Review of the Secretariat of the Pacific Community: Summary Report

An independent report to the Australian Agency for International Development and the Secretariat of the Pacific Community

AusAID

The Australian Government's Overseas Aid Program

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ACKNOWLEDGEMENTS

THE REVIEW TEAM

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INTRODUCTION

At High Level Consultations (HLC) in December 2000, the Australian Agency for International Development (AusAID) and the Secretariat of the Pacific Community (the Secretariat) agreed to an independent review during 2001 of the Pacific Community's[1] operations and governance mechanisms. The initiative for the review came from AusAID's adoption in 1998 of the Multilateral Assessment Framework (MAF), a framework designed to help AusAID assess the performance of the global and regional organizations that it supports. The MAF requires AusAID to conduct annual desk reviews of these organizations and less frequent 'in-depth' reviews involving fieldwork. At the same time, with the last corporate-wide review of the then South Pacific Commission having been conducted in 1996, the Secretariat considered that it was appropriate to have a detailed look at its operations and demonstrated a keen interest in, and support for, this review. Thus both organizations wished to strengthen their partnership to promote development within the Pacific Islands in the most effective and efficient way possible.

In accordance with the MAF, the Terms of Reference for the review focused on three issues:

i. the **relevance** of the Pacific Community's activities to the Pacific Island countries and territories (PICT) member and Australia's aid objectives;

ii. the **efficiency** of the Pacific Community's operations — that is, the extent to which the Secretariat's organizational structure and systems and the Pacific Community's regional relationships are conducive to good management and efficient implementation of the Pacific Community's programs and projects; and

iii. the **effectiveness** of the Pacific Community in producing sustainable outputs and outcomes of benefit to its members[2] and in achieving its corporate goals.

At the same time, AusAID and the Secretariat agreed that the review should address a series of important issues not explicitly covered in the basic MAF, such as the Secretariat's response to the introduction of the 'same nominal' budget policy.

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[1] The Secretariat of the Pacific Community is commonly referred to by its acronym, SPC. At the same time, this acronym has also been used to denote the corporate entity now known as the Pacific Community (or at least partly because this entity was previously known as the South Pacific Commission) and the governing councils of the Pacific Community, the Committee of the Regional Governments and Administrations (CRGA) and Conference. These governing councils have inherited the Canberra Agreement's "South Pacific Commission" responsibilities. For the sake of clarity, this report will avoid using the acronym "SPC" in favour of "Pacific Community" for the general organization; "Conference" and "CRGA" for the Pacific Community's governing bodies; and "Secretariat/Secretariat of the Pacific Community" for the Pacific Community's administrative arm. Because the TOR for this review use "SPC" to refer to all three of these elements, this has meant that, in certain parts of the report, the Review Team has had to make a judgment as to which particular element the TOR were referring. We trust that we have done so in accordance with the TOR's principal objectives.

[2] The current membership of the Pacific Community includes: American Samoa, Australia, Cook Islands, Federated States of Micronesia, Fiji, France, French Polynesia, Guam, Kiribati, Marshall Islands, Nauru, New Caledonia, New Zealand, Niue, Northern Mariana Islands, Palau, Papua New Guinea, Pitcairn Islands, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, United Kingdom, United States, Vanuatu, Wallis and Futuna. All these are PICT members except for the five founding members – Australia, France, New Zealand, United Kingdom and United States.

The review was planned and managed by staff in AusAID's Performance Information and Assessment (PIA) section, with the full cooperation of the Secretariat, and implemented by a team of independent consultants. The review consisted of five main stages: a desk review during March-May (2001), briefings in Canberra in early June, a field trip to the Pacific Islands during June and early July, a survey of PICT views on the Pacific Community, and the preparation of a full report in July and this summary report in September. The desk review included the collection and analysis of key documents from AusAID, the Secretariat and other sources, and a rapid assessment of eight selected current Australian-funded projects and programs. The Canberra briefings included meetings with informed personnel within AusAID, the Department of Foreign Affairs and Trade, other Australian government departments and agencies, the Australian National University, and other institutions.

A field trip to the Pacific Islands provided an opportunity for Review Team members to interview officials from PICT Foreign Affairs departments, implementing ministries and government agencies, Pacific Island regional organizations, other donors to the region, and regional non-government organizations (NGOs). It involved visits to five PICT members; New Caledonia, Vanuatu, Tonga, Samoa and Fiji. AusAID staff, in conjunction with Review Team members, prepared a survey and trialed it in one of the PICT member countries. It was administered in most countries by mail except where it was possible for the Review Team or AusAID posted officers to administer it in person.

