

SOPAC
GOVERNING COUNCIL
29th ANNUAL SESSION
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Agenda Item	10	:	ESTABLISHMENT AND ADMINISTRATION
Title	10.4 Suppl. 1	..	SOPAC-SPC Integration

Purpose of Paper

To present to Council for consideration the final report of the consultants on the SOPAC-SPC Integration Study.

Comments

Further to conference paper AS/10.4 the final consultants report was received Monday 18th September 2000.

This was too late to be mailed out prior to the commencement of Governing Council and will be available to Council members at Registration. The Consultants will be attending Council to provide input as Council determines.

Essentially the consultants' report supports the integration of the two organisations. It proposes for consideration a particular organisational model, structure and timeframe.

The SOPAC Governing Council and SPC's CRGA at its November meeting in Noumea is now required to arrive at a consensus for progress to be achieved.

Recommendation

1. That Council invites the Consultants to address the meeting and present the findings of their study.
2. That Council deliberates on the Consultants report and recommendations.
3. That Council then instructs the Secretariat to advise SPC of its decision on the matter of the SOPAC-SPC Integration.

SOPAC-SPC Integration Study

REPORT

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August 2000

Contents

Acknowledgement	iii
Executive Summary	v
Introduction. Origins of the Consultancy Study	1
Chapter 1. Terms of Reference for the Team	2
Chapter 2. Conduct of the Consultancy Study.....	2
Chapter 3. Imperatives of Policy and Programme Co-ordination at the Regional Level.....	3
<i>Changed Climate for Aid.....</i>	<i>3</i>
<i>Diminishing Trading Privileges.....</i>	<i>3</i>
<i>Responsibilities as WTO Members.....</i>	<i>4</i>
<i>Risks from "Get Rich Quick" and Money Laundering Schemes.....</i>	<i>4</i>
<i>Stabilisation; Adjustment and Reform Programmes in Progress.....</i>	<i>5</i>
<i>Social Consequences of Young Population Structures.....</i>	<i>5</i>
<i>Achieving Social and Political Stability.....</i>	<i>5</i>
<i>Planning for the Impact of Climate Change.....</i>	<i>6</i>
<i>Maximising the Benefits of Exclusive Economic Zones.....</i>	<i>6</i>
<i>Maximising the Benefits of Deep-sea Minerals</i>	<i>6</i>
<i>Utilising Regional Arrangements for Technical Assistance Services.....</i>	<i>6</i>
Chapter 4. Current Situation for SPC and SOP AC	8
4.1 The Secretariat of the Pacific Community	8
<i>Priority-setting Mechanisms.....</i>	<i>8</i>
<i>Strengths.....</i>	<i>9</i>
<i>Challenges for the Future.....</i>	<i>9</i>
4.2 The South Pacific Applied Geoscience Commission	9
<i>Priority-setting Mechanisms.....</i>	<i>10</i>
<i>Strengths.....</i>	<i>10</i>
<i>Challenges for the Future.....</i>	<i>10</i>
Chapter 5. Feedback from Stakeholders and Analysis.....	12
5.1 The Economic Context	12
<i>Economic Pressures on Island Members.....</i>	<i>12</i>
<i>Extra Demands and Budgetary Pressures on Donors.....</i>	<i>12</i>
5.2 The Potential for Savings	13
<i>Governance, Liaison and Co-ordination Costs (Direct National Budget Savings).....</i>	<i>13</i>
<i>Operational Efficiencies.....</i>	<i>13</i>
<i>Box I: Common Premises for the Suva Operations.....</i>	<i>13</i>
<i>Costs of Merger.....</i>	<i>16</i>
<i>Options for Response to Savings.....</i>	<i>16</i>
5.3 Synergies and Collaboration	17
<i>The Potential for Synergies</i>	<i>17</i>

5.4 Other Areas of Effectiveness.....	19
<i>Specialised Support Services.....</i>	<i>19</i>
<i>Integration as a Catalyst for Improvement.....</i>	<i>19</i>
<i>Greater Organisational Strength.....</i>	<i>19</i>
<i>Bureaucracy.....</i>	<i>19</i>
<i>Networks in the Scientific Community.....</i>	<i>19</i>
<i>Direct Access for National Technical Departments.....</i>	<i>20</i>
5.5 Other Issues.....	21
<i>Co-ordination.....</i>	<i>21</i>
<i>Risks associated with a Single Regional Technical Organisation.....</i>	<i>21</i>
<i>Donor Support for Merged Entity.....</i>	<i>21</i>
<i>Integrity of SOPAC Programmes.....</i>	<i>22</i>
<i>Presence in Member Countries.....</i>	<i>22</i>
<i>Dilution of Benefits and Membership Contributions.....</i>	<i>23</i>
Chapter 6. The Proposed Merge.....	24
6.1 The Legal Basis for an Integrated Organisation.....	24
<i>Option I: Establishment of a New Regional Organisation.....</i>	<i>24</i>
<i>Option II: Adoption of SOPAC's Charter.....</i>	<i>24</i>
<i>Option III: Integration under SPC's Charter.....</i>	<i>24</i>
6.2 The Organisational Model.....	25
<i>General Structure.....</i>	<i>25</i>
<i>The Technical Programmes.....</i>	<i>26</i>
<i>Senior Management.....</i>	<i>26</i>
<i>Corporate Services.....</i>	<i>26</i>
6.3 Other Issues.....	27
<i>Policy on Personnel Appointments.....</i>	<i>27</i>
<i>Merging of Two Corporate Cultures.....</i>	<i>27</i>
Chapter 7. Procedural Aspects of the Merger.....	28
Annex 1: Initial Policy Paper prepared by the CEOs.....	31
Annex 2: Results of SOPAC Governing Council Meeting 28 (October 1999).....	35
Annex 3: Final Terms of Reference for SOPAC-SPC Integration Study.....	39
Annex 4: Discussion Paper April 2 000.....	41
Annex 5: SOPAC and SPC Members.....	45
Annex 6: Consultations.....	47
List of Tables and Figures	
<i>Table I: Core Budget Savings and Increased Costs of an Integrated Organisation.....</i>	<i>15</i>
<i>Table II: Additional and Total Savings following Co-location.....</i>	<i>16</i>
<i>Figure I: Potential Synergies among Selected SOPAC and SPC Programmes.....</i>	<i>18</i>
<i>Figure 2: Proposed Divisional Structure for an Integrated Organisation.....</i>	<i>25</i>

Acknowledgement

The team wishes to record its sincerest appreciation of the assistance and support that it has received during the conduct of the study.

Mr Richard Mann gave us invaluable assistance during the course of our work. All the appointments and other administrative details were efficiently attended to. His extensive knowledge of the workings of the Secretariat of the Pacific Community and of the SOPAC and other regional organisations were a great help. His wise counsel on specific and strategic issues that we had to examine we greatly appreciated. We are beholdng to Richard.

We are very grateful for the time that representatives of governments and administrations have given during their busy schedules to discuss the concept of integration with the team. Likewise, the team wishes to thank the representatives of multilateral agencies and regional organisations for the discussions that have taken place.

Experience has shown that the success of a merger between two organisations hinges to a large extent on the involvement and support of the staff. The team is therefore particularly indebted to the staff of SOPAC and SPC who freely shared their experiences and thoughts, and concerns, with the team.

Most of the findings of the team are based on its discussions with these stakeholders of the organisations. The study would have been impossible without the opportunity to draw on their collective wisdom.

Savenaca Siwatibau

Philipp Muller

Executive Summary

In 1999, the governing bodies of the Secretariat of the Pacific Community (SPC) and the South Pacific Applied Geoscience Commission (SOPAC) approved a consultancy to "to examine and analyse the rationale for integration of the two regional organisations, SPC and SOPAC, highlighting the advantages and disadvantages".

The study was undertaken by Savenaca Siwatibau and Philipp Muller, who were assisted in their task by Richard Mann. The study team consulted with stakeholders in a range of ways, including face-to face and telephone interviews. The draft report, which was sent to all formal points of contact for consideration and comments, was an important instrument to ensure wide consultation.

After the first chapters set the context of this final study report, Chapter 3 describes major challenges that confront the region and the important roles of regional bodies in assisting national authorities to address them effectively. It recapitulates the decisions of the PNG Forum of 1995 as they related to the machinery of policy and programme co-ordination at the regional level. It also reports briefly on member perceptions of the effectiveness of current mechanisms.

Chapter 4 provides an overview of SOPAC and SPC as separate entities. It analyses certain characteristics and structures of each organisation which are likely to have implications for or against a possible merger.

Chapter 5 constitutes the core of the report. It provides feedback from stakeholders, analyses the rationale for integration, and elaborates on advantages and disadvantages of such move. Section 5.2 reports specifically on the team's findings with regard to cost savings that can be expected after integration. This discussion focuses on two areas:

- Savings that members could expect to obtain directly and almost immediately following an integration, by reducing expenditure on governance, liaison and co-ordination; and
- Savings within an integrated organisation (operational efficiency gains) which could either be passed on to members in the form of reduced membership contributions or – as members appear to prefer – be used to offset anyone-off costs of integration and strengthen the technical programmes. The team estimates the total annual net savings to be approximately FJD 480,000 (CFP units 290,000). Following the move to a common site (the *Pacific Village*), net annual savings would be expected to rise to FJD 515,000 (CFP units 310,000).

Sections 5.3, 5.4 and 5.5 describe non-monetary advantages and disadvantages of integration. In Section 5.3, the team reports on the potential for synergies between the various technical programmes. Integration is expected to facilitate multi-sectoral collaboration and lead to more effective project design and implementation, greatly increasing a project's chances of sustainable success. Section 5.4 analyses other areas that impact on the effectiveness of an integrated organisation, while Section 5.5 covers a number of other possible advantages and potential concerns that were raised during the team's consultations.

Chapter 5 also provides a brief update on the status of the plans for common premises in Suva (the *Pacific Village*). It notes that co-location may not occur in the timeframe as originally envisaged. The chapter, however, shows that most of the monetary savings associated with integration could be obtained without physical co-location. Similarly, the non-monetary advantages (and disadvantages) of integration would be expected to apply to a large extent regardless of the location.

In line with the team's terms of reference, Chapter 6 discusses a number of organisational models on which an integrated organisation might be based. The team found general support among stakeholders for integration under SPC's charter, which appears to be the simplest option (although Chapter 6 also provides two other options). Mindful of the strong support among stakeholders for maintaining the integrity of SOPAC's programmes, the team recommends the establishment of "SOPAC" as a fourth division within SPC, to be headed by its own Director, if indeed the principle of integration were accepted by the governing bodies. This structure is depicted in a simple organisation chart (Figure 2), which also reflects the team's recommendations in regard to a rationalisation of the senior management structure of an integrated organisation. At the technical programme level, the team sees little merit in any drastic restructuring at this stage. However, it would be useful to merge information technology activities, as well as the energy programmes which should be placed in the SOPAC division in Suva.

Chapter 7 examines the legal and administrative steps that would be needed to integrate the two organisations. This analysis is based on the *Agreement establishing the South Pacific Applied Geoscience Commission*, which enables SOPAC to dissolve or suspend its activities.

Introduction. Origins of the Consultancy Study

For several years, there have been informal discussions between the Chief Executive Officers of the Secretariat of the Pacific Community (SPC) and South Pacific Applied Geoscience Commission (SOPAC) about a possible integration of the two regional technical agencies. In 1999, the CEOs¹ decided that it was time to raise this issue formally at the governing body level. They prepared a joint paper to seek policy guidance from their governing bodies – the SPC Conference and Committee of Representatives of Governments and Administration (CRGA) and the SOPAC Governing Council.

In their paper², the CEOs cited possible efficiency gains, greater effectiveness and easier co-ordination of activities as some general advantages of a merger. Among the more specific possible advantages identified were increased quality of services and improved geographical coverage for a merged organisation. They were aware of the main advantages in the circumstances that would support integration. The CEOs were able to discuss integration objectively without feeling the need to protect their individual “turf”. There existed the proposal to co-locate Suva-based activities in the Pacific Village. The terms and conditions of employment for organisations were already harmonised to a large degree, such that integration could be achieved with minimal administrative difficulty.

The paper also included draft terms of reference for a consultancy study. This study would allow a more detailed exploration of the potential for merger, in consultation with stakeholders, especially the member countries of each organisation.

