

Confidential

The Pathway Towards Quality of Service from Pacific Regionalism

“The Pacific is facing considerable challenges, both external and home grown. Overcoming them will require concerted action, not only by national governments but also at the regional level...”

The bottom line is that future inter-country relationships will need to be closer and more mutually supportive if the region is to avoid decline and international marginalization...

We recognize that the CROP agencies have different membership, different mandates and differing governance structures. This poses particular challenges for agency co-ordination, but the greater regional coverage provided across all the agencies provides opportunities for linking the region more fully.”

Enhanced regional cooperation and integration, and the sharing of resources of government, are likely to be features of future developments.”

From “Pacific Cooperation - Voices of the Region.”
The Eminent Persons’ Group Review
Of the Pacific Islands Forum
April 2004

EXECUTIVE SUMMARY

1. The Eminent Persons' Group, in its 2004 review of the Pacific Islands Forum, was able to combine the visionary with the practical. Set against the challenge of massive, continuing change imposed by modernization and globalization, Forum Leaders were invited to envision the continued development of their homelands and seas as a "region of peace, harmony, security and economic prosperity."
2. The achievement of this vision was to be through the construction of a development plan for the Pacific, a plan that would gain 'life' and impact with the assistance of a comprehensive, well co-ordinated, newly inspired approach to regionalism. In response, Pacific Island Forum Leaders have asked that the region's service organizations be examined with a view to the achievement of structural reform, provided that the changes recommended could be seen as both feasible and cost effective.
3. This present report has therefore built on the results of earlier studies by recommending the acceptance of a three pillared organizational format:
 - ✚ Pillar 1 (policy/political) is already well established in its central co-ordination role as the Pacific Islands Forum Secretariat.
 - ✚ Pillar 3 (educational) is also set in place through the strong, operational and potential leadership role of the University of the South Pacific.
 - ✚ Pillar 2 (technical services) is where the decision making power of Forum Leaders is required towards the establishment of a single, major organization, an expanded Pacific Community to be formed by the amalgamation of five independent organizations, FFA, SPBEA, SOPAC, SPC and SPREP.

4. This Pillar 2 proposal, aimed at the elimination of wasteful fragmentation, is strongly recommended. Amalgamation of the region's research and technical expertise within one, well managed organization, the Pacific Community, will result in a much improved level of cooperation and co-ordination in service delivery, will be comprehensive in its outreach to all island states and territories, will facilitate the developmental support provided by the region's partnership with donors, and can be achieved cost free, with the certain prospect of increasing cost effectiveness being gained over time.
5. If Forum Leaders decide that this transition to amalgamation will take place - and if the approval of Non-Forum members, sitting on governing councils, is also obtained, the New Pacific Community could commence its first operational year on January 1, 2009. Given agreement to the process of change envisaged, no impediments to amalgamation will be encountered, either legal or administrative.
6. The prospect of major organisational change is almost always a cause of discomfort to those involved. Change usually identifies winners and losers, with the result that emotional reactions always lead to the identification of wide ranging objections, both significant and imagined. Pillar 2 amalgamation is not an exception to this rule. However, none of the objections to change, so far offered, carry real weight, either on the basis of administrative reality or as claims of causal interference with the growth and strength of Pacific regionalism and the attainment of the Pacific Vision.
7. And so it is that Pacific Island Forum Leaders are offered a decision making opportunity where the actuation of change will reverse a history of organisational fragmentation to create the significant, single technical service organization that the region requires in addressing its future developmental needs. The creation of Pillar 2 of the region's proposed three pillar organisational structure is both valuable and feasible and a decision for change is therefore recommended.

1. Introduction

1.1 The Pacific Islands region has a long history of interest in centralizing its regional services through one, or at the most two, major organizations. This concept can be traced back to the early 70's when the push for a single regional organization, the so-called 'S R O movement', attracted strong support. However, it was to be fragmentation that eventually won the day, with the result that the number of regional organizations expanded almost exponentially during the last quarter of the 20th century. It was therefore inevitable that the Pacific's policy makers would become concerned with the problem of overlapping interests, and with the need for a co-ordination mechanism that would conserve resources by harmonizing the activities of the region's organisational network (technical, scientific, educational and policy/political). And so SPOCC was born, the meeting ground of the chief executives of the region's ten, independent service agencies. Although SPOCC did encourage communication, it unfortunately earned a reputation for debate rather than co-operative action.

1.2 Coming to the decade spanning the turn of the century, the 1995 Siwatibau review of the Forum Secretariat led to the re-emphasis by Forum Leaders that ForSec should refocus its programming structure around a political/policy core, thus reducing its preparedness to expand into overlapping areas of technical service. It was also agreed that the service organizations grouped under the SPOCC charter were to be more effectively coordinated by the Secretary General of the Forum Secretariat as permanent Chairman of SPOCC. Some progress was subsequently made towards attaining this improved coordination objective, the establishment of sectoral working groups being of particular value. An improved integrative charter was also developed, together with the adoption of a more inclusive name, 'Council of Regional Organizations in the Pacific', CROP.

1.3 Nine years later, the Eminent Persons Group's review of the Pacific Islands Forum and its Secretariat made similar recommendations, again supported by Forum Leaders:

- Re-focusing of the Secretariat's programming structure;
- Maintaining and strengthening of the Secretary-General's role in stimulating an effective, coordinated approach to the delivery of regional services by CROP agencies.
- Recognizing the effectiveness of the region's established organizational structures, while also noting the need for continued efforts towards the improvement of services;

- Emphasizing the value of enhanced cooperation among CROP agencies in stimulating their contribution towards the development of the Pacific Plan, this planning enterprise being the major recommendation of the Eminent Persons' Group.

1.4 At the 2004 Apia meeting, Forum Leaders established a high level task force, the Pacific Plan Action Committee, chaired by the Secretary-General. They further requested that one of the PPAC's associated tasks should be to examine the region's institutional framework, looking for areas of significant improvement that would enhance the capacity of the CROP agencies in providing top quality technical services of critical value in attaining planned objectives in development.

1.5 In response, the PPAC commissioned a consultancy document ("Strengthening Regional Management," Hughes 2005) that was further interpreted by a project team ("Reforming the Regional Institutional Framework," 2006 - RIF 1), with its revised recommendations having been discussed in depth with all interested parties.

