are current members of CROP – FSM, PIDP and USP – should not be changed as part of the proposed institutional reform process.

Commentary

Recommendation 1a recognises the clear demand within the Pacific Islands region to retain the political organisation that provides a voice for the region internationally and that functions as a known and credible umbrella for regional action by the leaders of the independent states. There is also wide acceptance that PIFS is the appropriate agency to be providing policy advice and administrative support to Forum Leaders and associated Forum processes.

The implementation of *recommendation 1b* will provide an opportunity to create an effective and efficient organisation that brings together all of the current technical assistance programmes and overcomes many of the constraints (e.g. overlaps, duplication and relative lack of coordination) of the current regional institutional infrastructure.

Recommendation 1c (see also *recommendation 5*) recognises that the academic and training functions of the three remaining agencies should remain outside the Pacific Islands Forum Secretariat and the proposed new technical organisation. The practice of “academic freedom” might be seen to be in jeopardy if the region’s academic institutions were to become part of either a political institution or a technical organisation.

The team considers that FFA both delivers technical programmes – akin to those provided by organisations such as SPC – and performs legal/international functions that are closer to the services of PIFS. It would be logical to split these two kinds of functions between, respectively, the new organisation and PIFS (see *recommendations 2 and 3*).

Recommendation 3 defines which of the current agencies should be incorporated into the new organisation.

As regards SPTO, it is noted that the People’s Republic of China is a member of the organisation. Unlike the other intergovernmental agencies, SPTO also has private sector membership, which sets it somewhat apart from them. The team realises that tourism is crucial to the further development of the region (as does USP, which has a large tourism programme) and acknowledges that it may be desirable to integrate SPTO into the new organisation at an appropriate stage (*recommendation 4*). However, it believes that a merger would need a longer timeframe than that envisaged for the creation of the new technical organisation.

Recommendation 5 recognises that PIDP, which is based in Hawaii and part of the East–West Center, sits somewhat to one side of the current regional framework. The particular arrangements associated with all three academic institutions are best left undisturbed. FSM and USP have clearly defined academic mandates and are headquartered in the same city, Suva. The two agencies already cooperate closely. It may be that in time USP and FSM might consider amalgamating outside the organisational reform process proposed in this report. The team notes that the recent review of FSM has recommended this merger. In the team’s view this option is a matter for the two agencies and their councils to explore.

3 The Pacific Community and its secretariat

As discussed in section 2, the project team proposes that a new organisation integrate, within two years, the current work programmes of:

- the Secretariat of the Pacific Community;
- the Secretariat of the Pacific Regional Environment Programme;
- the South Pacific Applied Geoscience Commission;
- the South Pacific Board of Educational Assessment; and
- the technical functions of the Forum Fisheries Agency, in particular its fishery development work.

Recommendations on the Pacific Community and its secretariat

6. The governance arrangements and legal framework for the new organisation should be provided by the existing Pacific Community, which is a non-political institution, has the widest membership coverage of all regional arrangements and provides for equal participation by independent states and territories.
7. The administrative arm of the new organisation should be known as the Pacific Community Secretariat or some similar name. It should be headed by a Director-General.
8. The headquarters of the organisation should be in Noumea, the current seat of the Pacific Community.
9. In support of regionalism, the specialised functions of the agencies to be consolidated into the new organisation should continue to be performed from their present locations: Apia, Honiara, Noumea, Pohnpei and Suva.
10. The Fiji Government should, as a matter of urgency, pursue the project to construct a “Pacific Village” in Suva to house the various Suva-based regional programmes of the new organisation.

Commentary

The project team believes that using an existing governance and legal framework offers significant advantages over establishing a new intergovernmental treaty. It proposes that this framework should be the existing Pacific Community (*recommendation 6*), which is a non-political institution, has the widest membership coverage of all current regional arrangements, and provides for equal participation of both independent states and territories.