PRINCIPAL FINDINGS

Overall, the Review Team considers that the Pacific Community generally and the Secretariat particularly is a reasonably efficient and effective mechanism for the delivery of assistance to the Pacific Islands region, and that its work program is relevant to both the needs of its PICT members and AusAID's aid objectives. The findings of the Review support the general assessments of the annual desk MAFs regarding the organization.

The perceived **relevance** of the Pacific Community and its Secretariat is very high across the region. The Pacific Community enjoys extensive support amongst its Islands members as well as amongst donors. Although there is a widespread feeling amongst PICTs that Pacific Community projects and programs are being donor-driven, in general PICTs display a strong sense of ownership of the organization and its work program. This apparent inconsistency can be explained, at least partly, by the satisfaction that PICTs have with the institutional mechanisms through which they can provide input into the Pacific Community's activities and the Secretariat's response to their inputs. These mechanisms ensure that, to a real extent, PICT needs are accommodated in its work program.

From AusAID's perspective, the Pacific Community contributes significantly to Australia's aid objectives for the Pacific Island countries, by focusing on better governance, stronger growth, greater capacity, better service delivery and environmental integrity. The Pacific Community contributes more in an indirect than direct way to better governance within the Pacific. However, to the extent that the Secretariat's administrative systems have become more accountable, transparent and efficient in recent years, it has provided a model for other regional institutions and governments to follow. The Pacific Community's contribution to AusAID's other Pacific Island objectives, however, has been much more substantial. It has contributed to stronger growth within the region through initiatives such as the Regional Fruit Fly Project and the Oceanic Fisheries Program. These activities have enabled increased exports of agricultural produce and promoted sustainable harvesting of the Pacific Islands' greatest economic resource (tuna), respectively. The Pacific Community has also contributed to the development of greater capacity through its training and research activities, all of which have been aimed at developing the technical, professional, scientific, planning and management capabilities of PICT members. It has contributed to better service delivery through various village or "grassroots" level activities such as the Community Education Training Centre (CETC) and the Coastal Fisheries Program, which have extended the delivery of services across the region to many remote areas. And it has contributed to environmental integrity through programs such as Oceanic Fisheries, the main objective of which is to ensure the sustainable management of migratory fish resources.

The **efficiency and transparency** of the Secretariat have improved markedly over the past five years as a result of a concerted effort by its Executive. The establishment of the Planning Unit, in particular, has resulted in significant improvements in planning, implementation and design systems and reporting to donors. Administrative reforms and the introduction

of new information technology systems have cut costs and increased efficiency. However, there is scope for further improvement in a number of areas. There is a need for: better documentation of the organization's financial regulations and statements; strengthened procurement systems; and, a more strategic HRD policy integrated into the organization's corporate planning system. Indeed, the Secretariat's management team is committed to continued reform in these areas.

However, there is one factor that appears likely to work against greater efficiency. During the regional reforms of the 1990s, there was a tendency for the Pacific Community to provide a home for any technically based regional development project that could not be lodged with a more functionally specific agency. This reflects a great strength of the organization but care must be taken that it does not become a liability. The comprehensiveness of the Pacific Community, both functionally and geographically, has significantly contributed to improvements in the efficiency of the regional system across the Pacific Islands. The interaction with the Council of Regional Organizations of the Pacific (CROP) is helping to meet a regional need for coordination amongst all the member agencies. However, it is important that the CROP mechanism be properly used and not become an alternate governance vehicle for any of the participating agencies including the Pacific Community. It is equally important to recognise that the Secretariat's efforts to achieve sectoral coherence within the organization's work program on its own is having a very significant influence on the development of sectoral policies over a wide range of activities around the region. The scale and extent of the organization's work program is so large that it is having a significant positive effect regionally. Consequently, the Pacific Community's governance and planning mechanisms must be adequate to manage the very central role its work program plays in the region as a whole.

The Secretariat's **effectiveness** was assessed by the Review Team to be good. While the selected programs and projects varied in terms of their quality, overall the organization was generally effective in achieving its objectives and meeting the development needs of its PICT members. While the method applied in this review only enabled a cursory assessment of the quality of the projects and programs managed by the Secretariat, this conclusion is consistent with the written documentation, the views of other donors, and key PICT technical contacts. The Review Team concluded that many individual projects and programs provided valuable sustainable capacity building assistance, or in the case of smaller PICTs, where capacity building is generally regarded as less appropriate, the organization's initiatives provided essential and valued capacity supplementation. However, as the corporate-level indicators of performance are set at too high an impact-level and the causal link is generally too weak from the projects/programs outputs to these indicators, it is not possible to confidently say whether the organization's projects and programs are effectively contributing to its corporate-level goals.