1.6 The report of the RIF 1 team was received by PPAC in August 2006 and considered by Forum Leaders at its October 2006 Nadi meeting. Forum Leaders decided that further analysis was required. A Task Force was therefore established to work through the issues and report back to Leaders at their 2007 meeting. Consequently, the Secretary-General engaged a RIF 2 Task Force Manager to prepare a detailed analysis and plan for possible implementation. She was invited to form a project consultancy team to undertake this task (Terms of Reference and project team members, Attachment 1) with its report to be submitted to the RIF Task Force and PPAC in June 2007. This report, together with additional advice and recommendations from Task Force members, could then be considered by Forum Leaders and by the governing councils of CROP agencies at their regular meetings to be convened during the ensuing months of 2007-08. An impression had been gained that Forum Leaders had turned away from the two extremes, a single regional organization and the pursuit of marginal improvement in the existing system. It seems, however, that they were prepared to give serious consideration to the RIF 1 recommendations, including the amalgamation of CROP agencies as outlined below, provided the RIF 2 team could deliver reassurances concerning the detailed mechanics of change.

2. A New Operational Structure for the Pacific's Regional Organizations

2.1 The detailed recommendations of the RIF 1 team can be seen at Diagram 1. In essence, a "three-pillared" framework was envisaged:

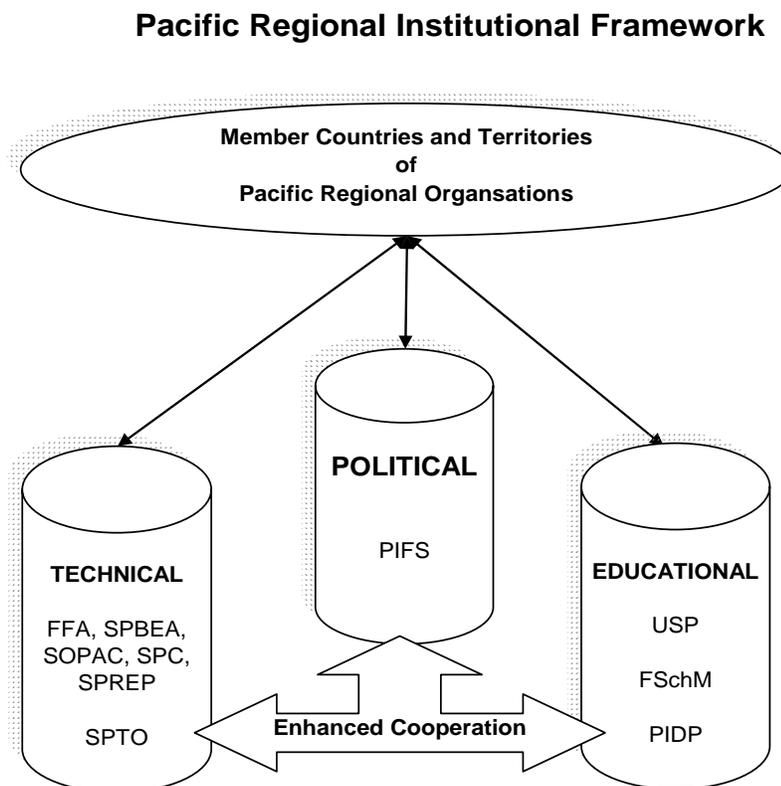
Pillar 1. The Pacific Islands Forum and its Secretariat, being the region's leading institution through its focused role in advising on political action and generic policy development.

Pillar 2. The Pacific Community and its Secretariat, being established as the sole sectoral policy and technical service organization through the formal integration into the Pacific Community of four CROP agencies, FFA, SOPAC, SPBEA, and SPREP.

Pillar 3. The academic and training organizations, independent, but linked by their mutual interests and by the potential leadership power of the University of the South Pacific.

2.2 The Tourism organization, formerly SPTO, now re-named 'southpacific.travel', the only CROP organization that falls outside the structure, could be integrated with the Pacific Community pillar, if and when its private sector alignment and membership allowed.

(Diagram 1):



2.3 The Pacific Power Association must also be recognized in the context of the RIF 2 proposal. PPA's application for membership of CROP is under current consideration given the importance of its technical service role supporting the region's energy utilities, both public and private. However, like the situation with the region's tourism organization, the possibility of Pillar 2 amalgamation for PPA is not an option at this time. Close cooperation in the energy sector will of course continue.

2.4 It was envisaged that the CROP amalgamation listed could be achieved by the first of January 2009. However, at the 2006 Forum meeting in Nadi, Forum Leaders decided that the changes envisaged required the flexibility of an open-ended transition period.

3. The Benefits of Change

3.1 A case for the amalgamation of CROP agencies to form Pillar 2 of the region's proposed institutional framework, has been outlined in Attachment 2, a RIF 2 paper provided by the regionally based consultant, Mr. Tony Hughes. His compelling arguments for change can be conveyed by a series of summarizing quotations that fall in line with his paper's sub-headings: a categorization of the benefits to be expected from Pillar 2 amalgamation.

- Regional Cohesion

"Within the region the pursuit of the Pacific Plan's broad objectives of increased regional consciousness and collaboration requires an exceptional amount of effort among the Pacific's Regional Organizations to think and work together. Such unity of purpose is simply unattainable under the fragmented governance and management structures and independence of direction that currently exists. The reform required to achieve the necessary degree of cohesion involves the voluntary abolition of their individual independence and their merger into a single entity, with unified senior management and high degree of operational devolution."

- Intellectual Synergy

"As well as formal structural cohesion through integrated institutional planning and operations, an effective regional response to the developmental issues facing Pacific Island Countries requires maximum informal contact and communication among the professional personnel of the technical service agencies. An important benefit of the proposed amalgamation is therefore the creation of a critical mass of intellectual resources focused on Pacific issues, freely connected by electronic communications and frequent personal contacts without the paraphernalia of inter-agency politics and bureaucratic procedures, boundaries and clearances."

- Efficient Use of Resources

“The present fragmentation of the region’s technical services prevents the optimum use of their substantial human and financial resources in addressing cross-cutting issues. It reduces the chances of achieving a critical mass of funds or brainpower to tackle complex or costly problems of a social, physical or economic nature, and encourages separate approaches to issues that inherently require comprehensive analysis and solution. What’s required is a unified command structure that provides its executives with enough devolved authority to get on with the job, while applying an effective system of financial accountability and progress monitoring.”

- Operational Effectiveness

“Most PICs are small countries, with scattered populations in remote locations. In these circumstances developmental efforts easily run into the sand. Well focused activities, resting on careful participatory analysis of needs, are required in order to make a significant impact. In - country offices, potentially key factors in better service delivery, become feasible through amalgamation, where separate regional organizations cannot justify them. Unified country programmes follow naturally from merger. Such improved in-country cohesion will enable greater flexibility of response and versatility in the forms of assistance provided.”

