PACIFIC PLAN REVIEW 2013

REPORT TO PACIFIC LEADERS

VOLUME 1

Authors

This report was produced jointly by the members of the Pacific Plan Review—chaired by the Rt. Hon. Mekere Morauta, KCMG, and supported by Forum country representatives Mrs Peseta Noumea Simi and Mr Redley Killion, and consultants Mr Peter Bazeley and Mr Nick Poletti - working together as an independent team under agreement for/contract to the Pacific Islands Forum Secretariat (PIFS). Mr Robert Igara contributed as an Adviser to Sir Mekere Morauta, supported by the Government of Papua New Guinea.

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From the Rt. Hon. Mekere Morauta, KCMG

Review Chair

Port Moresby

31 October 2013

Tuiloma Neroni Slade

Secretary-General

Pacific Islands Forum Secretariat

Suva, Fiji

Dear Secretary-General,

The 2013 Review of the Pacific Plan ('the Review') started its consultations in earnest in late January 2013. Since then the Review team has visited all 18 member or associate-member countries of the Pacific Islands Forum, met more than 700 stakeholders across and beyond the Pacific, received nearly 70 public submissions, commissioned its own studies on specific issues, and researched a large volume of relevant literature. The Review represented, I believe, one of the most substantive consultations about contemporary Pacific issues ever mounted.

Interim papers and presentations were published on the Review's website as they were produced and we benefited greatly from feedback on those. Drafts of the main sections of the report were presented, in the form of working papers and other products, to officials at the Pacific Plan Action Committee meeting in August 2013.

On 4 September 2013, at their meeting in Majuro, I briefed Forum Leaders on the principal conclusions of the Review and our proposed direction in terms of recommendations. Leaders broadly welcomed the direction I suggested and we subsequently agreed that I should submit my report on that basis by the end of October 2013.

I am consequently pleased to present here, for your onward transmission to the Forum Leaders, my report on the Review.

I will not summarise the Review here but I should like to emphasise a few points by way of preface:

While our consultations were both deep and broadly based, they delivered a remarkably consistent message. The region as a whole is experiencing significant social, economic and environmental change and challenges; it is also the subject of new levels of geopolitical interests within and beyond its shores. But the region is vulnerable and it remains significantly dependent on the economies and goodwill of others – again both within and beyond the region.

Citizens are aware and often nervous of these changes and challenges, and are looking for a new level and quality of political debate, policy and cooperation at the regional level – better to guide the region through the short term and to secure the long term in a way that properly reflects the values and diversity of the region while managing the common natural resources on which all Pacific islanders depend.

And there is widespread support for a high-level political forum – the Pacific Islands Forum – to debate these issues, as there is for some sort of framework to guide the process of regionalism.

But, we were told, that debate needs to be more robust and the process of advancing regionalism needs to deliver bigger results: to be genuinely game-changing in terms of mitigating the region's vulnerabilities and dependencies, which will otherwise dog its social, economic and environmental well-being.

My report recommends a number of reforms, aimed at achieving more robust political debate and supporting a bigger, better, deeper process of regionalism. Forum members will need to reflect on how ready they are for deeper forms of integration, including difficult issues such as sharing sovereignty and the recognition of regional priorities that may not always equate to national priorities.

Some of those reforms will not be comfortable to those tasked with delivering on regionalism – the Pacific Islands Forum Secretariat and other Pacific regional organisations included. However, I was encouraged by the commitment to, and enthusiasm for, change among the staff of those agencies, and I hope that you too will feel that this is change worth pursuing vigorously and urgently.

Through your good offices, I commend my report to the Forum's leadership.

Yours sincerely,

The Rt. Hon. Mekere Morauta, KCMG

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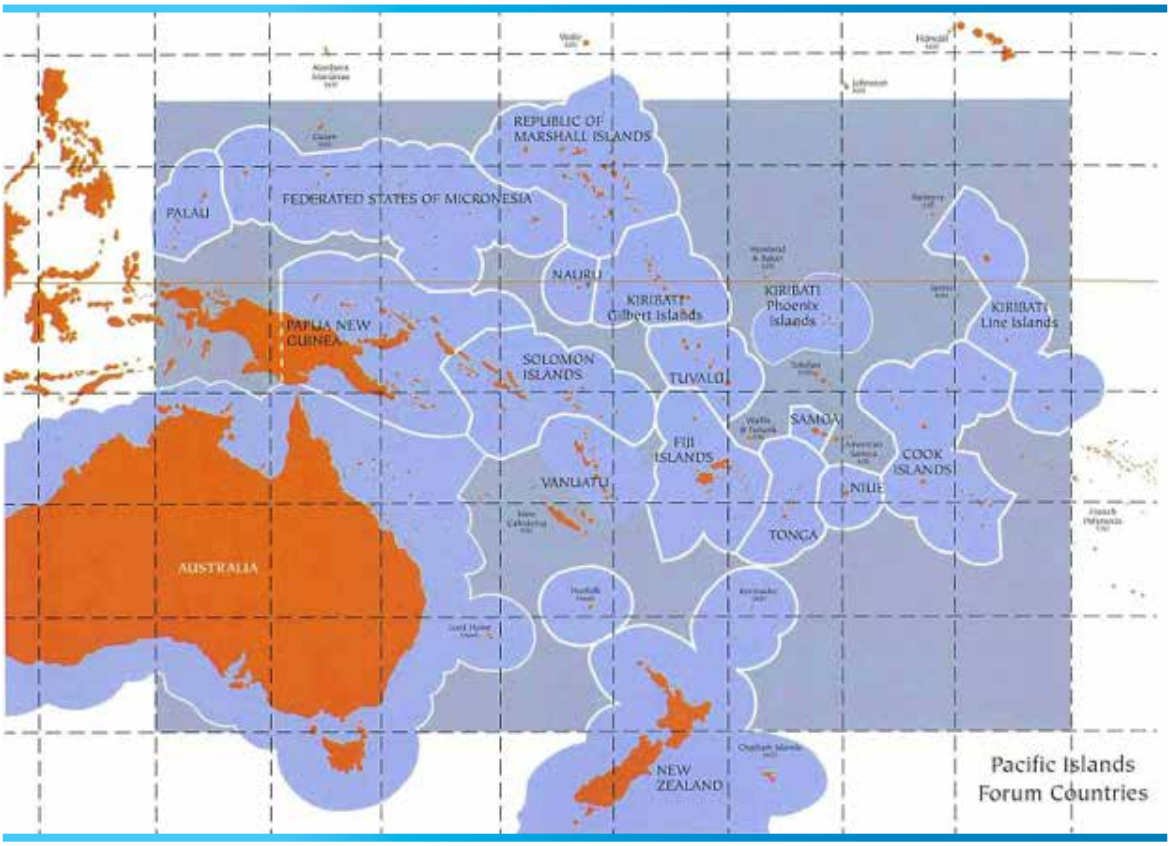
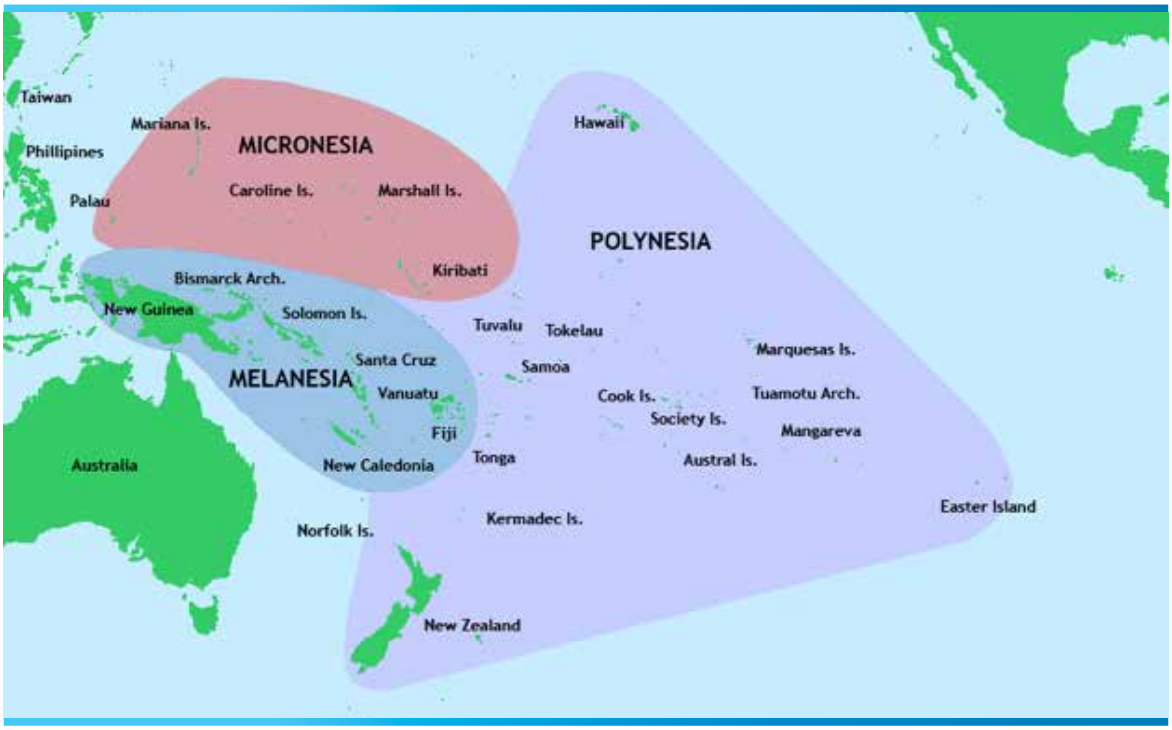
PACIFIC ISLANDS FORUM COUNTRIES