SOPAC's Governing Council considered the paper at its meeting in October 1999, in Nadi, Fiji. Welcoming the initiative of the CEOs, it agreed that there was value in studying the concept further. In addition, the Council decided to make several changes to the terms of reference. The amended terms of reference emphasised that the Council should be fully advised of the advantages and disadvantages of integration before a decision on the concept could be made.³

SPC's CRGA and Conference discussed the paper at their meetings in Papeete, Tahiti, French Polynesia in December 1999. As a result of these deliberations, the SPC bodies joined with SOPAC's Governing Council in supporting a consultancy to study the concept further and approved the terms of reference as amended. The consultancy report was to be considered by both governing bodies in the second half of 2000. Conference decided to specifically delegate to CRGA 30 the authority to make the appropriate decisions based on the outcome of the consultancy. The consultants were to be directed to consult as widely as possible within the given financial and logistical constraints.

¹ From January 2000, Ms Lourdes Pangelinan has succeeded Dr Bob Dun as Director General of SPC. Mr Alf Simpson has been the Director of SOPAC since early 1998.

² Annex 1.

³ See Annex 2 for a summary of the SOPAC Governing Council discussions.

Chapter 1. Terms of Reference for the Team

After the meetings of the governing bodies of SOPAC and SPC, further changes were made to the draft schedule. First, although initially the completion date was set for the end of March 2000, it was altered to August of the same year. This extension was initiated in view of the importance of full consultation. Accordingly, the final terms of reference (TOR) included an updated schedule for the study. Second, again with the intention of ensuring full consultation, the terms of reference were expanded to include sections on the methodology, updated schedule and consultations. Both changes were communicated to member countries in April 2000.

The TORs for the consultancy team are reproduced in full in Annex 3.

Chapter 2. Conduct of the Consultancy Study

The study was undertaken by Savenaca Siwatibau, Head of the ESCAP Pacific Operations Office in Port Vila, Vanuatu, and Philipp Muller, a former Director of the Forum Fisheries Agency and SOPAC. They were assisted in their task by Richard Mann of SPC's Planning Unit.

The team consulted with stakeholders in a range of ways. In April 2000, the whole team gathered in Fiji to discuss the possible merger with those member countries that have a diplomatic presence in Suva. The team also met with the formal points of contact for SOPAC and SPC in the Fiji Government, donor agency personnel, and the staff of both organisations. It was able to consult with the Forum Secretariat as well as with the Director of the South Pacific Regional Environment Programme (SPREP) who was in Suva on other business. All the parties consulted were provided with a paper that listed some of the perceived advantages and disadvantages of integration⁴ although discussion was essentially a free-flowing exchange of ideas.

Individual team members have visited a number of member countries. In some cases, team members were able to combine these trips with other commitments.

SOPAC and SPC formal points of contact were provided with a draft report for consideration and comment.

In early August the team met again as a whole in Noumea to continue work on the study report, which included meeting with representatives of the Government of New Caledonia and SPC Noumea staff. The team also conducted a number of phone interviews with key personnel in member countries.

Annex 6 provides a list of persons consulted.

The study report was completed in early September, once the deadline for comments by points of contact had passed.

⁴ Annex 4.

Chapter 3. Imperatives of Policy and Programme Co-ordination at the Regional level

Consultations between the team and government representatives touched on the challenges that confront the region and the important roles of regional bodies in assisting national authorities to address them effectively. It was noted that Pacific island countries and territories (PICTs) face ongoing and new development challenges in the global economy. PICTs will need to manage risks and threats to economic, social and political stability while capitalising on opportunities for economic diversification and growth as they emerge. These in themselves are difficult challenges for small countries with capacity constraints in research, analysis, and policy formulation and execution.

Briefly stated below are some of the challenges which were discussed during consultations. These are challenges which call for regional co-operative efforts in support of national development strategies.

Changed Climate for Aid

The climate for aid-giving has changed much in recent years. During the cold war era, the Pacific was of geo-political importance in the rivalry among the major powers; correspondingly, PICTs received abundant aid, directly from bilateral donors and indirectly through the multilateral financial institutions and the United Nations system. But now the OECD countries are having to redirect limited aid resources to other developing countries, particularly those that are economically and politically more important to them.

Of interest is the apparent change in attitude to aid-giving among the Development Assistance Committee countries of the OECD. Globalisation, along with associated free movements of capital and progressive removal of barriers to cross-border trade in goods and services, has contributed to rapid economic growth in these countries. They are convinced that developing countries can benefit from following their example: namely, rapid economic integration into the global economy will enable development, stable medium-term growth and improved standard of living. In the calculus of this development strategy, aid need not play a critical role. Rather, the vital elements are sound domestic macro- and micro-economic policies that entrench economic stability and promote productivity, efficiency, competitive economies and private investments.

Aid still finances the bulk of development expenditures and current account deficits in most island countries. But in recent times economic growth rates have not reflected the tendency for countries in the region to have high ratios of aid and public sector development expenditure to gross domestic product. In a climate of static economic growth and bearish donor expectations, clearly aid must be treated as a scarce resource in the future development strategies of PICTs. It should be used in ways that add maximum value to society, financing only those social and economic investments which yield acceptable returns and supporting the objectives of equitable national development and growth.

Diminishing Trading Privileges

The special privileges that PICTs enjoy under various special trading arrangements such as SPARTECA and Lome are diminishing as their industrial trading partners, consequent on commitments made under the World Trade Organisation (WTO) arrangement, progressively remove international trade barriers to all WTO member countries. Competition in the export markets of the PICTs will therefore intensify. For these countries, the process of successfully negotiating and overcoming the challenges of globalisation and integration into the world economy is one of their important objectives. With their relatively small domestic markets, where possible they must harness the potential presented by unlimited access to world markets for goods and services, so that they increase production and investments, as well as improve growth and opportunities in their economies.

In the wake of the Asian crises, central bankers and treasury officials in the region have been wrestling with the issue of free movements of capital across international borders and the opening up of their capital accounts; a move championed by industrial countries through the World Bank and the International Monetary Fund (IMF). Free capital flows, it is suggested, allows world savings to flow to areas which offer the best return to the saver. Inward investment capital comes with management and marketing expertise, as well as with new technologies necessary for ensuring that economic growth matches rapid population growth in developing countries. Such a system maximises global economic growth. But national growth patterns will differ among countries. Those that want to attract overseas capital and minimise capital outflows must have transparent, sound, stable and outward-looking domestic policies firmly entrenched within their development strategies.

The Central Bank Governors of the Forum countries, at their Suva meeting of July 1998, examined the ramifications of opening the capital accounts of their fragile, open economies to the rest of the world. While recognising the benefits of the long-term capital inflows, including private foreign investments, they decided against opening up to short-term capital flows. Falling short of what the IMF would have countries do, the central bankers came up with what they considered an appropriate strategy for the island countries. Specifically they proposed that PICT governments:

- encourage the inflow of long-term capital, particularly foreign direct investments; continue to control short-term capital inflows and outflows;
- refrain from adopting floating exchange rate regimes but be flexible in adjusting exchange rates when the need arises;
- cautiously continue with restructuring and deregulating their financial sectors; and
- embrace sound macro-economic policies at all times.

Responsibilities as WTO Members

Three island countries are already members of the World Trade Organisation. Others are in the process of joining. For a small island economy, however, the net benefits of WTO membership are not always apparent. Co-operative arrangements under which the cost of membership could be shared among PICTs are being examined.

Under discussion is the possibility of integrating PICTs into the global economy by means of a phased process. A promising proposal is to establish a regional free-trade area where time lines for reduction in trade barriers differ according to stages of development. The necessary details must be developed before agreement can be finalised.

Risks from "Get Rich Quick" and Money Laundering Schemes

The region increasingly attracts "get rich quick" operators engaged in international financial scams. These operators avoid meeting with officials with technical expertise, instead insisting on discussions only with political leaders. They promise much and demand up front payments. In most cases, the risks to which countries expose themselves amount to sums many times the size of government annual budgets and the entire national external reserves.

Money laundering is yet another byproduct of the open system of today's globalised economy. It is facilitated by financial systems that are not transparent. Some national authorities see money laundering activities as an easy source of revenue although the costs, which may not be immediately apparent, can be substantial. The unfavourable image associated with financial centres which help launder the proceeds of crime, may well discourage foreign investment not only in the countries where it occurs, but also in the wider Pacific region.

Stabilisation, Adjustment and Reform Programmes in Progress

All PICTs are engaged in ongoing programmes of stabilisation, adjustment and reform. These activities are encouraged and aided by the multilateral financial institutions and bilateral donors. They are generally triggered by fiscal excesses, which cause budgetary problems, instability in balance of payments and evaporation of national external reserves. In some cases external and domestic shocks over which governments have no control have compounded macro-economic instability, and necessitate requests to the international community for assistance.

In general, it is a comprehensive policy mix that underpins reform and restructuring of PICT economies following economic stabilisation. It aims at increasing the national investment capacity, improving the climate for private investment and raising productivity and national economic competitiveness. Good governance, without which the process of stable long-term development could be frustrated, features prominently in the adjustment and reform programmes in the region. While there is convergence on the imperatives of adjustment and reform, there is much room for discussion at the national and regional level on what style and approach are appropriate to these important exercises.

Social Consequences of Young Population Structures

Natural population growth rates are slowly coming down in the region. High growth rates in the past have resulted in relatively young populations, particularly in Melanesia and Micronesia. Those under the age of 15 years generally make up more than 40 per cent of the total population.

Young people looking for jobs each year greatly outnumber available opportunities. Needed investments are not available, and skill shortages for available jobs persist. Unemployment, as a consequence, is very high, and escalating particularly among the young. This trend has contributed significantly to growing social difficulties and the rising incidence of crime in the urban areas in the Pacific.

Achieving Social and Political Stability

Threats to social and political stability in the region need to be effectively managed. They stem from rapid population growth, urban drift and overcrowding, rising unemployment, economic decline, poverty, pressure on land, ethnic divisions, growing inequality, and bad governance. Also contributing are the dynamic tensions at the interface between cultural norms, on the one hand, and the forces of economic change, on the other.

As political instability can be systemic and have serious economic effects which spill across national boundaries, governments will clearly need to work together and take closer interest in developments in neighbouring countries. By this collective means, they may counter endogenous and exogenous threats to stability in the region.

Planning for the Impact of Climate Change

Extrapolating from models of future climate changes is a difficult, uncertain exercise. Scientists are not yet in complete agreement about the projections that have been made. For the low-lying, physically fragile Pacific islands, a worst-case scenario should probably be used as the basis of long-term strategic planning against this threat. This scenario assumes that the sea level could rise by some 11-21 centimetres by 2050, as average sea temperature increases by 0.5-0.6 degrees over the same period.

Clearly, in the event of this worst-case scenario, the physical, social and economic impact on most PICTs would be devastating. There would be storm surges, loss of the best coastal agricultural lands, and shoreline erosion. The frequency of hurricanes would rise with sea temperature. Incidence of diseases is expected to increase, and the poorest and most vulnerable will be the most exposed.

Maximising the Benefits of Exclusive Economic Zones

The extensive Exclusive Economic Zones (EEZs) and ocean have immense potential for PICTs. The coastal areas and their resources have traditionally been the livelihood of Pacific Islanders. Now that pollution and over-fishing have left their mark, management systems involving close co-operation between the local communities and governments will need to be set up and strengthened.

The central and western Pacific Ocean is the most important tuna fishing-ground in the world. To maximise the benefits in terms of collecting access fees and containing catches of the distant water fishing fleets within the maximum levels set, PICTs need to undertake co-operative efforts and their representatives must sharpen their negotiating skills.

Maximising the Benefits of Deep-sea Minerals

The existence of rich deposits of deep-sea minerals within the EEZs of PICTs has been established. The prospective gains from these deposits could be substantially increased if the governments took advantage of the provision in the Law of the Sea Convention that enables countries to extend maritime claims beyond the 200-mile EEZ to the outer limits of the continental margin. The necessary actions must be taken before the end of 2004.

Experts are confident that appropriate technology for commercial mining of deep-sea deposits will become available within the next 15 years. In preparation for such developments, formulation of deep-sea mining policies should begin now. Governments should collectively discuss and agree to environmental safeguards incorporating impact assessment requirements, a regional code on deep-sea mining practices, rehabilitation and sanctions against violation.