For the purpose of this report, the team has used the working title of Pacific Community Secretariat to refer to the administrative arm of the institution and to make the link to the governing institution. However, the name should be the subject of further discussion by the proposed Transition Task Force, which would guide the establishment of the new organisation. As befits an organisation with a technical focus, its head should be a “Director-General” (*recommendation 7*).

In line with stakeholders’ comments, the team suggests that the new organisation study and adopt best-practice management approaches that the existing regional organisations are following. Those consulted commended SPC, in particular, for its pragmatic approach and its robust planning, monitoring and evaluation systems, results orientation and high accountability standards. This assessment is shared by representatives of donor agencies and Pacific Island governments and

administrations. SPC was also reviewed very positively in 2005. In addition, the Hughes report noted SPC's modern and easily scalable communication links, which are essential for a decentralised organisation of the kind that the current project team recommends. Mr Hughes also considers that the "management systems in place or being developed at SPC have the potential to support a bigger institution workload than SPC currently undertakes".

Equally, each of the regional technical organisations clearly has areas of strength. Merging these organisations creates an excellent opportunity for the new organisation to build on the strengths of all of them.

Assuming that the Pacific Islands Forum Secretariat will remain in Suva, Fiji Islands, the team believes that the headquarters of the organisation should be in Noumea, the current seat of the Pacific Community (*recommendation 8*). By confirming Noumea as the headquarters for the organisation, the region will send a strong and positive message to both its territory members and its French-speaking members that they are equal partners in the new organisation.

In support of regionalism (see the discussion in section 1.3), the team proposes that the specialised functions of the new agency continue to be performed from their current locations (*recommendation 9*). It notes the opening of new SPC office in Pohnpei, Federated States of Micronesia, which it sees as having the potential to expand greatly and provide easier access to the organisation for its members in the Northern Pacific.

First mooted some 10 years ago, the concept of the "Pacific Village" is concerned with bringing together the Suva-based programmes of SOPAC, SPEA, SPTO and SPC on one site. SOPAC and SPC, in particular, currently operate from cramped offices that are widely considered to be of inappropriate standard. In line with accepted policy, the responsibility for the provision of offices for regional organisations rests with the host government, in this case the Government of Fiji Islands. Fiji has repeatedly confirmed its formal commitment to the Pacific Village; however, progress has been slow, with neither a site nor funding having been secured at the time of writing. The team concurs with the view that progress with the Pacific Village should be a priority (*recommendation 10*) to complement the objectives of the current reassessment of the Pacific's regional institutional framework.

4 The Pacific Islands Forum and its secretariat

The Pacific Islands Forum is the region's first and foremost political regional mechanism. All stakeholders consulted agreed that it must remain the pre-eminent political organisation and the political voice of the independent states of the region.

The Forum and its secretariat, PIFS, were recently reviewed by an Eminent Persons Group. This review also gave birth to the concept of the Pacific Plan and initiated the drafting of the "Agreement establishing the Pacific Islands Forum".

Goals for the Forum recommended by the review were economic growth, sustainable development, good governance and security. These were subsequently endorsed by the Pacific Islands Forum Leaders.

The current project team sees another review of PIFS as outside its terms of reference. However, it is obviously important that all stakeholders have a clear understanding of the role of PIFS, given its crucially important place in the current and any new regional institutional infrastructure.

This report has documented concerns that PIFS is beginning to involve itself (and to develop some expertise) in areas that are more appropriately covered by other regional organisations. For many stakeholders, in particular those in other regional organisations, these concerns have been heightened by the recent restructure of PIFS. The Hughes report commented that "aspects of this recent reorganisation have revived older concerns about functions of the PIFS overlapping with the roles and capabilities of the other ... regional organisations".