3.2 However, while acknowledging the overwhelming strength of this case for change, there is also regional opinion to the effect that the education group, Pillar 3, and more particularly, the technical services group, Pillar 2, have certainly appreciated the coordination values flowing from the activities of the sectoral working groups operating under the sponsorship of CROP. Then again, attention must be given to the crucial criticism of the CROP mechanism that has come from PIFS, where the Secretary-General sees value in closing the mechanism down as a way of saving time and resources otherwise wasted on a bureaucratic imposition that has outlived its day.

3.3 As a replacement for CROP, the Secretary-General believes that the co-ordination objective would be much better served by implementing the proposed change to a three-pillar regional structure. He is looking forward to the prospect of one to one planning meetings with the Director-General of a post-amalgamation SPC. The Secretary General has already gained a favorable impression of this approach to co-ordination given the success of his current, program of meetings with SPC aimed at achieving the concentration of PIFS role in political/policy areas, as required by Pillar 1 format.

3.4 In relation to the Secretary General’s favourable assessment of current, one to one, formal discussion’s with the Director General of SPC, it should be noted that this is also the basic procedure recommended for the achievement of inter-pillar co-ordination in the event that RIF 2 reform is approved by Forum Leaders. In order to keep bureaucratic delays to a minimum, effective

coordination, comprehensive in nature, could be achieved by making use of one annual meeting embracing progress review and policy change, supplemented at call using teleconferencing and the fortuitous opportunities commonly offered by regional travel. This combination of formal and informal meetings would ensure that decision making and follow-up action would take place at commendable speed and at low cost. It is further suggested that although the education pillar, at this stage of its development, would not need to be a regular attendee at such meetings, involvement of any or all of the Pillar 3 institutions could be arranged by the Secretary General where there was either reasoned request or recognized need.

3.5 Against this background of opinion, a very strong case for the benefits of Pillar 2 amalgamation can certainly be made by emphasizing the following aspects of reform:

- An immense improvement in coordinated programming must be obtained when a group of organizations, previously linked by voluntary co-operation, is replaced by one larger organization led, inspired and managed by its Chief Executive Officer. The directed pursuit of corporate objectives is a much needed replacement for the frustrating discussions that often characterize a gathering of independent executives who can at times be handicapped by their competitive interests and personality differences.
- Special note should also be taken of the important advantages in technical programming and service capacity that will strengthen the organizations joining an expanded Pacific Community - some examples:
 - FFA will be interested in the rationalization of the technical services supporting the operational efficiency of the Pacific's oceanic and coastal fisheries. While it is clear that the research arm must be seen to maintain its scientific probity as the key element of MRD, Noumea: and while fisheries policy must be retained as the basic contribution from FFA Honiara: an analysis of the technical service units maintained in both locations could well lead to an expansion of Honiara's resources.
 - Given the welcome of SOPAC into service within the Pacific Community, its defined role would be protected from the unplanned expansions of the past that were often determined by fortuitous events of location and fallback availability. SOPAC's managed cooperation in association with an array of specialist Directorates will lead to the application of planned development with the funding and location of cross-cutting initiatives.

- As the organization charged with serving the region's environmental needs SPREP, while gaining in geographic outreach and operational independence through its move to Apia from Noumea, has suffered at times from a consequent partial isolation from the developmental interests of its fellow agencies. Environmental sensitivity is a key feature relating to almost all aspects of the Pacific Plan. SPREP's resource base, and its contribution, is therefore sure to expand in a situation where the Pacific Community will be providing the organization with an integrative oversight in regard to developmental initiatives.
- In relation to the above, it is also important to note the reasons why at least one regional organization has detected significant advantage from the proposed membership of Pillar 2, Technical Services. SPBEA, recognizes the move as a step towards securing and strengthening the organization's future as the provider of a unique programme, important for the maintenance of the region's educational standards. Access to the Pacific Community's comprehensive membership would greatly expand the scope of SPBEA's services, a valuable yet challenging opportunity, given the critical importance of donor funding. However, incorporation within the Pacific Community could also provide access to the enhanced and varied donor support needed to satisfy such an expansion in regional needs, the sort of expansion in funding horizons that small organizations can rarely achieve.
- An example of the major advantages that can be expected from CROP amalgamation in planning, programming and technical service is provided by the analysis of Dr. Johann Bell, formerly of the World Fish Centre. In his current study, - "Planning the use of Fish in the Pacific for Food, Livelihoods and Revenue," he listed an array of benefits accruing to island states and territories through the placement of fisheries research and technical services within the one institution. These argued benefits relate, in the main, to the provision of better fisheries services from both regional organizations and government agencies and by addressing a combination of oceanic, coastal, freshwater and aquaculture needs. The key elements are summarized below:
 - Amalgamation would "ensure that all important steps involved in developing plans to optimize each of the four fisheries resources" are addressed.
 - "Cohesive inputs for national plans will empower Pacific Island Countries and Territories to achieve optimum benefits from all fisheries resources."
 - "Delays in integrating all information required" will be avoided.

- “Opportunities to transfer skills among fisheries resource sections,” will be created.
- The enhancement of the region’s planning capacity will directly address an important island need.
- The reform of the regional fisheries organization will provide the industry’s ‘face’ throughout the region, thus providing a model for the future re-organization of national fisheries agencies.

On the negative side, Dr. Bell only detects the possibility of transitional pressures on the delivery of services due to the implementation of change. His report is presented as Attachment 3.

- Given the establishment of a new Pacific Community Secretariat, the region would be equipped with a world class technical service agency primed and ready for growth in response to island needs and priorities. The donors who work in partnership with the island countries will certainly require the services of just such an agency in making their contribution to the attainment of the ‘Pacific Vision,’ - “We, the Forum Leaders, seek a Pacific region that is respected for the quality of its governance, the sustainable management of its resources, the full observance of democratic values, and its defense and promotion of human rights.” A single technical service organization is ideally placed to provide a coordinated input crucial to the effective development and “life” of the Pacific Plan as a contributor to regional development.
- Program development and implementation would be greatly improved through the involvement of the Pacific Community’s comprehensive membership, its policies of country programming and geographic outreach, donor confidence in its capacity for aid delivery and the facilitation of cross-sectoral co-operation that will result from amalgamation. Because of its existing policies, donors would be able to work directly with the Pacific Community at a range of levels, thus avoiding bureaucratic delays. It is also important to note that the sectoral working groups sponsored by CROP could, if required, continue to operate in the area of program coordination under the aegis of an expanded SPC.
- In joining an expanded Pacific Community, incoming directorates would gain support from well-managed staff and finance systems. The Pacific Community has developed a culture of service in addressing the needs of island members, a culture that will benefit the region through its comprehensive application.