Utilising Regional Arrangements for Technical Assistance Services

Particularly important for small states are regional arrangements under which technical assistance services are delivered to member countries, common interests spearheaded at international fora, and national and regional policies and strategies collectively formulated. Such arrangements allow for effective pooling of limited national resources, and give the smaller countries ready access to expertise that they find uneconomic to provide as part of their national establishments. A regional approach also ensures that small states, with their greater collective weight, make the required impact at international fora.

Over the last seven years all Pacific regional bodies have reviewed or formulated medium-term strategic plans and restructured themselves, with the aim of servicing their members even more effectively and efficiently. An accepted strategy among all of them is high quality inter-sectoral programming within and among regional bodies, together with familiarity with the changing needs of PICTs.

The PNG Forum of 1995 emphasised the importance of close co-ordination among the regional bodies and established broad guidelines to that end. The main elements of the guidelines were as follows:

1. The Forum Secretariat transferred its technical service delivery functions to other regional bodies.
2. The focus of the Forum Secretariat is to be confined to national and regional policy formulation and advice in economic development, international relations, trade and politics.
3. As the Forum Secretariat, as a result of element (1), will no longer be seen as a competitor for resources by other regional bodies, its Secretary General is to become the permanent chairman of the SPOCC (now CROP).
4. Given their corporate memory of the development needs of member countries, regional bodies would best formulate medium-term pipelines of regional programmes that reflect the national priorities of the PICTs. These exercises are to be assisted by in-house project planning cells, which should work closely with all sections within each regional organisation. Close co-operation among regional bodies is to be maintained during project formulation and implementation, thereby enabling integrated programmes with components cutting across the sectoral boundaries of the various regional bodies to feature more prominently in endorsed regional programmes. This programming approach is expected to reduce unnecessary overlaps and maximise the overall impact of regional services.
5. The portfolio of prioritised regional programmes prepared by each regional body is to be approved by the relevant governing body after CROP discussions. The approved portfolio from each regional body will collectively make up the regional programme that PICTs can claim as their own. The Chairman of CROP will submit it to the Forum for endorsement. Donors will then be invited to identify components of the approved regional programme that they may wish to fund.
6. The Forum Secretariat, where possible, will assist other CROP members raise funds for approved programmes from donors.
7. The Forum Secretariat, working closely with the relevant regional bodies, is to prepare policy and information papers for the Forum in important areas falling under the responsibilities of technical service delivery organisations such as fisheries, environment and energy.
8. The heads of the regional organisations, and CROP, calling on the resources of their organisations, are to take initiatives examining the changing global, regional and national scenes, anticipating risks and opportunities, and preparing information, policy and strategy papers for national leaders.

A number of government representatives during the consultations with the team stated that to date co-ordination among regional bodies has not been as close as it needs to be. As a consequence, opportunities for minimising waste and for enhancing quality in services have been missed. Conspicuously absent, it seems, are bolder initiatives from regional bodies and from CROP which target possible solutions to the growing number of complex issues that touch on the lives of Pacific people and stem from rapidly changing international and domestic circumstances. Such perceived shortfalls were presented to the team as a reason behind what some felt to be a growth of interest in and advocacy for the merging of regional bodies.

Chapter 4. Current Situation for SPC and SOPAC

This chapter provides an overview of each organisation as a separate entity. It analyses certain characteristics and structures of each, which are likely to have implications for or against a possible merger.

4.1 The Secretariat of the Pacific Community

The Secretariat of the Pacific Community, formerly the South Pacific Commission, was established in 1947 to serve as a technical advisory, training and research organisation. Of the regional organisations in the Pacific, it is the oldest and, in terms of staff numbers, the second largest after the University of the South Pacific. Its budget in 2000 is approximately CFP units 2.4 billion (USD 19.2 million). One third of this budget (the *core budget*) is derived from regular assessed member contributions and miscellaneous income; the remainder comes from specific donor-funded projects (the *non-core budget*).

SPC has three technical divisions: Land Resources, Marine Resources and Social Resources. In addition, there is an Information and Communication Programme (Library, Publications and Information Technology) that provides support services to the technical divisions and to the organization as a whole.

Priority-setting Mechanisms

SPC has a number of formal priority-setting mechanisms that guide the organisation and its technical work programmes. Conference and the Committee of Representatives of Governments and Administration provide the overall policy direction for the organisation, along with general feedback on the effectiveness of the organisation.

The role of detailed priority setting is assumed by *technical meetings*. Each meeting gathers specialists in the relevant area, such as Heads of Fisheries, Heads of Statistics, Heads of Health, or Permanent Heads of Agriculture and Livestock Production Services.

The Oceanic Fisheries Programme, which is part of the Marine Resources Division, reports to the Standing Committee on Tuna and Billfish (SCTB), as well as to the Heads of Fisheries meeting. The SCTB is made up of international and regional scientists and fishery specialists.

SPC participates in all relevant working groups of the Council of Regional Organisation in the Pacific (CROP). These groups are expected to improve co-ordination among regional organisations, as well as to contribute to priority setting within sectors.

Similarly, various memoranda of understanding (e.g. between SPC and the World Health Organisation, SPC and the Forum Fisheries Agency) spell out the responsibilities of the partners and facilitate their priority setting.

At the programme and section levels, priorities are determined largely by member countries directly, who submit their requests for assistance to SPC. In the case of specific projects, SPC and the donor agency develop objectives and activities, based on the needs of the region.

Strengths

Through the efforts of SPC's management and its dedicated professional staff, the image of the organisation has been enhanced considerably over the last few years. The feedback on its performance, from island and metropolitan members as well as from donor agencies, has been good. Steady increases in the core budget and major increases in the non-core budget demonstrate the stakeholders' confidence in the organisation. From stakeholders such as Australia, France and New Zealand, SPC receives the single largest share of the donor's regional programme funds.

SPC's programming and project planning systems are comparatively sophisticated, providing the organisation with a "competitive advantage". Further significant increases in funding from regional programmes, however, are unlikely unless these programmes themselves expand.

Among SPC's particular strengths are its abilities to develop and negotiate jointly funded projects (i.e. with more than one donor), and to integrate discrete one-donor projects into a comprehensive work programme. The Oceanic Fisheries Programme and the Plant Protection Service both provide clear examples of how these strengths are effected in practice.

Challenges for the Future

Most SPC activities are *regional activities*. That is, they involve initiatives at the regional level or a series of similar activities in a number of member countries. Traditionally SPC has not implemented discrete national projects nor actively sought bilateral funding for such projects. The team understands that SPC may now market its services more actively to member countries and donors interested in taking advantage of its strengths for the purpose of implementing national projects.

While providing most of the funding for the work programmes of SPC, extra-budgetary projects generally do not contribute to meeting the overhead costs (senior management, corporate services, publication and other support services). The recent growth in extra-budgetary activities has not been matched by an increase in resources for support services. To date, SPC has addressed this concern by using existing resources more effectively; however, it may overstretch its corporate infrastructure in the longer term.

In addition, the operation of SPC is shaped by the short-term nature of most projects, as well as by the lead times between identification of needs and approval of a project that responds to them. In particular, the organisation needs a pipeline of projects, carefully planned and maintained, that it can feed into the project cycles of donors.

4.2 The South Pacific Applied Geoscience Commission

The initial focus of SOPAC was on developing offshore non-living resources, mainly seabed minerals and petroleum, and monitoring research underway in the region. Later its role was expanded to include human resources development, with the introduction of a diploma in earth science and marine geology as well as other specialist courses. Its focus again changed when it moved to more practical applied geoscience programmes, with studies of the coastal zone relating to processes.

The 1997 review of SOPAC developed the key areas of resource development, environmental science and national capacity development, integrating new programmes in water resources, energy and disaster management along with projects in geohazards and vulnerability studies. Over recent years new equipment and technology have greatly expanded the organisation's capacity to utilise the technology for GIS and remote sensing and to undertake shallow-water surveys. SOPAC members, too, are being introduced progressively to this technology.

Priority-setting Mechanisms

Priorities are subject to regular review by SOPAC members. SOPAC input to priority setting relates only to the available technical expertise. All other contributions are member-driven.

Specifically, months before its Annual Session, SOPAC asks member countries to identify their priority requirements for the new programme year. Their responses, together with technical input from staff, are developed into a *draft work programme* based on an expected funding level. This draft is circulated among members for further comment and, where relevant, members' views on priorities are sought again.

With the participation of national and international specialists, the *Technical Advisory Group* (TAG) scrutinises the draft work programme closely at the Annual Session. This session is the final occasion for collective involvement in priority setting. It is here too that any necessary adjustments to the budget are made in the light of funding that is likely to be available.

At the time of implementation of a given project, members again have the opportunity to defer or even cancel it. Even where funding is not assured, a project may be given a *priority rating* subject to securing that funding. Where members have difficulty in setting priorities, programmes are usually only constrained by available resources.

Strengths

One of SOPAC's strengths lies in its relative smallness. Its size allows it to respond readily to the needs of its members.

In addition, SOPAC has a sound scientific base which offers numerous advantages. It attracts internationally renowned experts who freely give of their expertise through TAG and Science, Technology and Resources (STAR) meetings at the Annual Session. Moreover, given their various links with geoscience, the programmes can utilise the organisation's expertise in information technology (IT). Through its active role in collecting data and maintaining databases, SOPAC also has a comparative advantage in survey capacity. In many instances SOPAC has accumulated data spanning more than 20 years, making available historical information which has at times proved essential.

SOPAC has a well-focused publications unit. In a timely and cost-effective manner, it produces highly technical reports as well as versions accessible to the layperson.

Challenges for the Future

To date, SOPAC has attracted adequate funding but there is some concern over its financial viability in the longer term. The uncertainty seems to stem from the lack of support for scientific research as, when administrations face severe budget cuts, most survey and data-collecting activities cease. Yet such essential information is often the difference between success and failure for major developments.

Moreover, most of SOPAC's work is highly practical and applied to specific problems, but the administrations of some member countries lack a clear awareness of SOPAC's work. As a result, members do not take full advantage of the programmes on offer. Some areas are given low priority.

Like SPC, recently SOPAC has been very successful in attracting extra-budgetary funds. However, most of the additional resources have flowed to new programmes or projects rather than to what have traditionally been SOPAC's core areas of expertise. For example, although the Water and Sanitation Unit responds to priority needs of the region, funding available for it is well below requirements. Similarly, coastal protection is of high priority but support to the Coastal Management Unit lags far behind need (although the team understands that a major project is now in the pipeline).

Chapter 5. Feedback from Stakeholders and Analysis

This chapter discusses advantages and disadvantages of integration; some of them were covered in the earlier paper, while others are additional issues raised by stakeholders.

The first section of this chapter reports on the economic context in which member countries and donors are operating, with implications for SOPAC, SPC and any move to integrate the two organisations. Section 5.2 analyses the potential for savings through integration, balanced against possible cost increases. In addressing the question of whether an integrated organisation would operate more effectively, Section 5.3 focuses on one key aspect: synergies expected from collaboration among the technical programmes of SOPAC and SPC. Other considerations that either assist or counteract the effectiveness of an integrated organisation are then discussed in Section 5.4. The final section covers various other advantages and disadvantages associated with integration, ranging from potential improvements in co-ordination of activities to possible changes in organisational presence in member countries.

5.1 The Economic Context

Economic Pressures on Island Members

During the discussions, members stressed the economic pressures that they face in the Pacific islands region. The economies of the region, with few exceptions, have not performed well. A number of countries have implemented, or are implementing, wide-ranging reform programmes, which almost invariably involve severe cuts in public expenditures and downsizing of the public service. In general, the emphasis is on reducing the overall budget deficit of the public sector.

An obvious conclusion to stem from this economic context is that SOPAC and SPC must be able to demonstrate to their members that they deliver value for money and operate at maximum efficiency.

The probably less obvious conclusion is that, as they downsize their public services, member countries, particularly the smaller ones, may depend even more on the technical support offered by the regional organisations. The team heard that staff of SPC and especially of SOPAC are beginning to feel the impact of eroding national technical capacities consequent on downsizing in the public services of the member countries.

Extra Demands and Budgetary Pressures on Donors

Despite many earlier predictions that financial support for the Pacific islands region would dwindle with the end of the cold war, traditional donors have maintained their former levels of aid.

Certain developments more recently may have an impact on donor support. However, it is too early to assess if, or how, these new commitments will more generally affect the Pacific programmes of donors.

A general trend that the team was able to confirm was a move among donors toward greater accountability and efficiency. Under pressure from their own governments to raise their standards, donor agencies expect their development partners, including the regional organisations, to do likewise.