While on the one hand concerned about PIFS expanding into non-core areas, on the other hand stakeholders believed that PIFS was not providing the specialised services in the sectors that may be considered its core areas of expertise. They felt Forum member governments need access to even higher-quality advice and assistance at the regional level in areas such as economics and public sector reform. Many of those consulted felt that the region needs strong support and a regional perspective in these areas from one of its own regional organisations to complement the work traditionally done by, say, the Asian Development Bank, the Pacific Financial Technical Assistance Centre or the World Bank, or the bilateral donors. They also suggested that strengthening PIFS in this way would improve its relevance (and perceptions thereof) to challenges at the national level.

Finally, if the proposed regional institutional framework is accepted, much of PIFS' current perceived responsibility for coordination will disappear and adjustments to its current role will be required for this reason alone.

The team concludes that greater clarity about the new role of PIFS is required and recommends that a working group could assist the Secretary General in further defining the organisation's core business. A set of desirable core competencies can be expected to emerge from this process. These should be strengthened and non-core activities divested. The team recommends that this institutional strengthening process be completed before 1 January 2009.

In terms of its general role, it is probably fair to identify two functions. First, PIFS must continue to support the Forum and associated Forum ministerial meetings and processes with high-quality policy

analysis (and general secretariat support). This role is clearly articulated in the “Agreement establishing the Pacific Islands Forum”.¹

Second, PIFS should provide specialised policy support and assistance to Forum member governments in areas of core expertise, similar to the nature of the services that the other regional agencies provide in their respective areas of expertise.

Regarding required core competencies of PIFS to fulfil this role, the team believes that the following may form a useful starting point for further discussion:

- economic research, analysis and policy development
- human rights
- international relations and law
- governance, in particular political governance
- national planning (for sustainable development)
- public finance management
- public sector policy (including reform management)
- trade facilitation and negotiation
- regional peacekeeping/security coordination

In addition, PIFS will have responsibility for coordinating its activities with the new technical organisation and the academic and training group to ensure that the decisions of Forum Leaders (and ministers), including those contained in the Pacific Plan, are implemented. This area of responsibility is in line with the “Agreement establishing the Pacific Islands Forum”.² As the project team interprets it, PIFS will share the coordination responsibility with the other organisations.

Recommendations on the Pacific Islands Forum and its secretariat

11. The Pacific Islands Forum should remain the pre-eminent political organisation and the political voice of the independent states of the region.

12. The role of PIFS should be to:

- support the Forum and associated Forum ministerial meetings and processes; and
- provide specialised policy support and assistance to Forum member governments in its areas of core expertise.

13. The capacity of PIFS should be further strengthened by:

- a clear definition of its core business;
- the development of a set of key competencies required for this core business; and
- a divesting of current activities that may be categorised as non-core business, based on the results of the work recommended above.

¹ See Article VIII, paragraphs 2 and 6 of the “Agreement establishing the Pacific Islands Forum”.

² Ibid, paragraph 4: “The Secretariat shall work in cooperation and coordination with other intergovernmental organisations in the Pacific region, with the aim of ensuring that the most effective use is made of regional resources.”

14. The identified group of FFA's current activities should be integrated within the existing organisational framework of PIFS.

Commentary

These recommendations are based on the rationale outlined above. *Recommendation 14* simply clarifies that the FFA activities that PIFS may assimilate should be integrated within the existing organisational PIFS framework.

5 Coordination issues

The project team considered two main areas in which the need for coordination will continue: namely, the nexus between national and regional levels, and coordination across the (remaining) regional organisations. The team also focused on regional ministerial meetings as relevant to questions of coordination. Overall, however, it can be expected that the time and energy required to achieve inter-agency cooperation would decrease substantially under the proposed regional institutional framework given the great reduction in the number of agencies and the streamlined structure entailed.

Recommendations on coordination issues

15. The nexus between regional and national initiatives should be strengthened by establishing offices of the regional organisations or placing staff members in each member country and each member territory.
16. Formal institutional linkages between the two main organisations of the region should be maintained through the Secretary General of the Pacific Islands Forum and the Director-General of the Pacific Community Secretariat.