Source: Pacific Islands Forum Secretariat, 2002, Annual Report.

CULTURAL GEOGRAPHY OF THE PACIFIC



Source: based on K.R. Howe (ed.), 2008, Vaka Moana: The Discovery and Settlement of the Pacific.

ABBREVIATIONS AND ACRONYMS

CROP	Council of Regional Organisations of the Pacific
CROP Agencies	The Pacific regional organisations associated with the CROP
FIC/FICs	Forum island country/countries
FOC	Forum Officials Committee
FSM	Federated States of Micronesia
MFI	Multilateral finance institutions
MSG	Melanesian Spearhead Group
NDP	National development plan
NGO	Non-governmental organisation
PIC/PICs	Pacific island country/countries
PIF	Pacific Islands Forum ('the Forum')
PIFS	Pacific Islands Forum Secretariat ('the Forum Secretariat')
PNG	Papua New Guinea
PPAC	Pacific Plan Action Committee
RAMSI	Regional Assistance Mission to Solomon Islands
SIS/SISs	Smaller Island State/States
SPC	Secretariat of the Pacific Community
ToR	Terms of Reference
USP	University of the South Pacific

THIS REPORT

Our Terms of Reference (ToR; Annex 1), and the approach we adopted (Annex 2), led to one of the most substantive processes of consultation and debate undertaken in the Pacific. However, there was a remarkable level of consistency in the messages we received and it quickly became apparent that some aspects of our ToR were more important than others.

This report does not, therefore, aim to rehearse every aspect of the Review process, or to register every opinion voiced. Rather, we present in this report the Review's analysis of the critical issues at stake and of what needs to be addressed.

An Executive Summary follows, providing the most essential findings and recommendations of the Review.

Part 1 of the main report is an Introduction, providing some contextual background to the Pacific Plan and to the Review, and outlining our approach, emphasis and sources of information.

Part 2 presents Our Diagnosis, detailing important issues facing the region, the need and appetite for regionalism, and the current governance and financing of regionalism, and describing what we think would have to be addressed to effect a greater degree of regional integration.

Part 3 discusses a New Framework for Pacific Regionalism. It reconceptualises what the 'Pacific Plan' should be and do, and proposes some next steps. Annex 3 provides further details on what that new framework for regionalism might look like as a document, although, as our report suggests, it requires further political debate and agreement on the principles.

Supporting data and information is provided in Annexes.

A NOTE OF APPRECIATION FROM THE REVIEW CHAIR

I am extremely grateful to the very large number of people who contributed their time, analysis and opinion to the Review, from the dedicated advocates of grassroots civil society organisations, academics, international non-governmental organisations, the private sector and the officials of national and regional bodies, through to the region's political elite.

The welcome that Pacific leaders afforded me and my team, and the candour with which they spoke to us, was remarkable – and pivotal to the outcome.

The governments of Samoa and of the Federated States of Micronesia generously provided the time and inputs of two country representatives to join, assist and guide the Review and to deputise for me when necessary. The government of Papua New Guinea also kindly provided me with an adviser for the Review, who became an integral member of the team. Our two consultants, with their considerable Pacific and wider international experience, provided impressive support to the conduct of the Review.

We benefited greatly from the commissioned assistance of three experts in their fields: Anthony Beattie for his illuminating paper on the governance of international organisations and Professor Vijay Naidu for his peer review of that work, and Margaret Chung for her compilation of contemporary data and statistics on the Pacific.

The government of Australia, without imposing conditions or exerting any influence, underwrote many of the Review's costs through a grant provided to the Forum Secretariat. We, and no doubt the whole Forum membership, appreciate that very much.

Finally, I want to express my thanks to the Secretary-General of the Pacific Islands Forum and his staff – particularly Rosi Banuve, Alex Knox, Sala Mataikabara and Seini O'Connor in the Pacific Plan Office – who supported the Review and who, again without interfering or compromising our independence, met our every request for information, logistical assistance and organisational support with cheerfulness and integrity. It is not easy or comfortable when one's work is the focus of such a Review, particularly in the current context, and we were grateful for their cheerful support and responsiveness.

The Rt. Hon. Sir Mekere Morauta

Review Chair

EXECUTIVE SUMMARY

Part 1: Introduction provides the background to the Pacific Plan and to the Review, and outlines our approach, emphasis and sources of information.

Part 2: Our Diagnosis discusses issues facing the region, the need and appetite for regionalism, and the current governance and financing of regionalism, and presents what we think needs to be addressed.

Part 3: A New Framework for Pacific Regionalism reconceptualises what the Pacific Plan ('the Plan') should be and do, and proposes some next steps.