5.2 The Potential for Savings

For the purpose of estimating the magnitude of savings that might be achieved through integration, the team conducted a cost analysis. The analysis suggests that members can expect savings related to governance, liaison and co-ordination (*direct national budget savings*) as well as to improved efficiencies in the operation of an integrated organisation (*core budget savings*).

Governance, Liaison and Co-ordination Costs (Direct National Budget Savings)

Being a member of SOPAC or SPC (or of any regional or international organisation) costs more than the amount of the assessed contribution; membership also entails costs related to governance, liaison and co-ordination with the organisation. Although it is difficult to identify and quantify such costs, they are real and often significant. Foreign affairs departments, for example, need to employ desk officers to liaise with international organisations. Officials need to prepare for and attend meetings, which at the least requires the provision of staff time, if not travel costs. Both staff time and travel costs are required for annual consultations between metropolitan donor countries and the regional organisations.

Thus members could expect that integration would bring them savings, because it would reduce by one the number of regional organisations with which they must liaise. Although the team cannot quantify savings that individual members are likely to achieve, it believes that their savings by this means are likely to be greater than savings that they may achieve through the core budget. Island members in particular stand to gain from these savings.

Operational Efficiencies

The team sees potential for cost savings in the core budget areas of senior management and support services. These savings would more than outweigh the increased operating costs associated with a bilingual organisation. The team expects neither additional costs nor savings in the technical programmes. Overall, it estimates the total net savings to be FJD 480,000 per annum, equivalent to approximately CFP units 290,000. Following the move to the common site, these net savings are expected to rise by FJD 35,000 to FJD 515,000 (CFP units 310,000).⁵

Box I: Common Premises for the Suva Operations

In April 2000, discussions were held with Fiji's Ministry of Foreign Affairs and Trade regarding the prospects for a building complex to house international and regional organisations that are located in Fiji (the *Pacific Village*). The team was informed that the Fiji Government was determined to see the project through in the shortest possible time. The end of 2003 was targeted as the completion date for the building complex, which was estimated to cost FJD 30 million.

At the time of this interview with the Fiji authorities, however, financing arrangements were still to be worked out. Financing the project through borrowing would be a possibility, considering the weak financial position of the Fiji Government and the expectation of a less than enthusiastic donor response in assisting the project. If this option were taken, the charging of commercial or near commercial rent might be considered to help repay the loan. Such a rent would impose a fairly heavy burden on the core budget of the merged organisation and is unlikely to be acceptable to its governing body. Neither SOPAC nor SPC currently pays rent. (*box continued on next page*)

⁵ Approximately USD 250,000.

(Box I continued)

Since the discussion with the Fiji authorities, the economic and financial position of the country has suffered serious setbacks. Solutions to its political and economic problems will take some time to emerge. Therefore, over the short and medium term, the prospects for achieving the co-location of the Fiji operation and for realising the full benefits as assessed for the core budget of a merged entity are not promising.

Senior management savings At present, SOPAC and SPC together maintain two executive positions and one senior management post in Suva. If integration took place, it is likely that the merged organisation would need one executive position (and one executive secretary), supported by a senior manager (programme manager/divisional head). Savings on salaries, duty travel and other items could be FJD 275,000 approximately. In addition, the review team considers integration an appropriate opportunity to implement the recommendation of the 1996 SPC Organisations Review to reduce the number of deputies (Deputy Director Generals) to one. Regrading of the position of Deputy Director General in Noumea to a director-level position would yield approximately FJD 35,000 (CFP units 20,000). Figure 2 in chapter 6 depicts the proposed structure for the integrated organisation.

Savings in support services Support services include administration, finance, IT, corporate and project planning, interpretation and translation, library/information services, publication services, media support and facilities services (maintenance).

Of these areas, savings can only be assumed in administration and finance services. No savings can be expected in the other areas because, at SOPAC, the functions are either carried out by its management (corporate and project planning) or not undertaken (media centre, interpretation and translation). In areas such as publications and library/information services, current resourcing arrangements mean savings through integration are unlikely. While immediate cost savings are not expected in the IT area, integration of the two IT units would probably forestall costs of additional staffing that SPC might otherwise incur to support its Suva operations.

In total, the organisations – have four professionals in corporate services: a finance manager and an administration officer at SPC; a finance and administration controller and an accountant at SOPAC. These professionals are supported by three accounts clerks (two at SPC and one at SOPAC) and 13 general staff (eight at SPC and five at SOPAC).

The team believes that, in an integrated organisation, adequate support for the Suva operation could be provided by two professionals, and the same total of accounts clerks and general staff. The total savings would be FJD 195,000 approximately.

Integration would also mean that only one annual governing body meeting would be held, rather than the two currently required (i.e. the SOPAC Governing Council and the CRGA of SPC). Savings could be expected, as both organisations make budgetary provision for island member representatives to attend such meetings. In addition, with the number of required meetings halved, direct costs will be reduced for the host country and for the metropolitan countries who pay for their delegates to attend.

In line with current arrangements, whereby SOPAC combines its Governing Council meeting with meetings of the Technical Advisory Group and its Science, Technology and Resources network, the need for a technical consultative mechanism would remain. However, integration could allow for less costly arrangements if effective practices for cost savings from each organisation were to be adopted.

By way of illustration, for the purpose of consulting with stakeholders, the larger programmes of SPC formally hold regional technical meetings on a triennial basis (e.g. for Heads of Health), while the smaller programmes make use of other opportunities such as regional workshops. Some SOPAC members expressed concern that the loss of regular contact with international scientists involved in TAG and STAR could be a serious disadvantage, as knowledge and innovations in geosciences are developing rapidly. An analogous situation lies in the marine resources programme where the triennial Heads of Fisheries meetings are considered inadequate. In this case, the solution has been to supplement these meetings with more frequent meetings of the SCTB to ensure that they continue to benefit from inputs of international scientists.

Each organisation has an office car. After integration and the move to the new site, one car could be sufficient. Savings in running costs and depreciation are estimated at FJD 25,000. These savings could be achieved without loss of efficiency if both operations were co-located. In addition, some reduction in the number of support staff may be possible (costed at FJD 10,000) But these savings will not materialise for some time as the expected move to the proposed new site is now in doubt.

Costs of bilingual policy It is assumed that an integrated organisation would be bilingual, in this respect adopting policies similar to those of SPC at present. Higher costs are expected, therefore, in relation to translation and interpretation. Interpretation costs of FJD 15,000 are estimated, assuming one technical co-ordination meeting per year. It is anticipated that translation costs will be FJD 30,000, as estimated on the basis of 25 formal technical reports per year.

Table I summarises both these greater costs and the estimated savings associated with integration of the two organisations. These figures are based on the assumption that their two present Suva sites are retained.

Table II indicates the additional and the total annual savings (FJD 515,000) that could be expected following a co-location of programmes in Suva.

Table I: Core Budget Savings and Increased Costs of an Integrated Organisation

Savings	FJD
Senior management	310,000
Corporate and other support services	195,000
<u>Annual session</u>	<u>60,000</u>
<u>Subtotal</u>	<u>565,000</u>
Increased costs	
Bilingualism	(15,000)
Interpretation services for one technical co-ordination meeting p.a.	
Translation of 25 formal technical reports p.a.	(30,000)
<u>Technical meetings (TAG/STAR etc.)</u>	<u>(40,000)</u>
<u>Subtotal</u>	<u>(85,000)</u>
Net savings per annum (FJD)	480,000

Table II: Additional and Total Savings following Co-location

Office car	25,000
Corporate and other support services	10,000
Subtotal additional savings	35,000
Net total savings per annum (FJD)	515,000

Costs of Merger

The terms of reference required the team to comment on the *one-off costs* involved in integration.

It is noteworthy that for many company mergers, a significant one-off cost is that of integrating computer and accounting systems. In the case of SPC and SOPAC (and the Forum Secretariat), however, the organisations already use the same financial software. Their general IT environment is also very similar (as might be expected, given that the two IT units have been working closely together for a number of years). Therefore, in this regard, comparatively low costs would be associated with integration.

Other one-off costs may be for external advice regarding merging staff salary structures and industrial relations in an enlarged organisation, along with some expenditure items such as changing letterheads on stationery, computer formats and legal agreements. The team believes that an integrated organisation could absorb such costs without any additional contribution from the members.

Options for Response to Savings

Clearly, the savings accrued through reduced costs for governance infrastructure, liaison and coordination would benefit members directly. With regard to the core budget savings for an integrated organisation, there are two options for how to deal with them. First, they also could be returned to member countries. Alternatively, the organisation could retain them to defray one-off costs associated with the merger and, in the medium term, to help strengthen its technical programmes.

If the first option were taken, the gains would be small in terms of the amount received by each of the 27 member countries. Moreover, since they contribute the largest shares to the budget, the metropolitan members would stand to benefit considerably more than island members. Based on a simple combination of the two funding formulas, the team estimated the impact of returned savings on each member's contribution. It assumed that Fiji and New Caledonia would continue to pay special contributions to the integrated organisations because of their host country status.

As the largest metropolitan contributor, Australia could expect to save approximately FJD 150,000 or CFP units 90,000 per annum. Fiji, as an example of a larger island member, could save approximately FJD 10,000 (or CFP units 6,000). For the smaller island states such as Kiribati, the team estimates their contribution would be reduced by FJD 1,700 (CFP units 1,000).

On the other hand, the core budget savings likely to be gained through integration would constitute a significant amount in total for the organisation. During its discussions, the team found widespread support for the option of retaining the savings within an integrated organisation. Members appeared happy with the prospect of redirecting resources from overheads to the technical programmes (increasing efficiency, effectiveness and quantum), although some of the government representatives consulted stated that the formal position of their governments would be submitted at the governing body meetings.

5.3 Synergies and Collaboration

In addition to the potential for savings as discussed above, governments emphasised to the team that the case for integration must be examined with regard to how a merged organisation might deliver services with greater efficiency and effectiveness. Specifically, it is expected that integration would create the opportunity to capitalise on potential synergies among the technical programmes.

One point of view expressed to the team was that integration was not necessary to make such gains in effectiveness. Instead, closer collaboration between SPC and SOPAC as separate organisations could achieve the same improvements (though the savings benefits would not be achieved in this way). Indeed, an effort to strengthen their collaboration is planned by the two organisations, regardless of the decision on integration.

However, it is worth noting that co-operation, no matter how close, may not necessarily achieve synergies and co-operation to the same extent as integration would. Supporters of this view suggested that the effectiveness of co-operation alone would depend to a large extent on the personalities in executive positions and technical programmes. While the relationship, at present, appears very good, in particular at senior management level, this co-operative spirit will need to be continually fostered as it could diminish with changes in personnel, thereby jeopardising synergy gains or rendering them incapable of producing positive results.

In general, therefore, integration should result in synergies and close co-operation among the various divisions. However, there can be exceptions, particularly when competition for limited resources within an organisation is intense. Also, even within an organisation, co-operation depends to some extent on the willingness of staff at all levels to work together.

The Potential for Synergies

Experience has shown that *multi-disciplinary* (or *holistic*) *analysis* leads to more effective project design and implementation, greatly increasing a project's chances of success. In contrast, an approach based on expertise in a single discipline area is much less likely to produce a satisfactory and sustainable solution to development challenges.

An integrated organisation would be able to draw from a wide variety of specialist skills, ranging from the physical and biological sciences to socio-economic disciplines. With such breadth and depth of expertise, it could conduct multi-disciplinary analyses of challenges and implement multi-disciplinary projects to establish appropriate solutions.

During its meetings, the team found general support for the view that an integrated organisation would have the capacity to provide services to the region that are of even higher quality than SOPAC and SPC can deliver as separate organisations. SOPAC has technical capacity to provide inputs to other projects and integration would widen the client base for its technology and strengthen SOPAC programme viability and marketability. SPC programmes would benefit from the ready availability of technical data and technical inputs from SOPAC.

The technical programmes of both organisations, and ultimately the member countries, stand to benefit from the positive impacts of synergy which may be confidently expected from integration. Figure I illustrates that there is considerable scope for close co-operation among certain technical programmes. For example, the Coastal Unit of SOPAC could find synergies with five of the listed SPC programmes, while

SPC's Demography Population programme holds such potential with all five SOPAC services mentioned. These illustrations, however, are not a comprehensive list of all SOPAC and SPC programmes nor of all synergies that it may be possible to achieve in an integrated organisation.