Commentary

As described in section 1, many stakeholders consulted believed strongly that regional activities should be better integrated with national activities. Section 1 also pointed out that responsibility for improvement in this regard rests both with national governments and regional organisations. The team supports the suggestion that an effective strategy to strengthen the nexus between national and regional activities is to establish a regional office or, where a full-scale and permanent office may not be feasible, to place staff in each member country and each member territory (*recommendation 15*).

The region already has a good-practice example in this regard: USP has been operating University Centres in its member countries for decades. From their beginnings as relatively modest extension centres to assist students with their distance education courses, they have evolved to take on a wider role, helped by better facilities including the university's satellite communications network. Importantly, the University Centres are the conduit for much of the communication between the host countries and the university's main campuses and administration. The team recommends that PIFS and the Pacific Community Secretariat follow this model, appropriately adapted. Significant steps have already been taken; SPC has recently opened another office in the Northern Pacific and PIFS has placed staff in the smaller island states. Both organisations are talking to each other, and with other possible partners, to explore whether they can share staff and facilities and, if so, how.

That regional organisations develop country-specific strategies seems another promising suggestion, which the team supports. A country-specific strategy would place the activities of each regional organisation in the context of the country's own national development strategy. The team notes in this regard that PIFS is already assisting its members with the development of national sustainable development strategies and that SPC has commenced the development of (SPC) country-specific strategies. Each initiative complements the other well. Further, it seems appropriate that PIFS take the lead on the national planning side (see also section 4 for the team's suggestions on the core business of PIFS) and SPC on the development of country-specific engagement strategies (as it is already one of the major implementing agencies).

Even within a streamlined regional institutional framework, there will continue to be a need for coordination between regional organisations – in particular between the two main agencies, PIFS and

the new Pacific Community Secretariat. The so-called CROP mechanism, including the CROP charter, should be replaced by discussions between the CEOs (supported by their respective management teams) that are far less bureaucratic (*recommendation 16*). These discussions would be guided by well-set agendas and agreements would be documented formally. However, the team envisages that the focus of discussions will be on strategic coordination issues at a higher level. There will be no need for either agency to be the permanent chair of these meetings; rather the team proposes that the discussions be held in a spirit of partnership.

Finally in regard to coordination issues, the team offers some suggestions in regard to the servicing of ministerial meetings. This practical concern can be addressed in a straightforward manner, given that the arrangements for most meetings have been in place for many years and are generally considered to be reasonably effective. However, the team anticipates some benefits from formalising the long-term understandings and the associated discussion process. For example, the expected discussion will help to define each agency's core business, in particular that of PIFS.

More significant will be discussions about the efficiency and effectiveness of decision-making processes. On the one hand, such discussions must take account of the concerns raised by many stakeholders about the overloading of regional meeting agendas, in particular the Forum agenda. On the other hand, they must consider that the organisers (and participants) of ministerial meetings have increasingly expected almost every decision to be brought to the attention of Forum Leaders because "the highest-level political support" is perceived to be necessary to "move things". In the team's view, sectoral ministers should be trusted to discuss and follow as appropriate the outcomes of regional ministerial meetings in their own country, either within their own ministry or at the cabinet level. Regional processes should not bypass or substitute for national processes.

While the above position, in the team's view, should be the default, clearly there will continue to be issues that should be brought from sectoral ministerial meetings to the attention of Forum Leaders for discussion and decision. Among them are those issues that will benefit from or, in fact, require a common regional stance for representation at the international level and those issues that require strong, top-level leadership and support across several sectors (i.e. line ministries).

6 Change management

In this section, the project team makes a number of proposals regarding change management during the transition to the new institutional framework. As with those in sections 3–5, these recommendations will be relevant if the overall regional arrangements (section 2) are accepted.