- These substantial regional benefits, accrued through greatly improved technical services, may be obtained without either financial cost or implementation difficulty. It is a win-win initiative for Forum Leaders. They have only to request the change and the benefits will flow.

4. Pillar 2, The Amalgamation Pathway: The Implementation of Change

4.1 When they meet in October this year, Forum Leaders will have the opportunity for decision making related to the achievement of the amalgamation of CROP technical agencies. Diagram 2 illustrates the pathway to change. If Forum Leaders decide on that course of action, each of the Forum member's government representatives attending each and every governing council meeting of the CROP agencies involved, could be instructed to agree with the move to amalgamation. In making these decisions, Forum Leaders, and the governing councils of Pillar 2 organizations, could also empower the Director General of the Pacific Community's Secretariat to manage the transition phase during the move to CROP amalgamation.

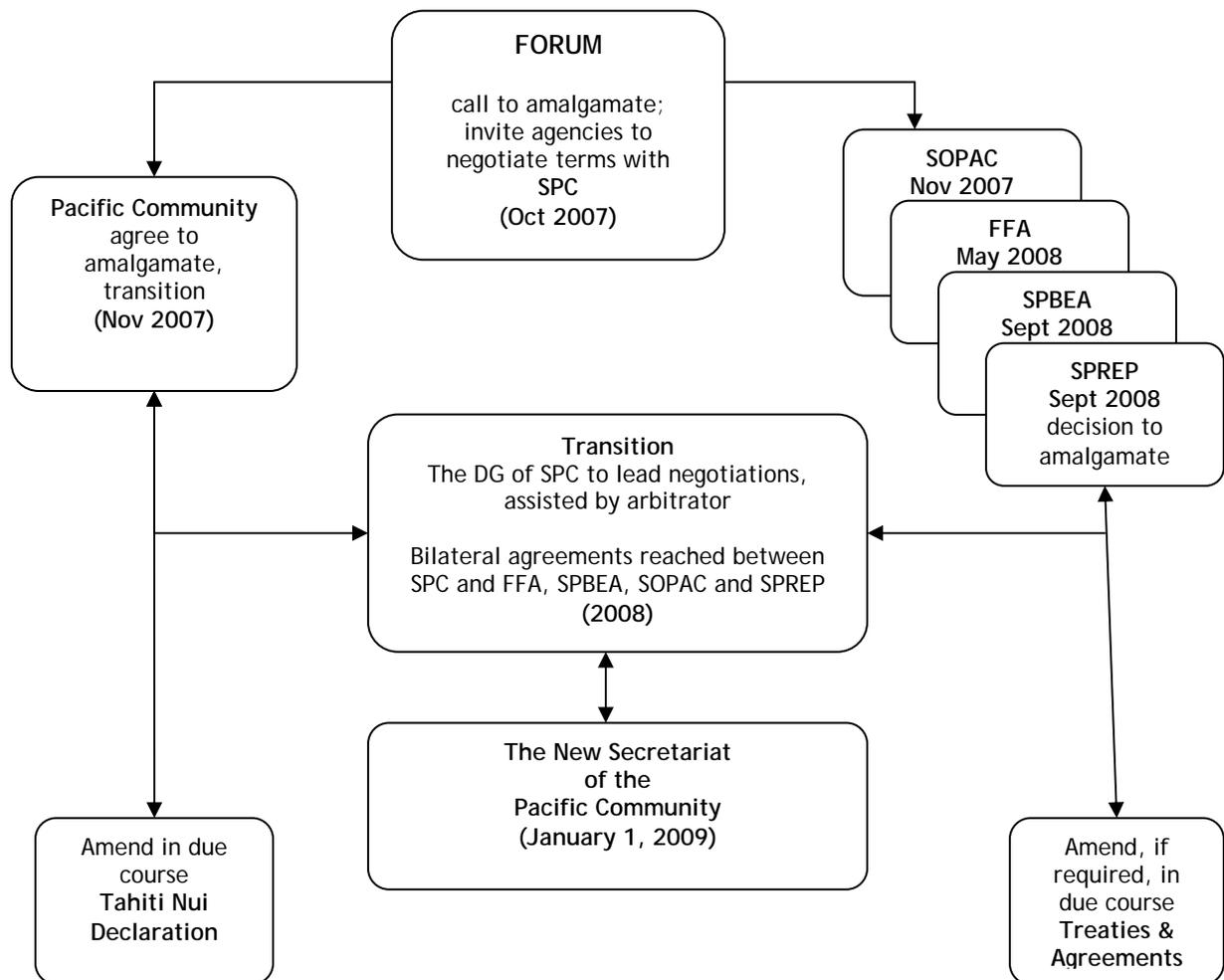
4.2 Letters from the Secretary General could also be sent to those Governments and Territories that maintain membership of particular governing councils, without being Forum members. Their support for the proposed changes could be sought. Due process could then develop as follows:

- The Pacific Community, at its November 2007 meeting, could agree, firstly to accept the incoming agencies and secondly, that the Director General of its Secretariat, the SPC, could be directed to manage the transition phase to amalgamation. This latter arrangement would be in keeping with the decision of Forum Leaders to direct such an empowerment.
- The governing bodies of CROP agencies involved, meeting at their normal times over the ensuing nine months, could agree to the transfer of their governing responsibilities to the Pacific Community, and to their staff and programs being incorporated within the SPC.

4.3 In order to launch the transition to amalgamation, the Secretary General of PIFS could call a meeting to be attended by the Chairs of the CROP governing bodies and by the chief executives of the organizations involved. The documentation provided would outline the detailed nature of the organizational changes required. Under the guidance of the Secretary General as Chairman, the Director General of SPC could establish his operational role in managing the transition to amalgamation. For all agencies it would be business as usual during 2008, but with the Director General of SPC required by Forum Leaders and his governing Council to lead a cooperative planning exercise with agency heads that would define the detail of the administrative changes required.

(Diagram 2):

The Pathway to CROP Amalgamation



4.4 The Pacific Community, in its expanded form, could commence its operational life beginning 1 January 2009. From that date, the Director General of SPC could assume full responsibility for the management of the region's technical services, in conformity with the constitutional requirements of the Declaration of Tahiti Nui.