Present synergies give another indication of what might be achieved more comprehensively through integration. CROP's agreement for SOPAC to take the lead role in GIS/remote sensing, for example, means that SOPAC has already been promoting this technology for all CROP members within given funding constraints. To date, SOPAC and the SPC Marine Resources Division have collaborated in GIS/remote sensing and shallow water mapping. There is great potential for further expansion and utilisation of this technology for improved management of Land Resources. SOPAC and the SPC Forestry Programme are poised for major interaction and co-operation using this technology.

In addition, closer collaboration can be expected in water and health programmes, energy, physical vulnerability and demography, along with coastal bathymetry and habitats.

Figure 1: Potential Synergies among Selected SOPAC and SPC Programmes

Programmes/Units	SOPAC				
	Coastal	Disaster Management	Energy	Information Technology/GIS	Water Resources
Agriculture	√	√	√	√	√
Coastal Fisheries	√			√	
Community Health	√	√	√	√	√
Demography/Population	√	√	√	√	√
Forestry	√	√		√	
Information Technology				Merge	
Rural Energy Development			Merge		
Women		√	√		√
Youth		√	√		√

5.4 Other Areas of Effectiveness

Specialised Support Services

In general, a larger organisation is likely to be better placed to provide specialised support services (personnel, finance, training, IT, project planning, media, publications, library etc.) to its line departments. Smaller organisations usually cannot provide the same breadth and depth of support. The technical programmes of SOPAC could expect greater support in an integrated organisation.

Section 5.1 alluded to some of the characteristics of the current environment in which both organisations operate. It concluded that SOPAC and SPC must be able to demonstrate that they deliver value for money and operate at maximum efficiency. The team was also able to confirm a move among donors toward greater accountability and efficiency. The importance of specialised support services can be expected to grow, in particular to support increasing standards in areas such as project design, project management and reporting; staff selection, appraisal and training.

Integration as a Catalyst for Improvement

Integration would provide an opportunity to review the organisational arrangements, key policies and procedures of both SOPAC and SPC. That review could identify the areas and approaches which work most effectively, and those which could be improved.

Greater Organisational Strength

It can be expected that, through its growth in strength and size, an integrated organisation would represent the interests of the region more effectively at international fora as well as in consultations with bilateral and multilateral donor partners.

Bureaucracy

Larger organisations tend to be more bureaucratic. Bureaucracy can stifle initiative in both corporate and technical programmes. It can also restrict the flexibility and speed of an organisation's reactions to changing priorities and to requests from members. It was clear from consultation that SOPAC staff are concerned about the greater bureaucracy and associated inertia that a larger organisation would bring.

The SPC staff pointed out that their organisation is still fairly small and that, in any case, bureaucracy is shaped by management style and corporate culture more than by the size of an organisation. They are neither concerned by bureaucracy at present, nor expecting it to become a constraint in an integrated organisation.

Most member countries and donor agency representatives perceived both SPC and SOPAC as unbureaucratic in character. In their view, both are efficient and well-run organisations.

Networks in the Scientific Community

Both SPC and SOPAC maintain, and benefit from, effective linkages to the international scientific community. STAR and TAG provide valuable scientific guidance for the work of SOPAC. Similarly, the SPC Oceanic Fisheries Programme benefits from the contributions of international and regional scientists at the annual meetings of the Standing Committee for Tuna and Billfish. Although other SPC programmes lack a direct equivalent of these meetings, most have established their own formal and informal scientific networks that help to ensure their work continues to be relevant.

The team became aware of concerns that, should integration proceed, the role of the STAR scientists may be diluted. These concerns might be addressed, first, with reference to the existence of similar networks already in SPC. In an integrated organisation, the ST ARJT AG system could simply be continued, along with the SPC networks.

Alternatively, such a system might be extended. Another view the team heard was that a merger would actually expand opportunities for scientists in the technical programmes by enabling them to benefit from the networks formed within the other organisation. Currently, for reasons such as sectoral focus, language, history and membership, the scientific networks of each organisation are quite different. The team believes that combining them would open up significant new areas of contact.

Direct Access for National Technical Departments

Some representatives of SOPAC member countries expressed concern about losing direct access to SOPAC services, and associated bureaucratic delays.

For many member countries of SOPAC, the formal points of contact with the organisation are the relevant technical departments (e.g. geology/mineral resources departments). Technical counterparts can quickly exchange requests for assistance and responses to them. On the other hand, SPC works through the foreign affairs departments. If an integrated organisation were to adopt the SPC system, it is possible that technical departments would no longer have the arrangement that presently gives them direct access to SOPAC.

Two other points about the existing arrangements put this concern in a broader context. First, in a number of countries, SOPAC's formal point of contact is already the foreign affairs department. That is, for these countries integration would not change the status quo. Further, as SOPAC has developed, its mandate has expanded to areas beyond the geosciences (see Section 4.2). Departments responsible for such areas must go through another ministry or department, as they too lack direct access to SOPAC.

In addition, the team was advised that SPC's policies allow technical counterparts to communicate directly. Informed of such communication through copies of correspondence, foreign affairs departments then transmit the formal requests for assistance. This system appears to be reasonably efficient, although of course delays do occur.

The team concludes that this legitimate concern could be addressed simply by adopting the present systems of communication in an integrated organisation, while allowing direct contact with the relevant technical department on receipt of copies of formal correspondence routed through the PICT's foreign affairs department.

In any case, given that member countries either collectively or individually decide on communication policies, it is within their power to effect a solution which fits with their preferences. If some fear that access to SOPAC programmes may become more difficult, they may authorise their technical departments and the regional organisation to communicate directly. Over time it is likely that, through the governing body of an integrated organisation, the members would seek to standardise the approach; probably the preferred system would be full formal contact between technical ministries and the regional organisation, within the overall policies and work programmes set by the governing body. Such a policy would reflect more clearly the distinction between *policy making* (foreign affairs) and *work programme management* (technical ministries).

5.5 Other Issues

This final section covers the range of other issues raised during consultations, as possible benefits arising from an integrated organisation or as potential concerns that would need to be addressed.

Co-ordination

Establishing a single regional technical organisation could simplify the approach for member countries. When seeking advice, training or research services in virtually any technical field, a member country could refer to just one point of contact. Smaller member countries described how coordinating the many international and regional organisations is a burden on their small administrations. As outlined above (Section 5.1), the team was advised that communication and liaison required significant resources. In this regard, these members welcomed the concept of a *one-stop shop* for regional technical services.

Member countries also pointed to what they perceived as difficulties of co-ordination between SPC and SOPAC as separate organisations. It was expected that integration would allow greater coordination of activities, with the energy programmes and the IT programmes cited as examples of what could be achieved. Likewise, the potential for inter-agency conflict could be reduced substantially.

Risks associated with a Single Regional Technical Organisation

It was suggested to the team that, apart from its advantages, a one-stop shop entails certain risks. If member countries must depend on one regional organisation for the whole range of services in technical assistance and advice, they also rely on that organisation to provide services of good quality; there are no alternatives available. If the management of an integrated organisation was weak (or, more undesirable still, incompetent), it would directly harm those services. Moreover, indirect negative effects could be expected as development partners (and eventually members) lose confidence in the organisation and decrease their interaction and funding support.

This risk, however, has been much reduced by the recruitment and appraisal processes for Chief Executive Officers that the governing councils have themselves instituted. Selection is now even more clearly based on merit, in particular the proven ability to lead and manage a technical organisation. The decision, and responsibility for the appointment, rightly rest with the members. Annual appraisal systems are in place, providing opportunities to formally monitor the performance of top management. In an integrated organisation, these systems would presumably continue but, like all management mechanisms, if they are not monitored and regularly updated they become vulnerable over time.

Donor Support for Merged Entity

Island members were concerned that donors' financial support to an integrated organisation might be lower than the total donors provide currently to SPC and SOPAC as two separate entities.

When the team raised this issue with them, donor agency representatives intimated that there was little risk of such a decline in their support. One view expressed was that projects were associated primarily with the technical programmes (rather than the organisation as a whole), and funding was granted for individual projects to be implemented by those programmes. Another view was that a merged, more efficient organisation might actually increase available resources as a result of its strengthened basis for negotiation, improved co-ordination and ability to design multi-sectoral projects.

Integrity of SOPAC Programmes

The unanimous view of all representatives consulted was that the integrity of current SOPAC programmes must be protected in a merged organisation. Some members, together with some SOPAC staff, fear that integration would mean a "take-over" of SOPAC by SPC, which may result in progressive dissipation of SOPAC programmes.

This concern was expressed mainly in regard to the resourcing of programmes. It was feared, on the one hand, that current SOPAC programmes might receive lower priority in a merged organisation, as they would have to compete with more programmes internally. In this view, it would also become more difficult to draw the attention of donors to the issues central to SOPAC programmes.

On the other hand, it could be argued that being part of a larger organisation increases funding security and provides more opportunities for raising resources for and by the technical programmes. As SPC management pointed out, recently the Forestry Programme funded by UNDP/AusAID was successfully integrated into SPC's structure. The programme has clearly benefited from the consistent and strong support given by the organisation. Without this backing, it is not certain that the programme, which is a priority for the region, would have survived.

In its consultations with representatives, the team discussed how to design the structure of an integrated organisation to respond to this concern. Chapter 6 elaborates on the options.

Presence in Member Countries

The location of international organisations is a politically sensitive issue anywhere in the world. Hosting their headquarters offers advantages including tangible economic benefits. In the Pacific, the proliferation of regional organisations may be partly attributed to the desire to share such advantages among a number of island countries. When a member country hosts a programme, it gains a special link with the related organisation; most island members felt that, with integration into one technical body, there would be more opportunities for this kind of active presence.

In regard to the potential impact of integration on the presence of SPC and SOPAC, the team found a relaxed attitude among interviewees, including representatives of the two host countries. The proposed integration was seen as a means of rationalising existing structures (essentially of SPC Suva and SOPAC), rather than as a move that would change the geographical balance of regional services.

The team was informed by SPC management about field operations underway in non-host countries, such as Federated States of Micronesia, Papua New Guinea, Solomon Islands and Samoa. It was management's expectation that, as the organisation expanded, decentralisation will continue and could reduce the sensitivities surrounding the location of headquarters. As telecommunication technologies continue to develop, decentralised operations also become much easier to manage than they have been in the past. The team supports the initiative of establishing operations in member countries.

Dilution of Benefits and Membership Contributions

SOPAC has a more limited membership than SPC.⁶ Following integration, that membership base would expand, with the current technical programmes of SOPAC expected to extend their services accordingly. Thus integration would bring the risk of spreading resources more thinly, thereby diluting the volume and effectiveness of services to current SOPAC members. A number of possible solutions to this anticipated problem were considered.

One possibility is that PICTs who are not currently members of SOPAC could be asked to raise their contributions to the integrated organisation, so that each contributes an amount equal to that which comparable countries currently pay to SOPAC.

Given that the amounts involved are not large (small islands states currently pay an annual contribution of less than FJD 12,000 to SOPAC, equivalent to about CFP units 7,000), the team believes that it would be more effective to address the issue of equity in membership contributions in a different context and exercise.

A review of SPC's funding formula is due in 2000. One aspect of this exercise will be to consider the collective contribution of island members relative to that of metropolitan members (agreed at 10 per cent and 90 per cent respectively but in practice, since the re-entry of the United Kingdom, at 9.43 per cent and 90.57 per cent). It must also review the individual contribution of each island member. Should integration proceed, a similar exercise for the merged organisation could be undertaken. Such an exercise could then also look at the special contributions paid by Fiji and New Caledonia.

Other possible solutions include increased funding for SOPAC programmes through additional donor funding and/or use of part of the savings generated by integration.

⁶ See Annex 5 for current members of SOPAC and SPC.

Chapter 6. The Proposed Merger

In accordance with the terms of reference for the integration study, this chapter discusses a number of organisational models on which an integrated organisation might be based, along with the implications of the model preferred by stakeholders. It ends with a brief outline of other Issues that would face an integrated organisation.

6.1 The Legal Basis for an Integrated Organisation

Three main options for legally establishing an integrated organisation have been developed. In discussions with members, there was general agreement about areas of difficulty associated with the first two options, and a general preference expressed for the third.

Option I: Establishment of a New Regional Organisation

To establish an entirely new regional organisation, it would be necessary to draft, execute and ratify an international treaty or equivalent instrument, which will establish and govern the operation of a new entity. In addition, the two existing organisations would need to be formally dissolved.