Recommendations on change management

17. The Pacific Community Secretariat structure should be in place by the beginning of 2009, following a transition period of no more than two years. The present technical agencies would lose their separate identities and become components of the new organisation on 1 January 2009.
18. The transition to the new structure should be managed by a Transition Task Force made up of representatives chosen on a subregional basis from among member states and territories, heads of the organisations to be consolidated, PIFS and a task force leader.
19. The Transition Task Force should be headed by a full-time task force leader from outside the current regional organisations. The task force leader should be a skilled change manager and negotiator, have organisational development expertise, and be knowledgeable about the Pacific region and its institutions. He or she should be chosen by the Transition Task Force and report to it.
20. The Secretary General of PIFS should select an advisory group to assist with the proposed institutional strengthening initiative (see recommendation 13).

Commentary

The team believes that a two-year timeframe for the establishment of the new Pacific Community Secretariat is appropriate. While this timeframe may be considered an ambitious target, it appears realistic given the wide support and enthusiasm for real and meaningful change that the team found in the region. The proposed taskforce would study in detail the necessary legal and administrative procedures to follow for the disestablishment of agencies. The team has been advised that these can be expected to be straightforward, essentially requiring governing body decisions to this effect.

Regarding the composition of the task force, the team proposes that a group made up of agency staff and outsiders to the organisations will provide the right mix of in-depth knowledge and objectivity. Concerning the appointment of representatives from member states and territories, the team proposes that the heads of the organisations concerned seek expressions of interests from member countries and territories through formal points of contact and that the Pacific Community formally consider and confirm the task force. The task force should appoint a leader who is assigned on a full-time basis.

The team considers it important that the Secretary General of PIFS too has the support of a group with wide membership to assist him in the proposed institutional strengthening initiative. While the group should not become too large, it seems highly desirable that it include PIFS staff (including non-management staff to ensure ownership of outcomes) and people from outside PIFS who will bring in different perspectives to the process (e.g. people knowledgeable about and sensitive to the needs of the Pacific territories, and staff of other regional organisations).

Appendix 1: Approach and methodology

(a) *Background*

1. Achieving the strategic objectives of the Pacific Plan is dependent on a regional institutional framework that is appropriate to its ongoing development and implementation.
2. To examine the optimal regional framework for the Pacific Islands region, the Pacific Plan Task Force commissioned an independent analysis in April 2005. After the consultant, Mr Tony Hughes, conducted the review of the Pacific regional institutional arrangements, he submitted his report, *Strengthening Regional Management: a Review of the Architecture for Regional Co-operation in the Pacific*, to the Task Force for its consideration in September 2005. The Task Force received the report as a consultative draft and agreed to convene a Working Group to explore the ideas expressed in the report and, in particular, to receive the views of member countries of the Pacific Islands Forum.
3. Subsequently the Forum Leaders agreed as follows: “Given the central role of regional organisations, a regional institutional framework that is appropriate to the development of the Pacific Plan will be established. A proposal on this will be provided to the 2006 Forum. Relationships with Pacific territories, non-state actors, civil society and development partners will be strengthened ...”
4. A second decision was to extend membership of the Working Group to all members of CROP organisations. In January 2006 the non-Forum members of the SPC were included in the Working Group and invited to participate in the committee meetings. The Working Group was later renamed the Pacific Plan Action Committee (PPAC).
5. PPAC was tasked with developing an appropriate regional institutional framework through which the Pacific Plan can continue to be developed, implemented and monitored. At its January 2006 meeting, PPAC members agreed to engage the services of a project team, through the Pacific Islands Forum Secretariat, to undertake the work of developing an appropriate regional institutional framework, which would involve extensive consultations with Pacific Island countries and territories, and other stakeholders.
6. It was agreed that the project team would submit a report of its findings and recommendations to PPAC at its August meeting, with an aim of submitting the proposal for consideration by the 2006 Forum and meetings of other CROP governing councils.