PART 1: INTRODUCTION

Origins of the Pacific Plan

In 2004, Forum Leaders ('Leaders') embodied in the Auckland Declaration (see Annex 4) an aspirational vision for the region:

> *"Leaders believe the Pacific region can, should and will be a region of peace, harmony, security and economic prosperity, so that all its people can lead free and worthwhile lives. We treasure the diversity of the Pacific and seek a future in which its cultures, traditions and religious beliefs are valued, honoured and developed. We 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 for its defence and promotion of human rights. We seek partnerships with our neighbours and beyond to develop our knowledge, to improve our communications and to ensure a sustainable economic existence for all."*

Leaders agreed to give effect to this vision through:

1. The development of a 'Pacific Plan' to create links between the sovereign countries of the region and to identify where the region could gain from sharing resources, governance and aligning policies.
2. Recognition of the particular needs of Smaller Island States (SISs).
3. Recognition of the importance of cultural identity, regional inclusiveness, sub-regional representation, human rights, women and gender, youth and civil society.
4. Improvement of the way the Pacific Islands Forum ('the Forum') communicates its work.
5. Reform of the Forum's procedures, its meetings, and the role of Leaders, the Chair, ministers and officials.

The plan was endorsed by Leaders in 2005 as the **Pacific Plan for strengthening regional cooperation and integration.**

The 2013 Review

The purpose of the 2013 Review was to assess the effectiveness of the Pacific Plan and ensure that it remains the driver of regional efforts for integration and cooperation. It was to build consensus on the future direction of the Pacific Plan and provide a platform for prioritising regional integration and cooperation efforts over the next decade.

The Review was, among other things, asked to consider governance and priority-setting, and to what extent the regional institutional architecture supports the strategic directions of the Plan.

The Review was also asked to consider how the priorities of SISs can be more effectively reflected.

Terms of Reference for the Review were approved by Pacific leaders, who appointed the Rt. Hon. Sir Mekere Morauta to chair the Review.

Methodology

The Review's principal period of evidence-gathering was from January to May 2013 and sought to establish the breadth of issues that stakeholders perceived as important to the discussion of regionalism. The Review team visited all 18 member and associate-member countries of the Forum, consulting political leadership, government officials, non-governmental and civil society organisations, private-sector representatives, academia, development partners, and regional and intergovernmental organisations. More than 700 Pacific stakeholders were consulted.

In parallel, the Review received almost 70 public submissions, commissioned its own studies, and undertook background research and analysis of the literature on Pacific regionalism.

The Review's interim findings were endorsed by the Pacific Plan Action Committee (PPAC) in May 2013, following which the Review proceeded with a period of further research into specific issues and some second-round consultations.

A draft report, in the form of a series of working papers and other products, was presented to PPAC in August 2013 for the purposes of briefing the region's political leaders and officials.

Because of the political nature of the Review's conclusions, the Chair briefed leaders at a special session of the Pacific Islands Forum in Majuro in September 2013 prior to finalising the report.

The Direction and Emphasis the Review Assumed

Early discussions raised questions, published in interim Review Notes, over (among other things):

- The changing social, economic, environmental and political context for Pacific regionalism;
- What 'regionalism' actually means;
- The unclear translation of the Pacific leaders' original 'plan for regionalism' into a 'regional development plan';
- The institutions and processes surrounding the Plan, particularly with respect to priority-setting;
- The likely pathways to development in the Pacific, where both growth and poverty have particular characteristics.

The team increasingly questioned whether the Plan, in its current form, is driving regionalism or, rather, reacting to events and disparate imperatives emerging from other national and international forums. Ownership of the Plan, it became clear, is limited at the political level.

Improving the Conversation: Defining Regionalism

Regional Cooperation

Regional cooperation has been defined as the development of agreements between national governments where implementation is left to the national level. Regional cooperation has been the principal mode of Pacific regionalism since the 1960s.

Examples of regional cooperation range from joint statements on climate change to the projection of wider international norms and values into the Pacific, such as the championing of gender equality, good governance, anti-corruption, democracy and the rule of law.

Regional Integration

In some cases, regional cooperation has led to a deeper form of regionalism — regional integration through the creation of supra-national bodies to deliver services, and through moves to increase economic integration.

Reasons for pursuing integration include:

- Realising economies of scale through regional provision of services;
- Delivering regional public goods;
- Creating larger markets and improving resource allocation; and
- Overcoming national capacity constraints.

A Plan for Regional Development?

The Pacific Plan, as originally conceived, was a plan for regional cooperation and integration, focusing on initiatives that were more efficiently or effectively delivered at the regional level. But the Plan has been reinterpreted by some as something more akin to a 'regional development plan' for the Pacific.

A regional development plan would need to:

- Be comprehensive – covering all government activities in the region. National development plans would need to align with it;
- Prioritise expenditure across the region and be backed up by a regional budget process; and
- Involve redistribution between states in the region, and within states.

This would require substantial pooling of sovereignty.

While there is nothing incoherent about the suggestion that the Pacific Plan could be a regional development plan, it is clear that in the absence of any decisions on pooling sovereignty, regional systems for budgeting and spending funds, transfers across the region, and the subordination of national development plans to the Pacific Plan (none of which is currently in existence to any substantive degree), it is not accurate to say that the Pacific Plan is a regional development plan. It is a plan for progressing regionalism.

From Regional Integration to Federalism

Moves towards market integration usually require some pooling of sovereignty. While there is a continuum between this and full federalism, it is important to recognise that there are many way-stations along this path and there is no inevitability about moving from one point along it to the next. It may be that the nations of the Pacific have no desire to move past some form of economic integration; however, it is equally possible that some parts of the Pacific do. Determining how far the Forum members wish to go along this path is the prerogative of the people of the Pacific and their leaders.

PART 2: OUR DIAGNOSIS

The Region, and the Regionalism, We Found

There is a compelling argument for regionalism: Pacific economies, with small populations and tax bases on which to draw, need to do all they can to leverage voice, influence and competitiveness, and to overcome their inherent geographical and demographic disadvantages. The Pacific leaders' original intent to develop "a Plan to create links between the sovereign countries of the region and identify where the region could gain from sharing resources, governance and aligning policies" is even more valid than it was at the outset.

The strength of this vast but low-populated, diverse region is its social and natural capital. This implies a nuanced interpretation of 'growth' and 'poverty', of pathways to development, and of the centrality of culture, religion and societal values, in any consideration of 'the region'.

New Vulnerabilities

However, according to some estimates, by 2015 the Pacific will constitute the slowest-growing region of the world – effectively meaning that it is going backwards rather than forwards. In aggregate, the Pacific region is significantly off-track to meet many of the Millennium Development Goals.

But Pacific citizens have real concerns about other, more complex, vulnerabilities and uncertainties as the region grapples with modernity and the inevitable forces and processes of globalisation, including the erosion of natural and social capital, evolving social structures as new forms of employment and migration evolve, monetisation, the impact of foreign investment and new interpretations of 'insecurity'.

Thus, regionalism is not just about geography and economics: it is also about the governance of a region that is, collectively, under increasing strain, and whose societies are experiencing new vulnerabilities, including new forms of poverty.

But economics is important, too, and again, regional governance needs to address the diseconomies of scale that exist, the high costs of doing business in and across the region, and of slow, expensive and unreliable transport and communications.

Multiple Dependencies

Vulnerabilities are exacerbated in the Pacific by multiple dependencies, which serve to define the ability of the region to respond: aid and aid flows, the predominately foreign nature of investment, limited access to markets, constrained abilities to travel and communicate, restricted pools of skilled labour – and, of course, climate change.

An overriding observation is that, for many things, Pacific development is – or is often perceived to be – something that happens through supra-national agency. And that is frustrating to many Pacific citizens and politicians.