RECOMMENDATIONS

While the overall conclusion of the Review Team is that the Pacific Community and its Secretariat specifically are reasonably relevant, efficient and effective, the Team has a number of concerns and/or suggested areas for improvement. Five major themes have emerged and provide some guidance on lines of progression for the Pacific Community. These include:

i.   the desirability of a greater focus on strategic planning;

ii. the need for donors to increase the security of the organization's funding;

iii. a need for greater emphasis on developing and documenting quality assurance (QA) and performance assessment systems;

iv. the desirability of achieving further gains in efficiency and transparency; and

v.   a further strengthening of the governance mechanisms.

The recommendations in this report have been grouped under these themes although there is considerable overlap between and amongst the issues addressed.

Strategic Planning

The Review Team was encouraged by the Secretariat's efforts to strengthen strategic planning within the organization. This work has centred on the development of the Secretariat's Corporate Plan and various sectoral strategic plans. The Review Team is aware that these are very much still in progress and so there is some ground to be covered before these are fully linked to the practical implementation plans of the individual projects and programs. A related issue to this strengthening of strategic planning is the desirability to clarify the organization's core business. While the definition of 'core business' is certainly best developed by the Secretariat in consultation with stakeholders, to assist this process, The Review Team suggests 'core business' might be defined as giving focus and priority to activities which, inter alia: address a regional/sub-regional development problem (or opportunity), for which a regional/sub-regional solution is required; build institutional capacity within PICTs, through training, technical assistance, information provision and the development of regional/sub-regional support and information networks; are compatible with the technical (as opposed to policy) mandate of SPC; have demonstrable PICT support (rather than just demonstrated need); fit within the (current) three main strategic priorities of (i) Social Resources; (ii) Land resources; and (iii) Marine Resources; are complementary with ongoing SPC programs; and do not duplicate the work of other regional agencies (such as FORSEC, SPREP, FFA, PIDP).

Recommendation 1: Recognising that the Secretariat wishes to build on its recent strategic planning initiatives, to foster greater donor confidence in the organization, and to improve the sustainability of benefits from its projects and programs, it would be useful for the

Secretariat to address the following:

1.1 Adopt a longer budgeting timeframe, with a two- to three-year cycle, and shift to output-based budgeting. Under this system, the budgets would incorporate a focus on strategic outcomes that have been derived from either the organization's corporate plan or the sectoral strategies. Such a longer-term budget cycle will complement the annual budgets that specify the within year outputs to be achieved along with the required financial resources.

1.2 Extend strategic sectoral planning efforts to prioritise activities across all sectors of the work program. An emphasis on more strategic interventions should not preclude short-term and capacity supplementation activities, but provide a clearer focus on how changing organizational priorities are determined and managed.

1.3 Establish a mechanism to ensure that:

– all major sectoral programs have a medium term strategy,

– the various strategic sectoral plans are better standardised in terms of consistency of approach, the length of the strategic planning period, and

– more realistic, attributable and verifiable indicators are introduced across all the strategic sectoral plans.

1.4 Clarify the relationship between the organization's "core business" and "core funding" so that it can be used as a basis on which more effective long term planning can be undertaken.

1.5 Align the objectives and performance indicators of the action-oriented project and program plans better with those of the strategic sectoral plans and subsequently with the Secretariat's Corporate Plan.

1.6 Develop a strategy to improve the sustainability of benefits generated by its projects and programs. This might involve:

– the broader adoption of the work attachment and mentoring approach as a key element of the capacity building strategy;

– the Secretariat only manages projects that are consistent with its core business and it is prepared to continue to support in an appropriate form once project funding ceases; and

– each of the Secretariat's projects and programs having a clear sustainability strategy that is annually reviewed.

Secure Funding

The Secretariat will be constrained in planning strategically as long as the organization lacks security in its funding. The short-term funding horizon applied by most donors is not conducive to encouraging longer-term planning and commitments. These financial difficulties are compounded by the limitations of its "core funding". Members need to consider how many additional "non-core" activities can be supported by core-funded management and support services without seriously eroding the level of support for existing activities. This is important given the expansion of the organization's work program through the raising of significant additional "non-core" funds (often also referred to as 'extra' and 'extra-extra budgetary' funds) that, until the recent introduction of the Project Management Fee, did not include an allocation for support services.