(b) *Terms of reference*

7. The task for the project team was set out as follows:
 - i. Review the current mechanisms that exist, including those of CROP, that could be useful for the development, implementation and monitoring of the Pacific Plan;
 - ii. Canvas and synthesise stakeholders views including those of the Forum, CROP governing bodies and members, and CROP organisations;
 - iii. Examine the recommendations of the consultative draft report “*Strengthening Regional Management: a Review of the Architecture for Regional Co-operation in the Pacific*”
 - iv. Gather additional information as necessary;
 - v. Identify and assess appropriate alternative regional institutional frameworks, including undertaking cost/benefit analysis;
 - vi. Develop and present alternatives to the Pacific Plan Action Committee (PPAC) in August 2006.

(c) Consultation details

8. The project team held some 100 meetings during June and July 2006. Team members visited senior representatives, including some heads of governments, of all the member countries and territories of Pacific regional organisations, throughout the Pacific Islands region and beyond. The team also consulted senior management of CROP agencies, as well as representatives of United Nations agencies, non-governmental organisations and other bodies. PIFS facilitated the project team's in-country consultations, providing it with logistical support.

The stakeholders consulted are detailed below.

i. Member countries and territories of Pacific regional organisations

American Samoa	New Zealand
Australia	Niue
Commonwealth of the Northern Mariana Islands	Palau
Cook Islands	Papua New Guinea
Federated States of Micronesia	Pitcairn
Fiji	Samoa
France	Solomon Islands
French Polynesia	Tokelau
Guam	Tonga
Kiribati	Tuvalu
Marshall Islands	United States
Nauru	Vanuatu
New Caledonia	Wallis and Futuna

ii. Pacific regional organisations

Fiji School of Medicine
Forum Fisheries Agency
Pacific Islands Forum Secretariat
Secretariat of the Pacific Community
Secretariat of the Pacific Regional Environment Agency
South Pacific Applied Geoscience Commission
South Pacific Board for Educational Assessment
South Pacific Tourism Organisation
The University of the South Pacific

iii. Development partners, NGOs and other stakeholders

Asian Development Bank
European Union
Japan
Pacific Islands Association of NGOs
Pacific Power Association
South Pacific Chiefs of Police
Taiwan
Timor Leste
United Nations agencies: UNDP, UNESCO, UNFPA

(d) The project team

Kaliopate Tavola. Mr Tavola has recently been reappointed Fiji's Minister of Foreign Affairs. He has served as a diplomat for his country for many years, and has represented the region in the international arena, most notably in trade matters. His professional training is in economics.

Makurita Baaro. Mrs Baaro is the Chief Secretary to the Government of Kiribati and the former Director of the Pacific Islands Forum Secretariat's Political, International and Legal Affairs Division. She was a member of the SPC review team in 1996.

Lucy Bogari. Ms Bogari is Papua New Guinea's Deputy Secretary of Foreign Affairs. Her most recent diplomatic posting was as her country's High Commissioner to New Zealand, the Cook Islands, Samoa and Niue.

Lourdes Pangelinan. Ms Pangelinan was, until recently, the Director-General of the Secretariat of the Pacific Community. She held senior positions in the Government of Guam before her service at regional level.

Adrian Simcock. Mr Simcock is a former New Zealand diplomat whose most recent posting was as High Commissioner to Fiji, with accreditations to Tuvalu and Nauru. He has also been High Commissioner to the Cook Islands, Samoa and India.

Epa Tuioti. Mr Tuioti is a Co-Managing Director of the Samoan consulting firm KVAConsult and a former Samoan Secretary of Finance. He was involved with the Corporate Review of SPC in 2005 and with the AusAID Review of SPREP in 2000.

Appendix 2: Executive summary of Mr Tony Hughes' report

CONSULTATIVE DRAFT
Report to the Pacific Islands Forum
Strengthening Regional Management

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

A V Hughes
August 2005

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.
18. 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.
19. 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.

20. 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.