The State of Pacific Regionalism

The kind of regionalism envisaged under the Leaders' 2004 Auckland Declaration – of sovereign countries of the region gaining from sharing resources and governance, and aligning policies under the auspices of a Pacific Plan – has been slow to emerge. But there are nonetheless some significant examples of regionalism in the Pacific.

In terms of regional cooperation we see some sharing of common technical and developmental resources – through the commonly owned (but mostly aid-dependent) technical agencies. The University of the South Pacific has delivered societal benefits across the region that few countries could provide themselves. Pooling of resources among Pacific island countries in sea and air transport services improved frequency and reliability for a while, but ultimately failed, as did attempts to institutionalise common bulk purchasing of fuel and pharmaceuticals. Many aid-funded development programmes assume a regional nature.

However, those impact and efficiency gains are not universal, and there are also costs and inefficiencies in such multi-country programming.

Deeper forms of regional integration have been slower to emerge, but the common management of oceanic fish stocks has been largely successful. The Pacific community has rallied to ensure safety and security in times of civil unrest and potentially contagious instability. The Pacific as a whole is listened to more, and is better off as a result, when it has successfully presented itself and its values collectively – on such important issues as a nuclear-free Pacific, and climate change.

Similarly, the championing of common norms and standards on such things as gender, education, audit and trade has exemplified the sort of benefits to be derived from an integrated regional approach. The Forum Compact has championed best practice across the island countries, and pioneered a world-leading peer-review system, in managing aid effectiveness and development effectiveness.

However, these – comparatively few – long-standing examples of Pacific regionalism have diverse origins. They cannot be said to be the result of regular, purposeful, institutionalised, contemporary political processes and dialogues about the future of the region.

Neither can they be said to be products of the Pacific Plan, although the Plan captures them in its oversight of regional initiatives.

The Role of Pacific Regional Technical Agencies

The technical agencies of the region – separately governed international membership organisations falling under the non-mandatory coordination of the Council of Regional Organisations of the Pacific (CROP) – are often seen as the implementers of the regional agenda. This was not a review of the CROP agencies, but it was nonetheless clear that they deliver technical excellence, and are valued.

The place of the CROP agencies in prosecuting regionalism is an interesting one from a political perspective. Their activities are almost invariably 'in line with' the Pacific Plan, and they are a necessary resource for its implementation. There is therefore an assumption that the CROP agencies are the embodiment of regionalism: that regionalism is the product of the CROP agencies' work. However, the Review takes the view that regionalism is in the first instance a political, not technical, process. This Review did not recognise such a robust political dialogue about regionalism. While cooperation at a technical level is relatively good across the Pacific, hard political choices being made about economic integration and the future of the Pacific are much more difficult to pinpoint.

The Right Conversations Are Not Taking Place

A consistent message that the Review received across the Pacific is that citizens feel that the right conversations are not being had about the region's new vulnerabilities – social, economic, political, cultural and environmental – and that citizens' voices about the kind of Pacific that is emerging are not being heard in the absence of coherent, effective regional governance.

The Pacific Plan

On one hand, the Pacific Plan is described as the 'master strategy' for driving Pacific regionalism; it is the framework for the collective action; it defines the structure and functions of the CROP agencies. Stated relevance to the Plan is used as a justification for the funding of regional initiatives. Plan priorities, endorsed at the highest level of Pacific leadership, are assumed to define and shape the course of development in the region.

On the other hand, the Plan is not widely known about beyond its immediate stakeholders. It has so many priorities, and is so broadly framed, that it effectively has no priorities. It is not mandatory, and carries no powers of enforcement. It has no budget, timeline or robust indicators of what success looks like. It lacks ownership.

Significantly, reports of progress under the Plan struggle to identify and articulate outcomes and impacts: change often has to be described through the proxy measures of the activities of national and regional implementing partners.

For many Pacific citizens, the Plan and its implementation just aren't making enough of a difference.

Yet leaders do attach importance to the Plan and to getting it right. Indeed, a clear and consistent message from the Review's consultations is that:

1. The principles espoused by the Pacific Plan, of creating links between the sovereign countries of the region and identifying where the region could gain from sharing resources, governance and aligning policies, remain valid and important, even if they have not progressed rapidly; and
2. A framework for articulating and guiding the priorities and processes of regional integration is still needed.

Surrounding Institutions and Processes

Prosecuting Pacific regionalism is a political agenda: a pan-Pacific political discussion about values, vulnerabilities and dependencies that must be resolved through political choice and policy measures. It is about making political choices on, perhaps, such complex matters as sharing sovereignty, pooling resources and delegated decision-making.

Crucially, it needs to recognise the need for space and time for collective leadership on Pacific regional issues that cannot be resolved by single nations acting alone.

So if that is the need, and if we have a forum (the Forum) for such political debate, and if we have a vehicle for advancing regionalism (the Pacific Plan), then why has it not progressed with greater scope, scale and speed?

It became clear that the answer lies in an examination of the institutions and processes that surround and support the Plan. It seemed likely that the governance and financing of regionalism, and the organisations that prosecute regionalism, were at the heart of why the original political vision for, and ideals of, regionalism had been 'lost in translation'.

What we found was a lack of space in the Forum for the kind of political conversations needed. Instead, we found a largely officials-led process, in which clarity over who are the principals in, and who are the agents of, regionalism has become confused. A priority-setting process in which the agents of regionalism are incentivised to prosecute their own agendas, whereby the importance of having the agents' technical agendas prioritised in the Plan, for funding purposes, is perceived to be of such importance that it starts to drive and determine the whole priority-setting process of the Plan.

The result is the prosecution of an agenda that is 'in line with' the Leaders' vision of regionalism, but that is not necessarily representing political choice or strategy, or – it is clear – yielding the pace, scale and quality of change that is needed to achieve meaningful levels of regional integration.

This led the Review to its primary, most central, conclusion: what is needed to progress regionalism is not a revised list of priorities, but an overhaul of the processes, institutions and governance of the Plan.

The Governance and Financing of Pacific Regionalism

The Pacific Plan is about translating high-level aspirations about regionalism into change resulting in tangible benefits for Pacific society. The vehicle is an international membership organisation – the Pacific Islands Forum (PIF) and its Secretariat (and other related organisations: the CROP agencies) – and within that Forum the mechanism is the deliberation of a board – PPAC.

Governance is about this process of translating the wishes of an organisation's owners into a performance that efficiently and effectively yields desired outcomes and impacts. In this case the desired outcomes and impacts are improved regional cooperation and deeper social, economic and political integration.

International Governance

The governance of international membership organisations is notoriously fraught. There are inherent tensions and difficulties in reconciling the diverse interests and perspectives of individual member countries with the need for a single collective position on supra-national issues. The executive functions and responsibilities of 'boards' become confused with the need for, and comfort of, 'representation'.

These inherent difficulties are often further complicated by how and whom the organisation is financed. Cash-strapped developing countries will rarely be able to prioritise supra-national activities and investments above more pressing national requirements. So, as with PIFS and many of the CROP agencies, a significant component of the financing of international collective action is typically derived from the donor community.

Governance Questions are Central to the Pacific Plan

A fundamental conclusion of the Review is that it is very difficult to see how the Pacific Plan, or the processes surrounding it, are driving regional integration with the scope, pace and scale intended or necessary. The processes around the Plan appeared to the Review to be dominated by bureaucratic and institutional interests, the result being that the Plan contains too many priorities, often of the wrong sort. How has this come about?