A related theme is the need for greater security of funding to encourage and enable responsible longer-term planning. In this context, Australia's three-year funding commitment is a positive development. Adoption of this arrangement by other member-donors would enable the Secretariat to become a more strategic and effective partner organization. This would be especially true if it was combined with greater flexibility in the use of program (or 'extra' budgetary) funds, and possibly even supplemented with increased voluntary contributions, to address the inadequacy of core funding in meeting core business needs. The recent debate within the organization over the meaning and effect of the "same nominal budgetary policy" has given some saliency to the issue of core funding and its impact on the work program.

Recommendation 2: Recognizing that greater funding security could enable the Secretariat to be more strategic and to improve its efficiency and effectiveness as a significant partner organization in the Pacific Islands, it is recommended that:

2.1 Methods for securing longer-term funding commitments for the Pacific Community (such as three-yearly pledges) be investigated to enable more effective and strategic planning of its program. Such an investigation should also include the requirements donors may need to make longer-term commitments.

2.2 Related to this, it would be useful if a greater percentage of funding support for the organization were made in the form of voluntary contributions with greater flexibility in the use of program funds (possibly even untied). Again, this flexibility is likely to require consultation with members and donors to ascertain the preconditions to be met to make such arrangements acceptable.

2.3 It appears highly desirable that "same nominal budgetary policy" be clarified so that all parties understand it in the same terms. If appropriate, some reinterpretation or modification of the policy should be considered. Such a process would need to address the related issue of achieving continuing efficiency gains.

Quality Assurance and Staff Performance Assessment Systems

Donors increasingly expect the Secretariat, as part of its accountability responsibilities, to show that it is delivering quality outputs/outcomes. Moreover, any increased flexibility in the use of donor funds, as recommended above, would depend on increased donor confidence in the appropriate use and acquittal of this assistance. Such increased donor

confidence would require, as a prerequisite, improvement in the QA and the staff performance assessment systems. Similarly, the organization is seeking to link staff remuneration, salary bonuses and promotions to robust staff performance assessments. Thus, for both internal and external reasons, there is pressure to demonstrate effective performance of both staff and activities. It follows that there is a need to more fully develop and document QA systems that represent good practice, monitor both staff and activity performance and assess the quality of the organization's programs and projects. Essentially this requires a recognition by all concerned that members of the Pacific Community have a significant interest in not only knowing about the quality of its programs and projects delivered but also about the quality and 'health' of this important partner organization's systems.

Recommendation 3: A well-developed QA system will improve donor confidence in the organization that, in turn, will promote greater security of funding. Therefore, it is recommended that:

3.1 The Secretariat:

– develop a work plan/timetable for further developing its QA system;

– include planning, activity appraisal, review, financial management and personnel appraisal as priorities in its QA system development;

– consult with donors on the appropriateness of such a QA system. This may help to secure donor support for the use of the organization's systems to monitor the effectiveness of its projects and programs rather than requiring additional measures; and

– allocate additional resources to development of the QA system, probably through the Planning Unit, to enable timely progress with this matter.

3.2 The Secretariat further develops and documents its system of six monthly in-house monitoring of all projects and programs. This system, which involves the key individual(s) within the Executive and the program/project managers, would require an assessment of implementation progress, problems and possible solutions and action plans.

3.3 The Secretariat develop a rolling three-year forward program of in-depth reviews of all projects and programs to ensure that the CRGA/Conference can have confidence in the comprehensiveness and the transparency of the priority setting process of the review program.

3.4 The Secretariat prepares an information paper about good practice principles and standard procedures for project/program management. These would cover inception, design, implementation, and financial arrangements and would seek to encourage standardised procedures in arrangements with donors.

Recommendation 4: That consideration be given to developing a macro-level performance assessment monitoring framework to assist in building a strong long term and sustainable development partnership between donors and the Secretariat. Adoption of this recommendation would require close consultation with members and donors. It is suggested that such a framework would:

• emphasise periodic independent reviews of the Secretariat and the work program as appropriate; a modified Annual Report; results of the annual assessment of the Director General and the Executive; and technical and any significant ad hoc reports provided to the CRGA/Conference; and

• reduce the current emphasis on monitoring the implementation of individual activities.

Efficiency and Transparency

Much of the enhanced position of the organization within the region and amongst donors derives from the Secretariat's perceived success in improving its systems for efficiency and transparency. Nevertheless, the Review Team concluded that there are areas where further gains can be achieved.