Members pointed to the difficulties associated with this approach, in particular its lengthiness. The team dismissed it outright as it is difficult and cumbersome both legally and politically.

Option II: Adoption of SOPAC's Charter

It would be possible to establish an integrated organisation under SOPAC's charter. The principal difficulties with this option are that SOPAC has a more limited membership than SPC (a subset of SPC's members, as discussed) and its charter focuses on "non-living resources" while that of the SPC is more comprehensive in its scope.

It would be possible to overcome both these difficulties. However, given the choice, most members expressed a preference for the simpler approach of option III. It is also the option that the team would recommend.

Option III: Integration under SPC's Charter

The *Canberra Agreement* established SPC in 1947. Although some sections are outdated or no longer relevant, the agreement remains the founding document of the organisation. It provides the mandate to be a technical advisory, training and research organisation without any sectoral restriction. SPC's charter therefore allows the organisation to work in any technical field, including those covered by SOPAC programmes. It could provide the legal framework for integrating the two organisations.

It is noteworthy that in 1999 the Conference of the Pacific Community adopted the *Tahiti Mandate*. The Tahiti Mandate is a companion paper to the Canberra Agreement and describes the current operational policies of the organisation.

Given that all members of SOPAC are also SPC members, there would be no membership difficulties associated with this option. In Fiji, an integrated organisation would continue to enjoy the privileges that are currently available to SPC, such as tax and tariff exemptions and communication privileges. The privileges now available to SPC staff would extend to all staff of the merged organisation.

Among the members consulted, there was agreement that this option appeared to be the simplest approach to integration. Essentially, it would involve transferring SOPAC's programmes to SPC and merging the administrations (as Chapter 7 discusses in detail). There are favourable precedents for transfers of programmes among regional organisations. The Forum Secretariat's maritime and energy programmes were transferred to SPC and SOPAC respectively, without any difficulties. In addition, recently SPC absorbed a UN-sponsored regional forestry programme while SOPAC has done the same with a regional disaster management programme.

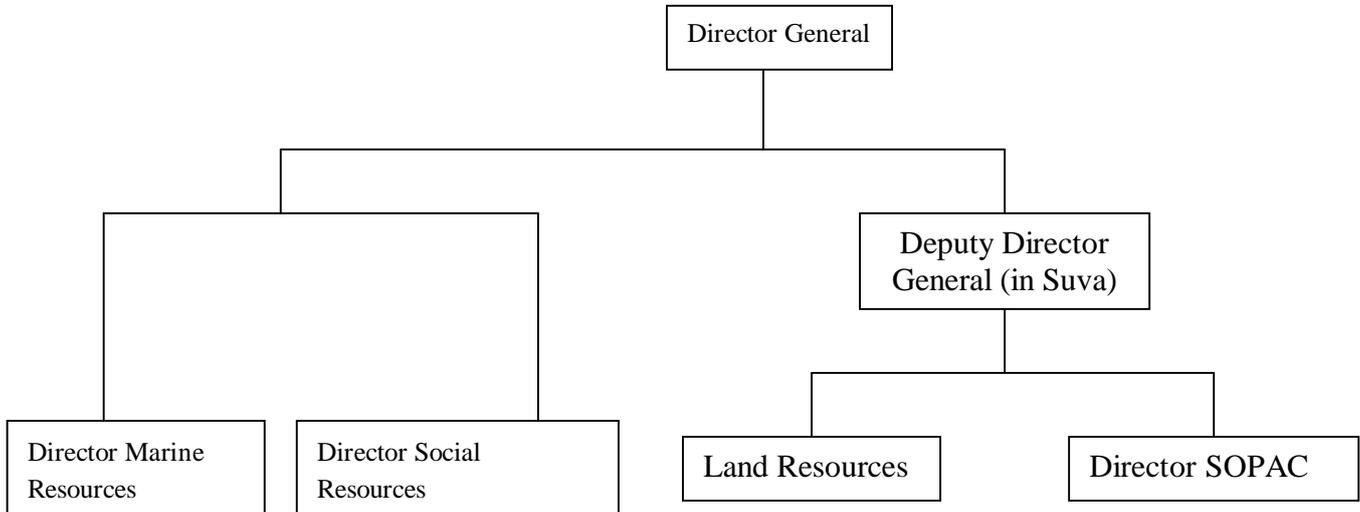
6.2 The Organisational Model

On finding general support for option III, the team analysed the possible options for structuring the integrated organisation.

General Structure

If the principle of integration were accepted by the governing bodies, the team recommends the establishment of "SOPAC" as a fourth division within SPC, headed by its own Director (see Figure 2). It sees no merit in any drastic restructuring of SOPAC programmes or SPC divisions at this stage. In favouring this option, the team was mindful that members strongly support the continued integrity of SOPAC programmes. It also recognised that SOPAC is a strong, internationally recognised "brand" name that should continue to be an asset for an integrated organisation.

Figure 2: Proposed Divisional Structure for an Integrated Organisation



Note that a number of SPC's marine and social resources programmes and projects are located in Suva and managed by the Deputy Director General in Suva.

The Technical Programmes

The governing council and management of a merged organisation would need to consider certain rearrangements of technical programmes, with a view to increasing effectiveness and reducing overlaps in the integrated organisation.

For example, it would seem logical to merge energy activities into one Regional Energy Programme. This merged programme would fit most readily within the proposed SOPAC division in Suva, given SOPAC's traditional focus on natural non-living resources.

The IT sections of both SOPAC and SPC provide corporate services as well as regional technical support programmes. With a shared ambition of strengthening their regional roles, the two sections are developing a joint project to that end. Similar to the envisaged energy programme, the team sees value in locating the regional outreach function in Suva. Somewhat differently, though, an integrated IT section in Suva should serve the needs of all Suva operations, and report to the most senior officer in Suva rather than to the Director of the SOPAC division. An alternative would be to split the new IT section into an internal service unit and a regional technical programme; however, considering the inflexibility that would probably result, the team does not support this proposal.

Suggestions were made that the Water and Sanitation Unit of SOPAC and the SPC Community Health Programme (CRP) could be restructured. One option for restructuring would be to move the environmental health aspects of CRP to the new SOPAC division in an integrated organisation. Conversely, the Water and Sanitation Unit could be integrated with CHP. The team was advised, however, that the SOPAC unit is concerned with water as a geological resource as well as with sanitation, i.e. its focus is wider than health alone. The team also learnt that, while SPC used to have an environmental health officer, it is currently seeking funds to support this area. Thus the team's view is that there is no immediate need to merge these activities.

Senior Management

Chapter 7 outlines transitional arrangements for the merger. The team recommends that the post of Deputy Director General in Noumea be eliminated at the end of the current contract of the incumbent and replaced by a position at the director level. Following integration, the organisation would require two senior management positions in Suva instead of the current three (SPC Deputy Director General, plus SOPAC Director and Programme Manager), as indicated in Figure 2.

In an integrated Suva division, there would continue to be a Director of SOPAC, as the leader of that division, as well as a Deputy Director General. The focus of the new directorship would be on the management and representation of the division.

Corporate Services

In total, SOPAC and SPC currently employ four professional officers in their administration and finance sections. Post-integration, the team believes that that some reduction in personnel would result. Two positions could be either reviewed or replaced by junior posts at much lower cost.

6.3 Other Issues

Policy on Personnel Appointments

In an integrated organisation, some positions would become redundant, as discussed in Section 5.2. Both SPC and SOPAC recruit on merit and use term contracts (three years, renewable) for professional staff. In an integrated organisation, as and when existing contracts come to an end, positions should be advertised using the standard recruitment procedures. This system would ensure that the most suitable staff continue to be recruited and retained.

Merging of Two Corporate Cultures

Organisational mergers have been known to fail because of differences in corporate cultures. However, it seems that the corporate cultures of SOPAC and SPC are fairly similar. Both are modern, forward-looking technical organisations characterised by a pragmatic, no-nonsense management style. Staff are dedicated technical specialists, committed to servicing member countries. Staff and management are familiar with the process of working with donor agencies and thinking in "project cycles". Thus it would appear that there is little risk that integration would be destabilised through major clashes of outlook and approach.

Chapter 7. Procedural Aspects of the Merger

This chapter examines the steps that would be required assuming, perhaps optimistically, that the merger is approved at the forthcoming meetings of the SOPAC Governing Council in Tarawa and the Noumea Pacific Community Conference, all to be held in October. The merger of the two organisations cannot proceed without the approval of the two governing bodies.

Two possible scenarios were closely examined by the team. One way to proceed with integration, as discussed in Chapter 6 (option II), is to dissolve both organisations and, under a new international agreement among the member countries, establish a new regional organisation which would absorb their activities and functions. This alternative was discussed with government representatives and closely examined by the team before it was discarded.

Therefore, this chapter focuses on the steps associated with the other scenario considered, involving the use of existing agreements and charters.

1. Article 16 of the Agreement establishing the South Pacific Applied Geoscience Commission is invoked. Article 16(1) enables SOPAC to dissolve or suspend its activities. The option of suspension, a halfway measure, is suggested for consideration. It keeps the charter of SOPAC and the institution in place, allowing the Commission either to dissolve itself or revive its operation and activities at some future date.
2. The programmes and administrative support activities of SOPAC are transferred to Spc. But the programmes continue to be administered by a semi-autonomous unit within the current premises of SOPAC.
3. Articles 16(2) and 16(3) spell out the steps necessary prior to suspension. A resolution by the Governing Council at its October 2000 Annual Session will take effect following the October 2001 session, provided that two-thirds of SOPAC members have ratified it during the intervening period. At the 2001 Annual Session, the Governing Council also needs to adopt a declaration prescribing the date on which SOPAC is to be formally suspended.

There is no requirement imposed on the Governing Council in regard to which suspension date it sets. It could, for instance, propose March 2002, five months after the 2001 Annual Session. But presumably the choice of the date should depend on an assessment of the time needed to complete the administrative requirements of integration, some which are spelt out in step (6) below.

4. At its 2001 meeting, the Governing Council decides how its assets and liabilities should be treated. Under this scenario, assets such as equipment, furniture and leaseholds will be transferred to the merged organisation. Liabilities, which are expected to be minimal, also need to be taken over by the same organisation.
5. The merged organisation gives SOPAC staff members employment contracts under prevailing terms and conditions and privileges enjoyed by SPC staff. This arrangement should be put in place after the 2001 October meetings of SOPAC and of the Pacific Community Conference but before the declared date of dissolution.
6. A small working committee of management representative from both organisations, assisted when necessary by relevant outside experts, attends to the following issues:
 - legal advice on the procedural aspects of the merger;
 - a compensation package for a few who might not find positions in the merged entity;
 - compilation of the register and valuation of assets that will be transferred to the merged entity;

- harmonisation of terms and conditions for staff absorbed into the enlarged organisation;
- the optimum arrangements for pooling vehicles, combining support services and integrating IT services; and
- the treatment of employment contracts. For instance, there is merit in allowing contract extensions within SOPAC only up to the prescribed date of the Commission's suspension, Where contracts run beyond that date, the relevant staff members should be allowed to maintain their terms and conditions or opt for those offered by the merged entity for the period between suspension date and the end of the contract.

It is reiterated that this scenario, under Article 16 of the Agreement, requires the Governing Council to prescribe the procedure whereby the suspension may be terminated and the organisation revived. Under this scenario SOPAC is not dissolved. Its charter and governing bodies remain in existence but are, so to speak, "mothballed". The organisation, together with its organs and activities, may be reactivated or finally dissolved, depending on what the member countries conclude from a later reassessment.

Annex 1: Initial Policy Paper prepared by the CEOs

PC/CRGA 29

Working Paper 6.3
ORIGINAL: ENGLISH

PACIFIC COMMUNITY

TWENTY-NINTH MEETING OF THE COMMITTEE OF REPRESENTATIVES OF GOVERNMENTS AND ADMINISTRATIONS (Papeete, Tahiti, French Polynesia, 13-15 October 1999)

THE SPC-SOPAC RELATIONSHIP: A PLANNING SEQUENCE FOR INTEGRATION

(Paper presented by the Chief Executives of SPC and SOPAC)

BACKGROUND

1. The Secretariat of the South Pacific Applied Geoscience Commission (SOPAC) and the Secretariat of the Pacific Community (SPC) are regional service organisations providing technical assistance and training to their island members. Our shared corporate vision is about quality in technical, scientific and research capacity, about excellence of service and about partnership in programme delivery.
2. This congruence of regional roles is readily identified. In SOPAC's Strategic Plan for the New Millennium 1999-2001, we read their Mission as being:

"To improve the well-being of the peoples of Pacific Island Member Countries by promoting sustainable development through the optimum use of the region's natural resources while minimising environmental degradation, and by mitigating against the impacts of natural disasters. "

3. SPC's Corporate Plan, 1999-2003 presents its Mission statement "We strive to develop the technical, professional, scientific, research, planning and management capability of Pacific Island people to enable them to make informed decisions about their future development and well being."