Governance of the Pacific Plan

Oversight of the Pacific Plan is provided by the PPAC, whose role is to "review implementation of the Pacific Plan and provide high-level advice to Leaders on strengthening regional cooperation and integration".

PPAC comprises representatives of every Forum member and associate member, as well as executives of each of the CROP agencies. The PPAC Chair and members receive no induction, nor do they accede to any formalised accountability, or to any executive responsibilities (as regards the Pacific Plan) between meetings.

The direct cost to the Secretariat of convening a PPAC meeting is approximately FJD120,000 (±USD64,000).

The convening of a PPAC meeting (for which airfares are paid) back to back with a Forum Officials Committee (FOC) meeting (for which airfares are not paid) creates incentives that serve to shape the governance of the Forum and the Pacific Plan:

- PPAC meetings essentially fund member countries' participation at the FOC;
- The same person will usually represent a member country at both meetings;
- Representation at PPAC meetings often not including development specialists.

There is a view that there is duplication in the memberships and functionalities of FOC and PPAC.

PPAC's Ability to Provide 'Governance'

While PPAC may be a comfortable forum for ensuring that member countries are represented, it is difficult to see how such a large committee, with significant variation in attendance and backgrounds, can be the most effective decision-making organ for what is effectively a managed project (the project that is the prosecution of Pacific regionalism). The task at hand is not one of representing national or organisational interests but one of seeing to the development and implementation of a collective supra-national agenda handed down by the region's leaders.

Our review examined the steps involved in establishing the agenda for the Leaders Forum (as far as the Pacific Plan is concerned) and found that it is heavily influenced by the views of officials and technocrats, and organisational priorities, and rather less by those representing the region's political interests and values. Yet the Forum is the region's 'peak political body', and the Pacific Plan is fundamentally about the expression of social and political values and making hard political choices.

Financing the Plan

Support for the delivery of international public goods is typically heavily dependent on the wider international community, and that is as relevant as it is understandable. Hence about 80% of the CROP agencies' total annual budgets are derived from donor finance. Furthermore, just two donors – Australia and New Zealand – provide the great majority (around 70% in the case of PIFS) of that external finance.

However, donor financing of international membership organisations invariably brings with it tensions and frustrations. On one hand, accusations abound that donors ultimately control, through the 'power of the purse', the programme of an otherwise sovereign membership organisation and, on the other hand, that anything less than a hands-on approach by donor agencies will not suffice in terms of meeting legitimate accountability requirements to their taxpayers.

Bilateralisation

Managers within the organisation become as frustrated with governance as do donors, while both remain keen to get initiatives funded. The environment is then set for the 'bilateralisation' of the multilateral organisation's agenda: the direct financing of initiatives, outwith the organisation's priority-setting or governance processes, by donors effectively contracting directly with parts of the organisation. So starts the marginalisation of governance and increasing bilateralisation, and through that the erosion of ownership.

Pacific regional organisations mostly struggle to secure the funding they need. The temptation is consequently great to accept increasingly diverse sources and forms of donor finance. Care needs to be taken to ensure that agencies established with a clear mandate to progress a particular agenda do not thus become 'project hotels' for an increasingly diverse and off-mandate set of transactional activities.

The Review supports previous recommendations that PIFS, for example, should not be implementing projects and programmes on behalf of donors: its role is a political one, not a project management one. But that then reinforces the need for non-earmarked, non-programmatic (i.e. 'core') funding. And that will only ever be possible so long as governance is rated highly.

Where donors are also bona fide members of the organisation it then becomes important to separate clearly – and be clear about the purpose of:

1. The discussions that a member may rightfully wish to have relating to their status as one of many equal members of the organisation (and what they expect to get out of their membership); and
2. The discussions that that same country will also legitimately wish to have about the utilisation and effectiveness of its aid investment in the organisation – regardless of whether or not they are also members.

What Would Have to be Addressed?

From this discussion the Review concludes that the following would need to be addressed for Pacific regionalism to progress with the necessary scope, pace and scale:

- The Pacific Plan needs to be seen more explicitly as a political rather than technical process in which game-changing agreements are reached and subsequently prosecuted, such that the Forum island countries (FICs) better leverage voice, influence and competitiveness to overcome their inherent geographical and demographic disadvantages.
- The Pacific Plan thus becomes a framework for, specifically, advancing Pacific regionalism, rather than any form of 'regional development plan'.
- Pacific regionalism needs to be seen as a decades-long, but actively managed, project with different countries (or sub-regions) entering into different forms of cooperation and integration in different places at different times.
- The institutions and processes supporting the prosecution of this Pacific regionalism project need to be overhauled:
    - to support better a political, as opposed to technical, conversation;
    - to identify, advise on and implement game-changing political initiatives that bring about significantly enhanced levels of regional cooperation and integration;
    - to operate and collaborate more efficiently, through more predictable and sustainable, and less distortionary, forms of financing; and
    - to be governed in such a way that the totality of effort constitutes the strategically right thing to do to achieve the aspirations of the Pacific's leadership as regards regionalism. (As opposed to being merely 'in line

with' a regional agenda.)

- Arrangements for the Pacific Plan's governance and accountability – notably the construction and remit of PPAC – need to be revisited.
- The reform of these processes and institutions needs to be managed as a project in itself – with appropriate oversight and with the necessary technical advice.
- While much of the reform will be internal to the Forum and PIFS, and to some extent to the wider regional institutional architecture, there are also important issues to be considered by the region's financiers – about the security and predictability of the funding that allows Pacific regional organisations to deliver on their mandates, and about the characteristics and wider implications of the Pacific's development.

PART 3: A NEW FRAMEWORK FOR PACIFIC REGIONALISM

Overview

The Pacific Plan needs to be reimagined as a journey towards deeper regional integration. It is not simply a set of initiatives aimed at delivering more efficient and effective services. It needs to be recast as a project, grounded in a shared culture and approach, aimed at constructing a common polity. This is a political project that must be driven by Forum Leaders, and it is this that the current Plan, and processes associated with it, have lost sight of.

There is a need for an overhaul that addresses not just the documents, but also the system and incentives that surround them. There is a need to go back to the original vision of the Pacific leaders who launched the Plan: to a plan that advances the political and institutional aspects of regionalism (as opposed to being a 'coordinating mechanism' for region-wide activities); a plan that covers only regional initiatives – services that are more efficiently or effectively delivered at the regional level – and that is supported by processes that ensure the initiatives are manageable in number, of the highest priority and drive increased integration; a plan that gives political voice to the vision of a united Pacific as articulated by successive generations of Pacific leaders.

A key attribute of the Plan is its link to the Forum Leaders: no other document has this. Initiatives under the Plan must reflect this opportunity: they should be about regional integration and regional cooperation at the highest level and they should require the attention of Leaders: if they don't, they should be sent to other forums for decision.

Key to this transformation is a move away from the idea that the Pacific Plan is a 'plan' – either a regional development plan or a more conventional one – and towards what the Review is calling the New Framework for Pacific Regionalism ('the Framework'). This new Framework needs to:

- Be more politically led, relevant, inclusive and value-adding;
- Articulate a path towards increased regional integration that is owned by leaders and understood and supported by citizens;
- Be flexible enough to cope with the region's diversity;
- Accept differing pathways to development;
- Recognise vulnerabilities and resilience in dealing with modernity;
- Contain a robust public policy process rather than a plan;
- Be manageable and managed; and
- Consider (complex) governance and financing issues.