4.5 During 2009, the Director General of SPC could accept the task of shaping his expanded responsibilities into a fully productive organization of high morale. This task could occupy the last year of his second two year contract. Under SPC's rules relating to the employment of its chief executive, a third 2-year term would normally be on offer, provided performance standards have been met. In this case however, given that the SPC in its expanded form has the characteristics of a new organization, the position of Director General could be advertised during 2009, with an appointment being made in line with

established procedures. The status of the new position and the remuneration offered could be considered at that time. The current DG would be entitled to apply for appointment to the position.

5. The Legal Basis for Amalgamation

5.1 The report of the team's legal adviser, Ms. Brenda Heather-Latu, is presented as Attachment 4. This document outlines the legal issues that arise from the concept of CROP amalgamation and its administrative achievement. The conclusions reached can be summarized as follows:

- The approval in principle by Forum Leaders of the integration of technical regional organizations, under the auspices of the Pacific Community, provides the impetus towards commencing the processes of integration and amendment needed to formally translate the RIF 2 recommendations into reality.
- Legal means exist to achieve the changes needed in the governance agreements of all the regional organizations required to facilitate their integration into the Pacific Community.
- Legal means also exist to ensure that any treaty arrangements already entered into by such organizations can be satisfied and legitimately continued. Certain administrative arrangements can be identified and established which can quarantine and protect the particular interests of smaller subsets of countries currently involved with organization agreements.
- There is a specific need in the preparation of FFA's amalgamation process to accommodate and make provision for the specific responsibilities which that organization has under different multilateral arrangements. It may well be that these responsibilities are carried out using subsidiary committees comprising the members of the various conventions or arrangements.
- Legal recognition may also be afforded to multilateral agreements of less than treaty status, made between states and territories. Such agreements will nonetheless provide the means by which operational changes may be wrought in respect of the organizations concerned.
- Notwithstanding the process of change and integration recommended in this report, there will continue to exist adequate legal status for the integrated regional bodies allowing the continuation of their core functions in the various locations in which they are currently operating and the continuation of their diplomatic immunities and privileges.

- Substantial operational steps can be taken to advance integration prior to the completion of any form of documentation that may eventually be required.

5.2 In essence, all that is legally required to achieve CROP amalgamation is that each and every member of the governing councils involved will have formally agreed that the required changes should be implemented. In such case, the transition to amalgamation can be put in train without delay. Any required amendments to constitutional documentation can be completed in due course.

6. The New Pacific Community Secretariat: A Description of the Enlarged Organization

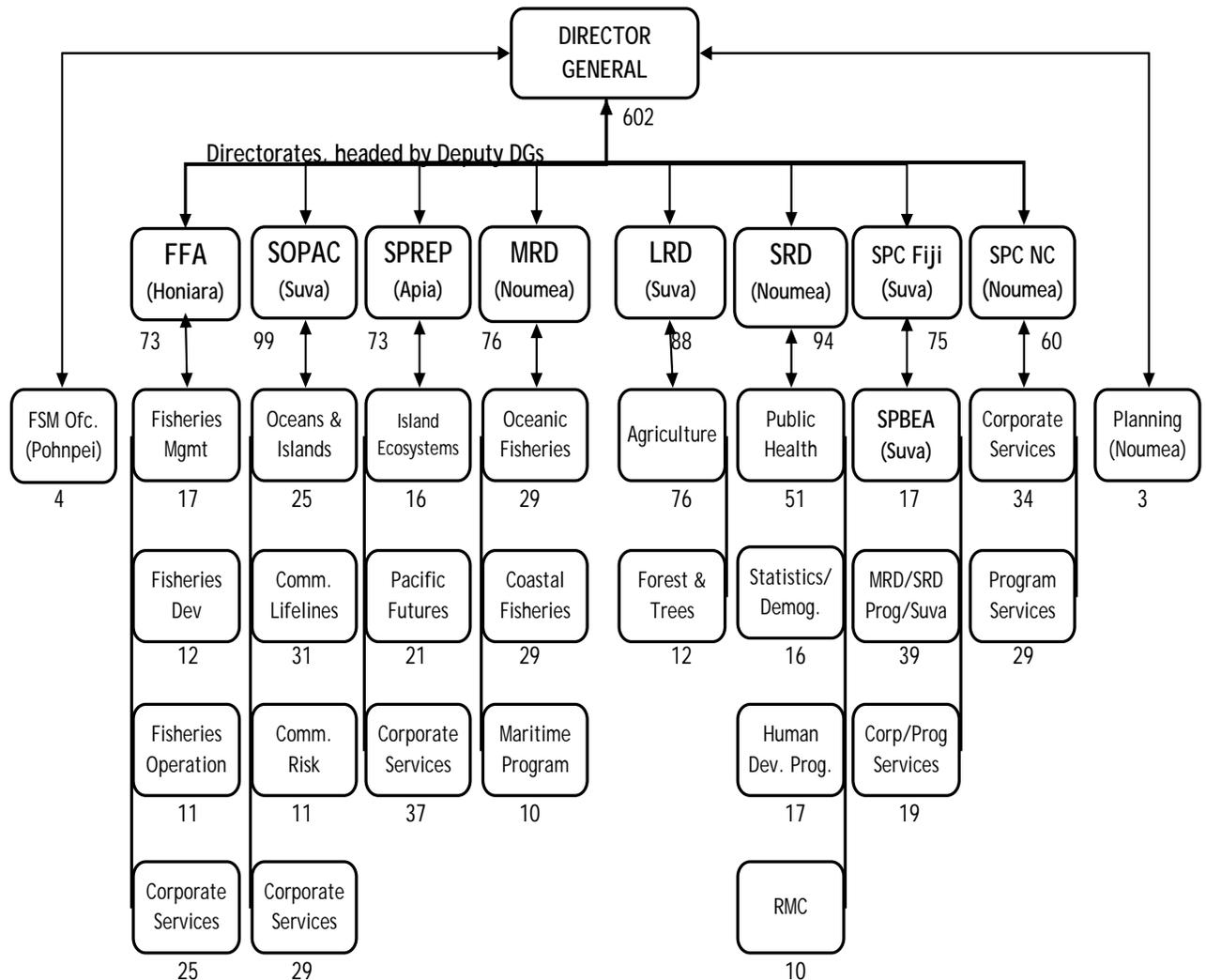
6.1 With regard to details of governance and operational policy, the expanded organization would need to be governed and managed in line with the Pacific Community's constitutional rules as detailed in the Declaration of Tahiti Nui. The Pacific Community's secretariat is a modern, well managed organization that enjoys a sound reputation with members clients and donors. Incoming organizations would encounter financial, staffing, programming, communication and decision making systems that are familiar, effective and largely problem free.