Recommendation 5: In the interest of increased transparency, the Secretariat should strengthen its procurement policies. It should :

5.1 Establish a tender committee at both of its finance centres, with independent representation, to ensure that procurement complies with transparency, accountability, competitiveness, and value for money standards.

5.2 Establish and maintain efficient and transparent travel procurement procedures in Noumea using the Suva model as a guide.

5.3 Review business processes to determine management information requirements and to develop a management information model as a reference for future development of these systems.

Recommendation 6: In the interest of increased transparency in the management of its 'reserves', the Secretariat should ensure that:

6.1 The audited annual financial statements include an explanatory note in support of each reserve if the value of the reserve has substantively varied from previous accounting periods.

6.2 Each reserve has a clear statement as to its purpose, the operation of that reserve in terms of movements of funds, and the delegated authority to authorise movements. This information should be detailed in the Annual Financial Statements as an appendix to the accounts.

6.3 The business rules and delegations of authority regarding trusts and reserves are included in the Secretariat's financial regulations and endorsed by CRGA/ Conference.

Recommendation 7: In the interest of improved efficiency, the Secretariat should analyse the effects of foreign exchange movements on the organization and the costs and benefits of different approaches to the management of these resources.

Recommendation 8: In the interest of improved efficiency and transparency, the Secretariat should:

8.1 Develop an accounting manual to improve financial management controls as part of its commitment to better documenting its QA systems.

8.2 Consolidate the financial statements so they include both project and core income and expenditure details.

8.3 Develop an internal audit and change management function with a clear reporting relationship to the Director General/Executive.

Governance

The speed of change within the Pacific Community over the past five years has imposed severe strains on the organization's governance mechanisms. Given that the Pacific Community's governance structures contribute significantly to the organization's high standing amongst PICTs, it is vital that these mechanisms not be compromised.

Recommendation 9: In the interest of strengthening the governance processes

9.1 All working papers and reports for consideration by the CRGA and Conference should be circulated at least six weeks before the scheduled meeting.

9.2 The CRGA held in Conference years meet approximately six months prior to the Conference to assist with the preparation of the Conference.

9.3 A small representative sub-committee of the CRGA be responsible for the Director General's annual performance assessment and report its conclusions to the CRGA. It is suggested that the assessment process would require the sub-committee to meet both on its own and together with the Director General.

9.4 The Secretariat review the format, procedures and timing of all major Regional Technical Meetings (RTMs) to determine the scope for standardisation in their arrangements and their purpose.

9.5 All Chairpersons of the RTMs report on their assessment of the relevant sectoral work program to the first possible CRGA meeting after the Technical Meeting.

Recommendation 10: To strengthen its human resource development and staff performance appraisal systems, the Secretariat should:

10.1 Adopt a structured and strategic approach to human resource development. This may involve undertaking an organization capability audit, establishing a policy of sharing the responsibility for development with staff, and ensuring more rigorous monitoring of staff performance.

10.2 Implement an effective staff performance appraisal system which delineates explicit linkages between corporate objectives, as expressed in documents such as the Corporate Plan and program and project work plans, and staff performance criteria recorded in individual contracts and/or appraisal documents. This system should be closely monitored to ensure compliance with standard procedures and to identify any need for system improvement.

CONCLUSION

In summary, the Review Team considers that the Pacific Community generally and the Secretariat specifically is reasonably relevant, efficient and effective. Nonetheless, this review has found some issues of concern and has suggested areas and means for improvement. The Team believes that the recommendations made will add significant value to the unique and vital contribution of the organization to development in the Pacific Islands and to an important development partner of AusAID. The Review Team hopes that these proposals will prove useful to all parties involved. The Team is convinced of the goodwill and interest that all have shown in continuing and, where possible, improving upon the work of the Pacific Community and its Secretariat. Hence, in conclusion, the Review Team wishes to thank AusAID, the Secretariat of the Pacific Community, members, donors and observers who contributed so hospitably and enthusiastically to the work of the review. It was a great pleasure and of enormous assistance to the Review Team to have such cooperation.

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- the effectiveness of the Pacific Community in producing sustainable outputs and outcomes of benefit to its members and in achieving its corporate goals.

The review was planned and managed by staff in AusAID's Performance Information and Assessment (PIA) section, with the full cooperation of the Secretariat, and implemented by a team of independent consultants.

Overall, the Review Team considers that the Pacific Community generally and the Secretariat particularly is a reasonably efficient and effective mechanism for the delivery of Australian assistance to the Pacific Islands region, and that its work program is relevant to both the needs of its PICT members and AusAID's aid objectives.

This is the summary of the report of the Review Team.