Changing the System

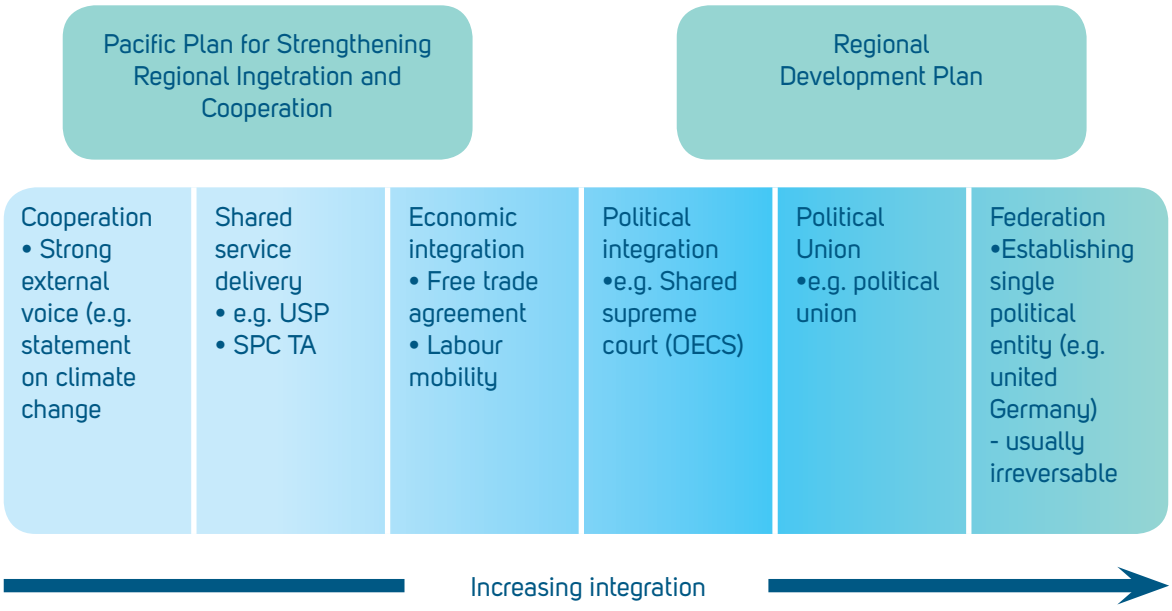
There is a need for comprehensive reform to the processes, institutions and meetings that support the Plan. Key elements of this change include:

- Forum meetings in which Leaders think about the bigger picture, including the political processes and settlements needed to progress regional integration;
- An open, transparent prioritisation process owned by Leaders that distinguishes the regional from the national;
- The development of a robust public policy process that delivers high-quality, impartial advice to Leaders (independent from existing regional organisations and not skewed by stakeholders, bureaucratic and otherwise);
- Further empowerment of regional organisations and regional meetings: CROP agencies have their own governing bodies that can and should do this;
- Efficient and effective donor support for regionalism; and
- Changed incentives: current incentives do not always align with the best interests of the Plan and the regional project.

Paths to Deeper Integration

Progress on economic integration has been limited and progress towards political integration through shared regulation has been almost non-existent. A critical part of resurrecting regionalism is articulating and agreeing on a path to regional integration that sets out possible further steps on the journey to a more economically and politically integrated region. The new Plan should include such a path.

A Path for Pacific Integration



However, it is important to acknowledge that no consensus exists to go down such a path, although Leaders have said that this discussion should be happening. Given the diversity of the Pacific, it is likely that groups of countries will proceed at their own pace (or not at all) down this path, and regional processes must be flexible enough to cope with differing speeds and approaches to integration.

Building Momentum and Ownership, and Improving Communications

Another key aspect of resurrecting regional integration in the Pacific is building momentum, understanding and ownership of the project. Steps include:

- Improving communications;
- Addressing social, cultural and political barriers to regionalism – including the development of trust, goodwill and leadership;
- Ensuring flexibility – to respond to a changing environment, including threats to integration and to values, changing external influences and partnerships;

- Embracing sub-regionalism as a natural building block of wider regionalism; and
- Identifying some quick wins to build credibility and momentum.

A New Framework for Pacific Regionalism

The Review calls for a paradigm shift in how regional integration and cooperation is perceived and presented. As part of this, there is a need to reconceptualise and rename the Pacific Plan itself as something that articulates a regional vision/strategic direction for the Pacific, *plus* a set of processes that enable Leaders to identify and implement initiatives they believe are needed to move the regional project forward.

The new Plan should be nothing more than this: a strategic superstructure that covers the vision, values and strategic direction articulated by Leaders plus some processes that prioritise initiatives. It will not contain a set of initiatives.

The Review favours a New Framework for Pacific Regionalism, in two parts:

Part 1: A New Framework for Pacific Regionalism, comprising four sections:

1. Vision. Support for the current vision is widespread, but Leaders should reflect on it and update it;
2. A Statement of the Region's Values, as articulated in current and recent Forum processes, including through Leaders' declarations;
3. A Statement on a Strategic Direction for the Pacific, covering the situation facing the region, its challenges, its many strengths and the compelling arguments for working together and moving towards a closer union; and
4. Paths to Deeper Integration, illuminating the possible forms of deeper sorts of integration. This is a critically important.

Part 2: Prioritising Initiatives would have two sections:

1. A Process for Prioritising Initiatives (not a list of priorities); and
2. Monitoring and Evaluation.

Annexes should cover detailed processes and criteria for selecting initiatives.

Delivering Results: the Need for a New Process

Despite efforts to reduce their number, the Pacific Plan still contains too many priorities. Too many priorities dilutes management attention and diminishes accountability.

There is a need to redesign the prioritisation process so that fewer, higher-priority issues get on the agenda. The new process should be more transparent, more inclusive, give rise to a more manageable number of regional priorities, be simple, be independent, be supported by proper and timely analysis, and ultimately be under the direction of Leaders, and it needs to begin at country level.

Addressing the Pacific Plan's Governance

Many and diverse activities are draped in the flag of the Pacific Plan and regionalism, but relatively few can be said to be part of a considered, driven strategy to achieve the aspirations of the region's political leadership, or the expression of the region's evolving political and social values.

One of the Review's primary conclusions is that the configuration, roles and accountabilities of the Pacific Plan's governance arrangements are not fit for the purpose of driving the strategically managed, long-term, game-changing initiative that the Pacific regionalism project represents. Current arrangements result in confused and compromised principal–agent relationships, the agenda is established principally through bureaucratic and technical imperatives rather than political choice, and decision-making is ultimately reactive rather than proactive.

The Pacific Plan Action Committee

PPAC is too large, too part-time and too cumbersome to discharge its role of identifying and advising Leaders on policy options in progressing regionalism, and of directing the development and implementation of the Pacific Plan. It can neither drive nor be accountable for its results.

The Review cannot see how the scope, pace and scale of what is needed to progress meaningful, game-changing regional integration can be achieved in the absence of more dynamic and proactive governance arrangements.

A More Effective 'Board'

If the Plan is to retain its relevance, it should be recast so that it is about driving a political process of regional economic and political integration. This fundamental change in the nature of the Plan needs to be reflected in the processes and institutions that support it.