6.2 In its expanded state, the Secretariat of the Pacific Community can still be characterized as a relatively small, readily managed organization, as indicated by the span of authority and by the staff numbers envisaged. The new SPC would have a robust structure capable of carrying substantial increases in staffing, programs and Directorates, if and when such a response to regional needs and donor interests is required. In that context, it should be noted that two additional Directorates have already been envisaged.

- Given the support of the Federated States of Micronesia in regard to accommodation, an expansion of the Pacific Community's Pohnpei Office to form the Northern Pacific Directorate, to be the first of the Community's comprehensively staffed, geographical, rather than sectoral, outposts.
- In consultation with the Secretary General of PIFS, the establishment of a Directorate of Transport, infrastructure and Communication, through amalgamation of related programs, now separately located. This development is an excellent example of the value of co-ordination achievable through consultation at the Chief Executive level between PIFS and SPC.

An organizational structure for the expanded secretariat is shown in Diagram 3:

(Diagram 3): The Expanded Secretariat of the Pacific Community



NB. The numbers listed above are staff numbers, assessed May, 2007

6.3 The structural changes that amalgamation requires in achieving an initial operational integrity are quite minimal in number. All can be readily implemented.

- The Deputy Director General, Suva, could accept responsibility for the SPBEA as an additional division in the Suva outreach of the Social Resources Directorate. In the future, as additional accommodation is made available at SPC Nabua, co-location for the SPBEA could become a cost-effective possibility. The DDG Suva would also assume responsibilities as the focal point for SPC's cooperative relationship with the region's tourism organization, southpacific.travel. This relationship

is already both well-established and strong. As with the SPBEA, the possibility of co-location for SPT, could also be kept under review.

- In order to introduce organizations of more substantive size into the SPC structure, three new directorates would have to be established, FFA (Honiara), SOPAC (Suva), and SPREP (Apia). In their present format, these incoming organizations feature two top level positions, a Director and a Deputy. In order to match the cost-effective executive structure applying in SPC, one of these two positions would have to be shed. Each of these three new directorates would then be led at the Deputy Director General level. These changes could be introduced as current contracts terminate.
- Although no specific recommendations are made at this stage concerning structural changes at the divisional level, it is suggested that useful adjustments may well be achieved over time, given the close programming relationships that already exist between CROP agencies. As an example, there is the environmental interest shared by both SOPAC (Suva) and SPREP (Apia). A special case in point also comes from the long history of close co-operation that has existed between FFA (Honiara) and SPC's Marine Resources Directorate, Noumea. An analysis in depth of integrated roles and services could certainly lead to a consideration of program alignment and structural change. The Director General of SPC would be very likely to stimulate discussion and planning in these and similar areas during the transition to amalgamation.
- The proposed organization chart also indicates that the Director General of SPC, in addition to his line responsibilities for the span of Directorates, would also take a controlling interest with two areas of critical importance to his corporate objectives in managing change.
 - The first, SPC's Pohnpei Office, has already been mentioned as the growth site for the North Pacific Directorate. The realization of this far-sighted initiative will require the personal attention of the Director General, given the implications for site development, resource mobilization and the deployment in Pohnpei of the complete array of SPC's programming expertise, so that all available services can be seen to be on offer to its northern clientele.
 - The Strategic Engagement and Planning Unit (Noumea). This is SPC's surveillance, engagement, analysis and advisory facility, the organization's catalyst of change through its role in sectoral review and policy development. This Unit would be strongly engaged in assisting the Director-General during his management of the transition to amalgamation. Given the importance of this

supportive role, Planning should therefore be strengthened by the appointment of at least one experienced officer knowledgeable in the area of change management. This position should be retained beyond the transition. The new SPC will have to continue adjusting to the ever-changing regional challenges. An organization cannot develop the skills of continued adjustment without the support of a strong, vibrant Planning Unit that carries its reporting line direct to the Chief Executive.

- The position of Director General of SPC would be substantially altered by the outcome of Pillar 2 CROP amalgamation. Commencing 1 January, 2009, the current DG will be managing an organization approximately 70 percent larger in its staffing complement. The new SPC will also possess a technical expertise significantly greater than the organization to which his 2008-9 contract refers. It will therefore be necessary for the Pacific Community to consider the remunerative status of this new position, prior to advertisement during the 2009 selection process appointing the next Director General. In regard to the challenge involved in attracting a strong, competitive field, it should be noted that all the current chief executives of CROP agencies, including SPC, would be strategically placed to express an interest in this position.

NB. It should be remembered that any organisational chart, such as that presented at Diagram 3, is best considered as a valuable snapshot in time, one that records the situation during the transition to amalgamation. Organisational structure is an important facet of corporate management, but one that is marked by a necessary volatility in adapting to change. This is particularly the case with the Pacific's regional organizations given their dependence on donor funding. The Director General of the new SPC would have the important task of adjusting his opening structure by the recognition of synergies and the elimination of overlaps. That will be his or her continuing responsibility, an important managerial task to be carried out in close association with the Directorate team. It would be counter-productive to saddle the Director General with a predicted structure, in a situation when no outsider could accurately forecast the make and shape of SPC, even two years away.

7. The Financial Implications of Amalgamation

7.1 The current hypothesis with regard to finance is that annual savings of the order of \$750,000 will accrue from the loss of senior executive positions and their associated costs from the infolded CROP agencies. Additional savings may also be identified if some rationalization of administrative costs in Suva proves to be possible given the proximity of SPC Suva's Nabua offices and the SOPAC laboratories. There is also the possibility of co-location for SPBEA. It is reasonable to assume that savings could also be achieved in the cost of

corporate services if advantage is taken of the increased bargaining power likely to be enjoyed by an enlarged SPC.

7.2 It therefore seems likely that total annual savings of the order of \$1million US can be identified. However, it also seems that a considerable part of these savings would be required to defray certain additional costs:

- The introduction of the Pacific Community's bilingual policy, French and English, to those incoming Directorates that have operated in the past using English language only. In addition to the required expansion of interpretation/translation services in order to cope with the needs of francophone representatives attending key meetings, there will also be an increase in the number of publications that have to be produced in both languages.
- The strengthening of the Planning Unit to assist the Director General in managing the transition to amalgamation, and to ensure that the organization is well-positioned to address the ever changing challenges of quality services provision in regional development.