SOPAC's Governing Council and SPC's Conference of the Pacific Community, share similar memberships, but with the latter being broader based reflecting the reality of history. Both organisations are advised by technical committees as to island needs and priorities.

4. Although there is little overlap in their technical focus, in recent years the two organisations have worked together more overtly in two particular areas – renewable energy sources for community development: and in the application of communication technology.
5. In a general way of course, SOPAC' s special expertise in the application of geoscience to the management of mineral and water resources and the coastal environment interacts positively with (or complements) SPC's service areas relating to the region's living resources – land, marine and social. These relationships receive regular inputs, formally through the SPOCC mechanism, and informally through the technical networks maintained by the scientific staff of both organisations.

6. On the other hand there are some important differences between the two. SPC is able to reach out to the whole region through its capacity to operate in both English and French languages. The two organisations differ greatly in size, in the scope of their missions, and in the nature of their resource bases. Their headquarters are separated by 1500 km of ocean.

WHY INTEGRATION?

7. CRGA members are aware that informal discussion at the Chief Executive level about bringing the two organisations together has been in progress for several years. This meeting of minds has been stimulated by a number of general and specific factors.

8. GENERAL

- 8.1 A shared belief that the Pacific's fragmented regionalism, though addressing a continuing need, is an inefficient approach reflecting an evolutionary history devoid of overall planning. The call for a single organisation was silenced by the reality of proliferation.
- 8.2 The rapidly increasing difficulty being experienced by member states in funding regional services. This has produced an atmosphere of critical debate relating to the future of the present array of regional organisations.
- 8.3 An understanding that all technical service organisations, whatever their sectoral disciplines, must now share, rather than duplicate, their basic tools of trade – electronic/satellite communication, data management, geographic information systems.
- 8.4 An appreciation that a real integration of technical services is the only effective way to achieve coordination given the difficulties that must be expected with consultative mechanisms like SPOCC.

9. SPECIFIC

- 9.1 There is a belief that integration of administrations could reduce the overall financial burden on members – and as a result, improve the sustainability of technical services.
- 9.2 The achievement of a coordinated operation would improve both the quality and the geographic coverage of services provided.
- 9.3 The need for improved office and laboratory housing in Suva applies equally to SOPAC and to SPC's Suva Operations. Working together with the Fiji Government on a vision of physical co-location has created a corporate climate conducive to integration.
- 9.4 The policy of SPOCC uniformity in terms and conditions of employment means that there would be few industrial issues to contend with in bringing staff together.
- 9.5 The Chief Executives involved have been able to talk objectively about the values of integration, without the onset of the emotional syndrome known colloquially as the “protection of turf”.

WHERE DO WE GO?

- 10 The integration of independent organisations inevitably involves people, organisations, governments and the politics of special interest, e.g. the impact of integration on accessibility to and control of technical services. Obviously such a move can't be achieved overnight. However, given the will and the plan, integration could certainly be achieved over a two to three year period.
11. This paper has been prepared for consideration by both SPC's and SOPAC' s governing bodies. The same question is being asked of all delegates. Are regional policy makers interested in exploring the concept further? If they are, a cost-effective consultancy (maximum outlay 10,000 CFP units) could be arranged for the first half of the year 2000. The terms of reference would encompass analysis of the concept and, if considered worthwhile, the formulation of an implementation plan. The recommendations could be considered and modified out of session with the final documentation coming before both governing boards at their October, 2000 meetings.
12. There is no intent to prejudge the results of the consultancy in this paper. However it could be that integration is a concept in Pacific regionalism whose time has come.

RECOMMENDATIONS

13. In the event that SOPAC's Governing Council is favourably disposed to examining the concept of integration of the two regional bodies, that CRGA agree that:
 - 13.1 The Secretariats of the Pacific Community and SOPAC jointly manage a consultancy examining the rationale for SPC-SOPAC integration and, should the consultancy conclude in favour of integration, the development of a plan for implementation over a two to three year period.
 - 13.2 An approach to the drafting of Terms of Reference for the consultancy is attached.
 - 13.3 The consultants' report be considered and modified as necessary by members out of session, with consideration official recommendations by both governing boards in October, year 2000.

30 April 1999

ISSUES FOR CONSIDERATION IN FINALISING THE CONSULTANCY TERMS OF REFERENCE

CLIENT: SPC-SOPAC

OBJECTIVE OF THE CONSULTANCY

To examine and analyse the rationale for integration of the two regional organisations, SPC and SOPAC – and to propose plans and timing aimed at achieving that end.

ASSUMPTION

- There is acceptance that regionalism has a continuing place in the Pacific.
- It is accepted that the justification for or viability of the technical programs of the two organisations is not under review.
- There is no intention at this time to review the roles of other regional bodies.
- There is acceptance that the co-location of the Suva based activities of SPC and SOPAC will proceed irrespective of the outcome of this consultancy.

KEY AREAS OF FOCUS

- Examine the costs and benefits of such a merger as it affects the two administrations, the technical programs, the memberships, and the external supporting agencies.
- Address the key political issues that may support or be an impediment to such an integration process.
- Review the constitutional and/or legal instruments of the two organisations, advising on solutions to difficulties.
- Propose a possible organisational model for the new single body taking into account realities such as the wider range of technical programs, the possible rationalisation of certain common support services and the geographic location of the two organisations and the membership difference. Propose a realistic timing, schedule or phasing for integration that would take into account practical, legal, contractual obligations, and or any other problems that might require prior resolution.

CONSULTANTS

- Familiarity with two organisations, their donors and their clients.
- Familiarity with the region, its needs - and the place of regionalism.
- Knowledge of management, particularly as it relates to technical service organisations.
- A consultant team of two to be appointed, supported by an analyst writer from one of the organisations.
- The consultant team to report to the two chief executives by 31 March 2000.

20 April 1999

Annex 2: Results of SOPAC Governing Council Meeting 28 (October 1999)

PC/CRGA 29

Working Paper 6.3 Add. 1 ORIGINAL: ENGLISH

PACIFIC COMMUNITY

TWENTY-NINTH MEETING OF THE COMMITTEE OF REPRESENTATIVES OF GOVERNMENTS AND ADMINISTRATIONS (Papeete, Tahiti, French Polynesia, 1-3 December 1999)

THE SPC-SOPAC RELATIONSHIP: A PLANNING SEQUENCE FOR INTEGRATION

SUPPLEMENTARY: RESULTS OF SOPAC GOVERNING COUNCIL 28, 23-29 OCTOBER AGENDA ITEM 11.8: THE SPC-SOPAC RELATIONSHIP: A PLANNING SEQUENCE FOR INTEGRATION

(Paper presented by the Chief Executives of SPC and SOPAC)

BACKGROUND

1. SOPAC Governing Council discussed the issue of the SPC-SOPAC relationship in Nadi on the 28th October. This discussion took place stimulated by an agenda paper and recommendations produced jointly by the Director of SOPAC and the Director General of SPC - essentially the same paper as provided by SPC for the consideration of delegations attending CRGA 28 in Tahiti. The outcome of the SOPAC discussion is provided to CRGA members so that their own consideration of this agenda item can benefit from the atmospherics of the SOPAC Council's Nadi discussion and from the decisions made.
2. The overall reaction to this important policy issue by the SOPAC Council can be summarised as follows:
 - 2.1 All delegations welcomed the initiative of the two Chief Executives in bringing forward the recommendation seeking approval to explore the concept of integration.
 - 2.2 There was general agreement that the values and problems of integration should be investigated by consultancy in the new year.
 - 2.3 In discussing the likely eventual value of the planning exercise, delegates varied considerably in their expressed enthusiasm. Strong support was evinced for SOPAC, its capacities and services, emphasising that these must be maintained irrespective of administrative change.
 - 2.4 While agreeing the recommendation, amendments were made to the wording - including the TOR for the consultancy. These changes were aimed at eliminating any prejudgement that the outcome of the study would be entirely positive for integration. The SOPAC Council envisages a measured two-stage investigation, with full consultation, where the details of an integration process would only be developed if the consultancy produced a convincing case that was accepted by both governing bodies.

The SOPAC Council's decision (draft, 2.11.99) reads as follows:

"Council therefore agreed to examine the concept of integration of the two regional organisations, SPC and SOPAC, and, should the SPC CRGA also agree in their December meeting, that the following action be taken: (i) In the first quarter of 2000, the Secretariats of the Pacific Community and SOP A C jointly manage a consultancy (terms of reference attached) to examine the options for SPC-SOPAC integration. (ii) The consultants' report be considered by both governing bodies in the second half of 2000. "

RECOMMENDATION

4. That CRGA join with the SOPAC Council in requesting joint action by the Secretariats as outlined at Para. 3.

4 November 1999

ISSUES FOR CONSIDERATION IN FINALISING THE CONSULTANCY TERMS OF REFERENCE

CLIENT: SPC-SOPAC

OBJECTIVE OF THE CONSULTANCY

To examine and analyse the rationale for integration of the two regional organisations, SPC and SOPAC highlighting the advantages and disadvantages.*

ASSUMPTION

- There is acceptance that regionalism has a continuing place in the Pacific;
- It is accepted that the justification for or viability of the technical programs of the two organisations is not under review;
- There is no intention at this time to review the roles of other regional bodies.
- There is acceptance that the co-location of the Suva based activities of SPC and SOPAC will proceed irrespective of the outcome of this consultancy.
-

KEY AREAS OF FOCUS

- Examine the costs and benefits of such a merger as it affects the two administrations, the technical programs, the memberships, and the external supporting agencies, identifying opportunities for savings.**
- Address the key political issues that may support or be an impediment to such an integration process.
- Review the constitutional and/or legal instruments of the two organisations, advising on solutions to difficulties.
- Propose possible organisational models for the new single body taking into account realities such as the wider range of technical programs, the possible rationalisation of certain common support services and the geographic location of the two organisations and the membership difference.
- Propose a realistic timing, schedule or phasing for integration that would take into account practical, legal, contractual obligations, and or any other problems that might require prior resolution.

CONSULTANTS

- Familiarity with the two organisations, their donors and their clients.
- Familiarity with the region, its needs - and the place of regionalism.
- Knowledge of management, particularly as it relates to technical service organisations.
- A consultant team of two to be appointed, supported by an analyst writer from one of the organisations.
- The consultant team to report to the two chief executives by 31 March 2000.

* The new wording is underlined. This replaces the phrase - "and to propose plans and timing aimed at achieving that end."

** Additional words underlined.

Annex 3: Final Terms of Reference for SOPAC-SPC Integration Study

SPC-SOPAC-TORs-Version2

These terms of reference incorporate changes made and approved by the governing councils of SOPAC and SPC in October 1999 and December 1999 respectively.

OBJECTIVE OF THE CONSULTANCY

To examine and analyse the rationale for integration of the two regional organisations, SPC and SOPAC highlighting the advantages and disadvantages.

ASSUMPTIONS

- There is acceptance that regionalism has a continuing place in the Pacific;
- It is accepted that the justification for or viability of the technical programs of the two organisations is not under review;
- There is no intention at this time to review the roles of other regional bodies.
- There is acceptance that the co-location of the Suva based activities of SPC and SOPAC will proceed irrespective of the outcome of this consultancy.

KEY AREAS OF FOCUS

- Examine the costs and benefits of such a merger as it affects the two administrations, the technical programs, the memberships, and the external supporting agencies, identifying opportunities for savings.
- Address the key political issues that may support or be an impediment to such an integration process.
- Review the constitutional and/or legal instruments of the two organisations, advising on solutions to difficulties.
- Propose possible organisational models for the new single body taking into account realities such as the wider range of technical programs, the possible rationalisation of certain common support services and the geographic location of the two organisations and the membership difference.
- Propose a realistic timing, schedule or phasing for integration that would take into account practical, legal, contractual obligations, and or any other problems that might require prior resolution.