In particular, PPAC needs to change to reflect a new role that is about implementing the Leaders' vision for the Pacific rather than representing national and organisational interests in regional programming. So this is not the work of a committee of representatives; rather, what is needed is a small group of active executive directors who represent the collective will of the Leaders and who are charged by them with directing the regionalism project.

The Review proposes therefore that PPAC be re-established as a much smaller board – *a Board for Pacific Regionalism* (the 'Board') – to direct the reinvigorated process of progressing regionalism.

The Board will have a clearer role, improved governance arrangements and fewer members than PPAC (this is elaborated in the main report).

The Implications for PIFS Capabilities

The Review was not asked to consider the wider functions and capabilities of PIFS as a whole, but our recommendations suggest an upping of the game in terms of the Forum

Secretariat's ability to support more independent, evidence-based policy choices in Pacific regionalism. PIFS needs to be able to identify more proactively the big-picture political, social and economic determinants of progressing regionalism and advise Leaders accordingly. It then needs to have the authority and capability to harness support for, and champion, such reforms, and to account for progress at the level of outcomes and impacts.

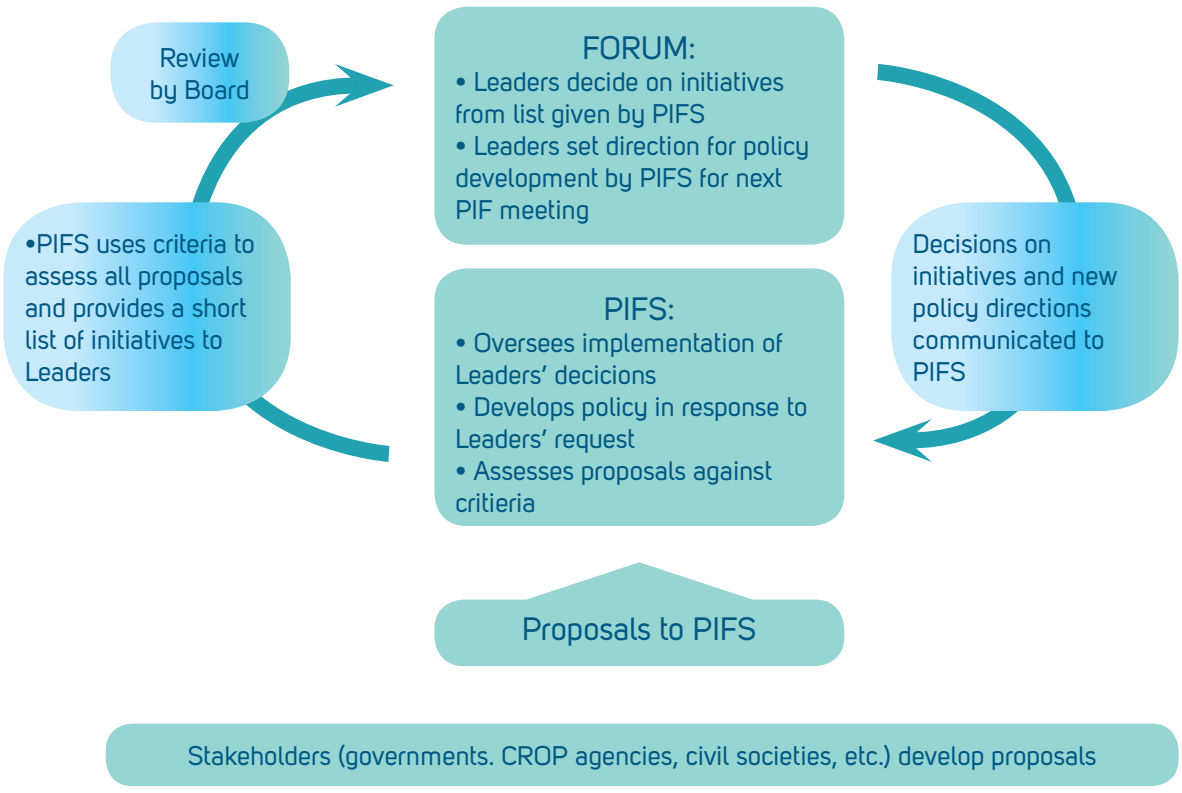
The Wider Governance of Regionalism

The Review was not mandated to consider the regional institutional architecture or, by inference, the governance of the nine autonomous Pacific regional organisations that, under the 'coordination' of the CROP, play an important role in the implementation of the Pacific Plan.

However, it was clear to the Review that many questions remain about the efficiency of the wider regional institutional architecture and the effective governance of such a network of regional organisations. Many would say that wider reform of the regional institutional architecture, and its governance, represents unfinished business.

Overview of the New Process

Schematic of the Proposed New Process



Key elements of the proposed new process include:

- A clearer role for PIFS, including a mandate to act as the guardian of Forum processes;
- All stakeholders will be able to propose initiatives they believe meet the criteria established by PIFS and approved by Leaders;
- Regional ministerial meetings will be empowered to take decisions without referring them to Leaders; and
- Progress on all initiatives will be reported on annually.

Improved Criteria for Prioritising Initiatives

The November 2007 revision of the Pacific Plan included tests for regional approaches: a market test, a subsidiarity test and a sovereignty test. The Review endorses the 2007 tests but they need to be clarified if they are to be more effective. They also need to be supplemented with additional measures if they are to effectively reduce the number of initiatives going forward to the Forum:

- A net benefit test;
- A political test;
- A 'success' test; and
- A duplication test.

These are elaborated in the main report.

Implementation

Progress on implementing regional initiatives – particularly those that involved regional service delivery – has been mixed. The reasons are complex and probably often project-specific, but some common issues appear to be:

- Failure to secure (or provide) sufficient political oversight to enable the sorts of difficult decisions that some initiatives required;
- No clear implementation plan, with timelines, responsibilities and a risk-management strategy;
- Not all PIFS staff have had project management training;
- Projects were begun without an understanding of their cost;
- Projects were begun prior to securing adequate funding and support;
- Failure fully to recognise the incentives at play and to take action to change or mediate them;
- Failure to secure the support of donors and other key stakeholders; and
- Failure to define linkages from country, regional and global processes.

Improving Pacific-wide Development Effectiveness

Many Pacific island countries (PICs) will remain dependent on aid flows and foreign assistance for a long period of time yet. Aid as a percentage of Gross National Income – a measure of aid dependency – has risen over the last decade across the whole Pacific, with the exception of the United States Compact countries and Papua New Guinea, placing four PICs in the top six most heavily aid-dependent countries in the world.

The importance of this aid in terms of being effective and being provided in a way that reflects the unique challenges of sustainability in PICs – and the longevity with which aid flows – is absolutely paramount.

But the quid pro quo for more efficient and effective forms of aid flows and transfers has to be improved governance and accountability in the institutions that translate aid flows into development outcomes.

For these reasons we see a major role for the region's peak political agency – PIFS – in more robustly championing with the donor community improved coordination, alignment, ownership and harmonisation, and a greater results focus, on behalf of its whole membership. The Forum should build on its gains from the Forum Compact to become an engine of debate, a champion of good practice, an advocate of reform, a setter of norms and standards, and a source of practical advice and support to its members, as a knowledge hub, in the field of improved development effectiveness in the Pacific.

Responding to the Needs of Smaller Island States

Unsurprisingly, some of the Smaller Island States exhibit the most acute vulnerabilities and dependencies of any, and it is in some of these SISs that we are seeing new – and unacceptable – forms of Pacific poverty.