7.3 The likely conclusion regarding the question of costs and savings is that major benefits in program delivery and technical service resulting from CROP amalgamation can certainly be achieved without additional cost. However, a possibility exists that some useful savings overall could be identified as a result of financial analyses in progress.

7.4 The possible impact of organisational change on individual members' core contributions, to support an expanded Pacific Community, must also be considered here. Core funding is an important issue in the life of regional organizations, as well as being a sensitive one, given its impact on equity in membership relations. As with most issues of this nature, there is a starting point, some given inputs and a future to be determined by the tactical decision making of those empowered.

- If amalgamation was to occur, the starting point must be cost neutral for all members. They would therefore come into the Pacific Community, contributing the same total core funds as they had previously contributed to the several organization where they previously held membership. Table 1 presents these figures to the nearest thousand dollars U.S., year 2007.
- These individual entry totals are of course influenced by the number of memberships held, and by the particular agreements determining the costs of those memberships: and as a result, the dollar totals contributed will not fall in line with the core funding formula enshrined in the Pacific Community's Declaration of Tahiti Nui.

- It is therefore likely that the governing Council of the Pacific Community could decide to examine the policy basis of core funding, if and when the expanded organization became operational. If Council Members decided that SPC's funding formula should be applied to the expanded organization, there would of course be associated questions regarding the speed and detail of any phasing-in process. Table 1 shows that, while maintaining exactly the same overall total for core funding, the percentage changes for individual members are highly variable. Many of the changes are also quite substantial when viewed in dollar terms.
- It is of interest to note that the variable nature of percentage change, shown in Table 1, is caused by two main factors:
 - The increases projected are associated with particular states and territories possessing few previous organisational memberships.
 - The large decreases estimated for many island members are associated with the occurrence of high membership number, compounded by the impact of SPC's, long established, equity based, core funding formulation.
 - Finally, it should be emphasized that any decision in regard to changes in core funding could not be made until such time as an expanded Pacific Community had become established and fully operational. Any change aimed at bringing the incoming core funding situation into line with the existing SPC formulation, could only be accomplished by decision of the Pacific Community's Governing Council.

7.5 Special note should be also be taken of an opening United States of America position on core funding, as it relates to the possibility of amalgamation. In their initial reaction to the concept, U.S. representatives have indicated that, in such case, their core contributions can only be used to support the activities of the two organizations, SPREP and SPC, where they currently hold membership. In an expanded SPC, this would require the presentation and approval of an annual subsidiary budget element dealing specifically with the allocation of the USA's core contribution. Representatives have also indicated that any prospect of an expansion in core funding would also pose difficulties.

**Table 1: Approximate Percentage Change in Total Core Funding,
Applying the Pacific Community Formula**

Members	Total Core Funding (000)	INCREASE				NO Change	DECREASE						
		31-40	21-30	11-20	1-10		1-10	11-20	21-30	31-40	41-50	51-60	>61
American Samoa	44				*								
Australia	4,047					*							
Cook Islands	62								*				
Fed. States of Micro.	95										*		
Fiji Islands	172								*				
France	1,833	*											
French Polynesia	105						*						
Guam	73								*				
Kiribati	90										*		
Marshall Islands	70									*			
Nauru	80										*		
New Caledonia	117							*					
New Zealand	2,808							*					
Niue	56									*			
Northern Marianas	44				*								
Palau	81										*		
PNG	145								*				
Pitcairn Islands	23	*											
Samoa	110												*
Solomon Islands	127												*
Tokelau	63									*			
Tonga	108												*
Tuvalu	71										*		
United States	1,822		*										
Vanuatu	118												*
Wallis & Futuna	33					*							

NB.

- The figures for Total Core Funding, shown rounded off to the nearest thousand dollars U.S., are amounts contributed by individual members, year 2007. e.g. American Samoa is a member of two organizations out of the five recommended for amalgamation, SPC and SPREP, and contributed total core funding, \$44,000 approx.
- The special core grants provided by host countries are not included in this table.

8. The Problems of Change - Perceptions and Answers

8.1 The rationale for regional change can be simply stated:

- In order to improve inter-organizational co-operation, the RIF 1 proposal rationalizes the current complexities of multi-organizational independence by identifying and focusing the region's service organizations as a three-pillared structure: political, technical and educational. Given a decision for change by Forum Leaders, this regional restructuring can be readily achieved. There are no legal, financial and administrative barriers to change. Marked improvements in the services provided for the Pacific Island States and Territories will be achieved. The new structure will better equip the Pacific region in meeting the continuing, ever accelerating, global challenge of change.
- However, it would be fair to say that while the generality of Pacific opinion favors the development of an improved, adaptable regional technical service, doubts concerning the wisdom of specific proposals for change are never far from mind. In the case of the RIF 1 proposals, these concerns relate in the main to the implications of Pillar 2, the amalgamation of the independent CROP agencies to form a single organization, an enlarged Pacific Community. In this final section, an attempt will therefore be made to both note and address the most commonly encountered of these specific concerns.

8.2 Communication with stakeholders concerning the nature and timing of amalgamation has been inadequate.

Despite the considerable length of time encompassed by the RIF process, it was not until May 2007, that the necessary detail required for effective two-way discussion, had emerged. A strong communication exercise has now been commenced with the aim of rectifying this problem in advance of meetings by interested parties and decision makers (Attachment 6). This communication program will be continued over the ensuing months leading up to the 2007 meeting of Pacific Islands Forum Leaders.

8.3 The host countries for certain independent CROP agencies may entertain a natural concern that amalgamation infers the loss of staff and facilities from their existing locations, with their centralized concentration elsewhere.

This fear of amalgamation, although understandable, is emotional in nature as centralization of services is wrong for the Pacific and it will never happen. The Pacific Community has demonstrated its continuing strong commitment to a policy of geographic outreach from Noumea. The region already benefits from SPC's major localization in Suva, its location of program delivery staff in thirteen additional countries and territories throughout the region and its commitment to a major outreach into the North Pacific that has already commenced with the establishment of its Pohnpei Office as outlined at

6.3. In the event of amalgamation, the Pacific Community would certainly protect and enlarge its established presence in Honiara and Apia. It should also be noted that SPC's major facilities in Noumea and Suva are already struggling with a requirement for additional space. Even if it was desired, SPC has no physical capacity for centralization. NB. The region's strong commitment to decentralization of services is also indicated by the policy commitment of PIFS to the establishment of nine out-posted offices, strategically located with member states.