Note that the report on the study was originally expected to be submitted to the two chief executives by 31 March 2000. In view of the importance of full consultation with member countries, the completion date was subsequently changed. These TORs include an updated schedule.

CONSULTANTS

- Familiarity with the two organisations, their donors and their clients.
- Familiarity with the region, its needs - and the place of regionalism.
- Knowledge of management, particularly as it relates to technical service organizations.
- A consultant team of two to be appointed, supported by an analyst writer from one organisations.

Secretarial and logistical support services will be provided by SPC's Planning Unit, which will also provide the analyst writer.

Methodology

At the CRGA and Conference of SPC and at the SOPAC Governing Council meeting, member countries stressed the importance of full consultation during the study. This request has been incorporated into the development of the methodology, which will involve a highly consultative approach, within given financial and logistical constraints.

Schedule of Review

The following table outlines the indicative schedule for the study.

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Consultations with Stakeholders								
Individual Study Team Members								
Team: Suva 25-30 April								
Team: Noumea (2 nd half of June)								
Draft Report to Member Countries								
Comments from Member Countries								
Report								
Final Report to Chief Executives								
Governing Council Meetings								
SOPAC Governing Council 26 Sept-5 Oct								
SPC CRGA 16-20 Oct								

Consultations

From March, individual team members have been consulting with formal contact points of SPC and SOPAC. These consultations are expected to continue, as and when team members have opportunities to travel in the region, until the final report is submitted.

The study team will meet in Suva from 24 to 30 April, to hold discussions with Suva-based missions and relevant organisations, including SPC and SOPAC.

Communicating by email, the team will produce a first draft of its findings to date by the end of May. This draft will be sent out to all member countries with an invitation to comment. It is not expected that this draft will be comprehensive in scope or analysis. Rather, its aim will be to stimulate further discussion and feedback.

The second meeting of the study team will take place at SPC's headquarters in June. The team will conduct phone interviews with points of contact in countries and territories that it is unlikely to visit. It will also use the opportunity to discuss the integration concept with SPC staff and management based in Noumea.

Reporting

The final report will be produced by mid-August and submitted to the chief executives of the two organisations.

Governing Council Meetings

The SOPAC Governing Council is expected to meet in Tarawa, Kiribati between 26 September and 5 October. The CRGA meeting of SPC is scheduled for the week of 16 to 20 October.

Annex 4: Discussion Paper April 2000

SPC-SOPAC Integration
Discussion Paper
Perceived Advantages and Disadvantages of the proposed Integration
of the
Secretariat of the Pacific Community and the South Pacific Applied Geoscience Commission

Discussion Paper 14 April

The governing councils of SPC and SOPAC have requested a study to analyse, among other matters, the advantages and disadvantages of the proposed integration of the two organisations. The study team's brief requires wide consultation with stakeholders, most importantly with the members.

This paper outlines some perceived advantages and disadvantages associated with an integration of the two organisations. It makes no claim to a comprehensive assessment nor does it assess the validity or importance of any of the listed points. Its purpose is simply to stimulate the discussions between the team and stakeholders. Stakeholders are encouraged to develop on the issues identified, and/or to add their own.

The paper does not necessarily reflect the views of the two organisations or those of any of the members already consulted.

Perceived Advantages

One-stop shop for technical advice, training and research services

Establishing a single regional technical organisation would simplify the approach for member countries. When seeking advice, training or research services in virtually any technical field, a member country would need to refer to only one point of contact. Problems with co-ordination between agencies and the potential for inter-agency conflict would disappear.

Capacity for multi-disciplinary analyses and projects

Experience has shown that multi-disciplinary (or holistic) analysis leads to more effective project design and implementation, greatly increasing a project's chances of success. In contrast, an approach based on expertise in a single subject area is much less likely to produce a satisfactory and sustainable solution.

An integrated organisation would be able to draw from a wide variety of specialist skills, ranging from the physical and biological sciences to socio-economic disciplines. With such breadth and depth of expertise, it could conduct multi-disciplinary analyses of challenges and implement multi-disciplinary projects to establish appropriate solutions.

Synergies among technical programmes

The technical programmes of both organisations, and ultimately the member countries, stand to benefit because synergy effects can be expected from integration. Figure I illustrates that there is considerable scope for close co-operation among certain technical programmes. For example, the Coastal Unit of SOPAC could find synergies with five of the six listed SPC programmes, while SPC's Demography Population programme holds such potential with all four SOPAC services mentioned.

SOPAC often provides its services as inputs to other projects, rather than as end products in themselves. Integration would widen the client base for its programmes and strengthen their viability and marketability. Conversely, SPC programmes would benefit from the ready availability of technical data.

Figure I: Potential synergies among selected SPC and SOPAC programmes

Programmes	SPC					
	Agriculture	Coastal Fisheries	Community Health	Demography Population	Forestry	Rural Energy Development
Coastal Unit	✓	✓	✓	✓	✓	
Energy Unit				✓		✓
IT Unit (including GIS)	✓	✓	✓	✓	✓	
Water Unit (including Sanitation)	✓		✓	✓	✓	✓

Networks in the scientific community

Both organisations maintain, and benefit from, effective linkages to the international scientific community. Their networks, for reasons such as language, history and membership, are quite different. Integration would provide an opportunity for the technical programmes to benefit from each other's networks.

Greater weight

It can be expected that a larger organisation would represent the interests of the region more effectively at international fora and in consultations with bilateral and multilateral donor partners.

Corporate resources and services

In general, a larger organisation is in a better position to provide specialised support services (personnel, training, IT, project planning, media, publications, library etc.) to its line departments. Smaller organisations usually cannot provide the same breadth and depth of support services.

Cost savings

In 1999, a preliminary analysis indicated that integration would offer opportunities for significant operational savings in senior management and certain support services.

The integrated organisation could re-allocate up to FJD 400,000 (CFP units 240,000) annually to strengthen its technical programmes for the direct benefit of the member countries. (See also Perceived Disadvantages for costs associated with an extension of bilingualism.)

Member countries and donor partners could expect to realise savings related to governance, coordination and liaison. Although more difficult to quantify, it is likely that in total these potential savings are much larger than the direct savings to be made in relation to the day-to-day operations of the organisation. As one example, member countries would attend, prepare and pay for only one annual meeting of the integrated governing council.

Simplicity of integration

SPC and SOPAC use the same financial management software, their IT environments are similar, and they have the same standards for office software. The similarity of the IT infrastructure has arisen largely by design, with the two IT units already working closely together for a number of years. Likewise, the accounting package was selected as a collaborative exercise. Integration therefore would involve comparatively low cost in these areas; by way of comparison, the integration of computer and accounting systems is often the single largest cost element in company mergers.

Regardless of the outcome of this study, the two organisations will soon be co-located in the Pacific Village. Working within the same facility would facilitate the integration.

Integration as a catalyst for improvement

Integration would provide an opportunity to review the organisational arrangements, key policies and procedures of both SPC and SOPAC. That review could identify the areas and approaches which work most effectively, and those which could be enhanced. .

Other?

Perceived Disadvantages

More bureaucracy

Larger organisations tend to be more bureaucratic. Bureaucracy can stifle initiatives in both corporate and technical programmes. It can also restrict flexibility and speed of an organisation's reactions to changing priorities and to country requests.

Increased costs through extension of bilingualism

It is to be expected that the integrated organisation would be bilingual. As a result, the current SOPAC programmes would incur higher costs for translation and interpretation. (Note that the expected savings listed under Perceived Advantages would more than outweigh these costs.)

Legal, administrative and other obstacles

Integration involves considerable effort. The two organisations have different memberships. The tax treatment in their host countries is different. Funding mechanisms are different. Organisational cultures may be different. Finding a way to combine the two divergent systems may be difficult.

Risks

With integration, member countries would depend on one regional organisation for technical assistance and advice. If the management of that organisation was weak, it would jeopardise the quality of the whole range of technical services available to the region. Weak (or, more undesirable still, bad) leadership would directly harm those services. Moreover, indirect negative effects could be expected as development partners (and eventually members) lose confidence in the organisation and decrease their funding support.

SOPAC members may lose out

SOPAC has a more limited membership than spc. Following integration, that membership base would expand, with the current technical programmes of SOPAC expected to extend their services accordingly. Thus integration would bring the risk of spreading resources too thinly, and reducing the effectiveness of services to current SOPAC members.

Other?

Annex 5: SOPAC and SPC Members

	SOPAC	SPC
American Samoa		X
Australia	X	X
Cook Islands	X	X
Federated States of Micronesia	X	X
Fiji	X	X
France		X
French Polynesia	Associate	X
Guam	X	X
Kiribati	X	X
Marshall Islands	X	X
Nauru	X	X
New Caledonia	Associate	X
New Zealand	X	X
Niue	X	X
Northern Mariana Islands		X
Palau		X
Papua New Guinea	X	X
Pitcairn Island		X
Samoa	X	X
Solomon Islands	X	X
Tokelau		X
Tonga	X	X
Tuvalu	X	X
United Kingdom		X
United States of America		X
Vanuatu	X	X
Wallis and Futuna		X
Total	18	27

Annex 6: Consultations

SOPAC & SPC Members

American Samoa	Tulafono Togiola	Lieutenant Governor
Australia	John Davidson	Counsellor (Development Co-operation)
Cook Islands	Edwin Pittman Carl Hunter	Secretary of Foreign Affairs and Immigration Director, Pacific Affairs Division, Ministry of Foreign Affairs
CNMI	Mike Malone	Special Adviser to the Governor
Federated States of Micronesia	Kodaro Martin Gallen	Ambassador
Fiji	Emitai Boladua Pio Tabaiwalu Taina Tagicakibau Bhaskar Rao	Permanent Secretary, Foreign Affairs Principal Assistant Secretary, Foreign Affairs Deputy Permanent Secretary (Political & Treaties Division), Foreign Affairs Director, Mineral Resources Department
France	Jean-Pierre Vidon Agnes Hamilton	Ambassador designate First Counsellor
Kiribati	Kaburoro Ruaia	Permanent Secretary, Ministry of Natural Resources Development
Marshall Islands	Mack Kaminaga Hiram Malolo	Ambassador Deputy Ambassador
Nauru	Camilla Solomon	High Commissioner
New Caledonia	Jean Leques Gerard Baudchon	President Charge de mission, Secretariat Regionale, Cooperation Regionale
New Zealand	Tia Barrett Rosemary Banks Wendy Hinton Jane Mulryan Jan Henderson Nicky McDonald Jannine McCabe	High Commissioner Director, Development Co-operation Division Deputy Director, Development Cooperation Division Development Programme Manager Deputy Director, South Pacific Division Senior Policy Officer, South Pacific Division Policy Officer, South Pacific Division
Niue	Sisilia Talagi	Secretary to Government
Palau	Isaac Soaladaob	Chief, Division of Foreign Affairs
Papua New Guinea	Babani Maraga	High Commissioner
Samoa	F Vitolio Lui Terry Toomata	Deputy Secretary, Foreign Affairs Assistant Secretary, Foreign Affairs
Solomon Islands	Edmund Gagahe	Permanent Secretary, Department of Mines, Energy and Water
United Kingdom	Michael Dibben Jackie Creighton	High Commissioner Head, DFID
United States of America	Osman Siddique Ron McMullen John Hennessey-Niland	Ambassador Deputy Chief of Mission Political- Economic Affairs
Tokelau	Logotasi Iosefa Lisa Taefu	Manager, Tokelau Apia Liaison Office
Tuvalu	Solofa Uota Eseta Falefaea	Deputy High Commissioner First Secretary (Training & Trade)
Vanuatu	Jean Sese	Director General, Prime Minister's Office

Multilateral Agencies		
European Union	David McRae	Head of Delegation
UNDP	Romulo Garcia Yuxue Xue	Resident Representative Assistant Resident Representative
Regional Organisations		
Forum Secretariat	Noel Levi Iosefa Maiva C.J. (Stan) Vandersyp	Secretary General Deputy Secretary General Director Development & Economic Policy Division
SOPAC	Alf Simpson SOPAC Staff John Collen	Director STAR Chairman
SPC	Lourdes Pangelinan Yves Corbel Jimmie Rodgers Staff in Suva SPC Staff in Noumea	Director General Deputy Director General Deputy Director General
SPREP	Tamarii Tutangata	Director