8.4 The Forum Fisheries Agency and its host government, the Solomon Islands, may well experience particular concerns regarding the implications of earlier debate around the theme that FFA's policy functions would be associated with Pillar 1, and its technical functions with Pillar 2: a splitting of the organization. In this regard, it should be noted that the RIF 2 proposal envisages FFA as an important Directorate that needs to retain its present form and programs. As a Honiara based Pacific Community Directorate, its working relationships with both PIFS and the Marine Resources Directorate of SPC would be enhanced. Given the critical importance of fisheries to the region, the staffing and associated resources of FFA, Honiara, are bound to continue their expansion. The success of its service role would in fact depend on an FFA Directorate maintaining its policy and technical services as an integrated whole.

8.5 The new Pacific Community will be an unwieldy, bureaucratic creation, suffering from poor intra-organisational communication because of geographic spread. It will be difficult to deal with due to blockages in its chain of command. Actually, the reverse, will be the case. The Pacific Community is a vibrant organization, active in using and developing modern communication systems that will completely overcome the tyranny of distance, both within the organization and in the way it serves its clients. Its current policy emphasizing the responsibilities of delegation will ensure that units down to the section level will continue to enjoy the freedoms of initiatives in service. And most importantly, the established decision making arrangements in SPC also establish strong geographic delegations in addition to the hierarchical. Managers have room to move. Initiatives don't bog down.

8.6 CROP amalgamation will mean that only one governing council will meet, that of the Pacific Community. This will eliminate the sectoral guidance previously enjoyed by FFA, SOPAC, SPBEA and SPREP. It should be noted that the RIF 2 recommendations make no claim that any substantial financial savings will result from a reduction in the number and length of regional meetings. Obviously, this will be a subject for discussion during the 2008-9 transitional and establishment years. However, it is realized that a full range of region-wide Ministerial, sectoral and technical advisory meetings will be required in the future as in the past. Under its current rules, SPC convenes ministerial meetings in Agriculture, Forestry, Health, Women, Youth, Culture, Transport and Communication, thus ensuring involvement and oversight at the highest level. Obviously this practice would also apply with the programming activities

of the incoming agencies so that strong sectoral advice and recommendations would continue to impact the Pacific Community from all its Directorates. Certainly, it must be claimed that overall meeting costs will not increase post-amalgamation. Nevertheless, there will be a possibility that an area of savings can be defined where meeting frequency has been excessive, but even if that is the case, the sums involved are unlikely to be large.

8.7 Through the amalgamation of the CROP agencies, the region will be taking the age-old risk of having all its eggs in one basket. If an unwise appointment is made to the position of Director General, SPC, a universal problem will then be created. There is no doubt that this is a real and important risk. However, it is also a real and important opportunity. If an effective chief executive is appointed, the benefit becomes generalized. In this regard, it is important to note that the current appointment process for Director General of SPC, originating through the Siwatibau, 1996 review of SPC, is now formalized within the Declaration of Tahiti Nui. This process has proved itself through the favorable outcome of two successions.

8.8 Because the Pacific Community has a comprehensive regional membership, as against the variably restricted memberships of the incoming CROP agencies, technical services will, in consequence, be spread more thinly, to the detriment of foundation clients. This is a valid point - as is its converse. Some small island members of the Pacific Community will stand to benefit from the availability of valuable additional services. This outcome, a problem for some, can therefore also be seen as the all-inclusive approach to regional services that was envisaged by Forum Leaders as an important element of the Pacific Plan. The actual situation in regard to the expansion of beneficiaries is set out in Table 2. Note that there are certain realities bearing on the implications of this tabulation.

- The Island States not listed in the table (Fiji Islands, Kiribati, Nauru, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu) are already members of all the organizations involved.
- Certain Island States and Territories listed in Table 2 may not be interested in using some or all of the additional services on offer.
- Those States and Territories that gain access to additional services, may be required to contribute additional core funding because of the impact of the Pacific Community's assessment formula if applied in the context of organisational expansion. (7.4, 7.5 refer)

However, there is no doubt that the enlarged potential clientele for SPBEA, FFA and SOPAC means that the issue of associated funding needs would have to be explored during the transition phase of the amalgamation process. The outcome could well be of interest to the region's donors.

Table 2: Island States and Territories Gaining Access to Additional Service Through CROP amalgamation.

New Potential Beneficiaries	Agencies Gaining Community Membership			
	FFA	SPREP	SOPAC	SPBEA
American Samoa	x		†	x
Cook Islands				x
Federated States of Micronesia				x
French Polynesia	x		†	x
Guam	x			x
Marshall Islands				x
New Caledonia	x		†	x
Niue				x
Northern Marianas	x		x	x
Palau			x	x
Papua New Guinea				x
Pitcairn	x	x	x	x
Tokelau			†	
Wallis and Futuna	x		x	x

† Note that American Samoa, French Polynesia, New Caledonia and Tokelau are Associate Members of SOPAC

8.9 Because of the Pacific Community's comprehensive membership, unwarranted decision making power could be exerted by certain members of Conference in dealing with business matters associated with incoming treaties and conventions, e.g. with the associated fisheries agreements managed by FFA. Although this has the appearance of a problem, the legal advice (5.1 refers) is that the Conference of the Community is able to form sub-committees comprising the current membership of any treaty or convention, thus providing the necessary restrictions on decision making involvement. And so, given agreement by all parties involved, it would be business as usual following amalgamation.

8.10 Last but not least comes the fall-back position where change is opposed by the real and powerful last ditch argument - "If it ain't broke, don't fix it." There is a harsh reality in this pioneering aphorism. If an organization is operating in a reasonably satisfactory way, a push for change without due reason, can easily make things worse. With any substantial structural/administrative change, there is always a settling period. Impacted by the challenge of learning and adaptation, there is a temporary phase when executives and staff have to manage stress, deliver services to the best level possible, and really earn their money. An organization should certainly never be subjected to change without due cause. In the initiative presented here, Pillar 2 amalgamation isn't the sort of tilt at change for change's sake that can

sometimes cause real trouble. The CROP mechanism has had its partial successes, but its support at the top has been lost, its basic weaknesses make it unresponsive to marginal improvement and it can never achieve the potential for co-ordination and service that exists in a powerful corporate institution led by a wise and energetic Chief Executive. The “don’t fix it” adage is a voice from the past: the creation of a powerful, fully integrated, technical service organization is a call to the future. In the recommendation towards Pillar 2 amalgamation, there is a decision making opportunity on offer that, if grasped, will greatly improve the range and quality of the regional services that help to enrich the lives of Pacific Island peoples.