The benefits of being truly more integrated within the region and with its metropolitan neighbours, of significantly improved movement of people, goods and services within and beyond the region, and of increasingly sharing resources, governance and aligning policies, will likely be of greatest impact in the SISs. This would be particularly so for the central Pacific SISs that are not de facto already integrated to some degree with New Zealand or the USA.

The Review attaches particular importance and urgency to addressing the long-term social and economic sustainability of the Pacific SISs through meaningful regional integration, but is unsure that a separate 'SIS strategy' under the Plan is appropriate, for two reasons:

1. The SISs require 'game-changing' shifts in the way they do business and integrate more robustly with their Pacific and metropolitan neighbours. Such transformational adjustments, which represent the crux of regionalism, will not be achieved through a list of project interventions but through political dialogue and new political settlements about their dependencies on others, and their practical – tangible – integration with bigger economies (including, probably, settlements on the scope and form of foreign assistance in the medium to long term); and

2. The central thrust of the Review's recommendations is that taking regionalism forward is a matter of putting in place a better priority-setting process, rather than prescribing – in a 'plan' – a revised set of priorities. One of the explicit criteria we are recommending for such an improved, more politically driven, priority-setting process is that the special requirements of the SISs are addressed.

We propose that SIS initiatives be dealt with through the same PIFS-managed processes as those initiatives that are to be considered at the Leaders Forum: they will be nominated by members or other stakeholders, and PIFS and the new Board for Pacific Regionalism will assess proposals against the above criteria and generate an agenda for the SIS meeting.

Implementing Agreed Recommendations and Change

Political Leadership of Change

A key theme of the Review has been the need for greater political direction of regionalism, and it is the political leadership of the region that must decide and drive the reforms explicit or implicit in the Review's findings. For these reasons the Review recommends that the organisational and governance reforms deriving from the Review are overseen and directed by a temporary leadership-level 'council' ('the Council'; a sub-committee of the Leaders Forum). The Council should have the Leaders' mandate to decide, as oppose to simply advise, on change within agreed bounds, and will ensure that the scope, scale and pace of reform is as the Leaders would wish.

Managing the Process of Change

The Review has major implications for PIFS, including a much more proactive role in regional policy analysis, as the primary adviser to the Forum meetings, and the conduit to the Leaders Forum in terms of progressing regionalism. The Secretariat was not designed for, and is not currently equipped to play, this role.

Importantly, PIFS needs to take ownership of the new arrangements and processes. To this end it needs to be intimately involved in the implementation of the Review and the changes that this brings. In order to do this well, it is critical that the Secretary-General of the Forum be able to access professional assistance to manage what is a major process of change. The required actions are set out in the main report.

Relaunching Regional Projects

The Review is not recommending priority initiatives – rather, it has recommended a process through which candidates need to be put. It has, however, compiled a list of possible regional initiatives (or candidates) as suggested to it by stakeholders during its consultation.

Engaging With Non-state Actors

The Review's proposal to open up the process for nominating initiatives to all stakeholders

will, if adopted, provide non-state actors with a clear route through which they can seek to progress matters that are important to them through the Pacific Plan – provided that they meet the requirements for submissions (the initiative is genuinely regional, important, etc.). The Review proposes that civil society and the private sector are represented on the Board for Pacific Regionalism.

RECOMMENDATIONS

Recommendations are set out in the relevant part of the main report and are also listed on page 32 immediately following.

THE REVIEW'S RECOMMENDATIONS

Recommendation 1: PIFS works with multilateral finance institutions (MFIs) to offer PICs the opportunity to develop more highly prioritised growth strategies, designed so as to be within their capacity to deliver, covering the particular set of opportunities for growth that face them.

Recommendation 2: PIFS works with relevant CROP agencies to investigate the merits of reforming the management of the southern albacore fishery and establishing a self-funding secretariat to assist PICs with the development of seabed mining.

Recommendation 3: PIFS expedites its work on developing concrete policies on sustainable development for the region to use and policy to help the countries and the region manage trade-offs between the different elements of sustainable development.

Recommendation 4: PIFS works with relevant CROP agencies to investigate how to improve knowledge-sharing in the area of sustainable development.

Recommendation 5: PIFS works with one or more of the multilateral development organisations to examine the following issues:

- What, in the Pacific context, is a 'reasonable' standard of living?
- How close can different PICs reasonably expect to get to this level of per capita income over the next 20–40 years?
- What is the cost of government service delivery to a 'reasonable' level?[1]
- What is the cost of a 'reasonable' standard of governing – e.g. a reasonable court and justice system, parliament, etc. – in these countries?
- Can assistance be delivered in a way that does not undermine enterprise, compromise the culture of the islands, or generate unacceptable side effects?
- How much of a role can increased labour mobility play in reducing this gap?
- Who is going to deliver this assistance and how can this be made politically and economically sustainable?[2]
- What is the quid pro quo (e.g. further improvements to public financial management) for providing this assistance and how will it be decided?

Recommendation 6: PIFS works with PICs and multilateral development agencies to develop uniquely Pacific indicators of both poverty and progress.

[1] There are reasons for believing that the cost of service delivery for SISs may be much higher than for larger countries and that sharing services will not reduce the cost of this much at all: see http://devpolicy.org/pooling-pacific-20130625 for a discussion of this.

[2] See World Bank, 2011, Discussion Note: Pacific Futures, World Bank, pp. 19–22, for a useful commentary on these issues (accessible at http://devpolicy.anu.edu.au/pdf/2012/Discussion_Note_Pacific_Futures.pdf).

Recommendation 7: PIFS explicitly debunks the misunderstanding – and thereby removes the significant consequences of – the myth that an issue or an initiative must appear in the Pacific Plan if it is to attract funding. The Plan is not a regional development or funding plan, but a framework for, specifically, advancing Pacific regionalism.

Recommendation 8 (as per Recommendation 22):[3] PIFS develops, in consultation with the CROP agencies, their members and their other major financers, terms of reference for furthering the analysis of options for the more effective governance and financing of collective action in pursuit of regionalism (including of the network of Pacific regional organisations), and subsequently recruits specialist short-term advisory inputs for that purpose.

Recommendation 9: Leaders endorse the recasting of the Plan as the New Framework for Pacific Regionalism:

- That is founded in a shared culture and approach to life, aimed at constructing a common polity;
- That is supported by processes around it that are focused on advancing the political and institutional aspects of regional integration;
- That articulates a vision, a shared set of values and a strategic direction for the Pacific; and
- That gives rise to only a small number of significant regional initiatives that address significant regional issues and require the backing of Leaders.

Recommendation 10: Leaders agree to the consequent need for extensive change to the Plan, the way it is perceived and the way it is managed, including overhaul of the processes and institutions that support it.

Recommendation 11: Leaders note the need for systemic change and endorse the following aspects of it:

- Forum meetings in which Leaders have the space to debate how best to progress regional integration, discuss proposed initiatives, identify priorities and direct further policy work be undertaken;
- An open, transparent prioritisation process;
- Further empowerment of regional organisations and regional meetings;

[3] This recommendation deliberately appears twice in the report: once as Recommendation 8 in the discussion of the governance of regionalism, and once as Recommendation 22 in the discussion of the financing of regionalism.

- A robust public policy process;
- A stronger, better-governed PIFS with a clear mandate to act as a conduit to the Forum, capable of providing quality policy advice;
- Efficient and effective donor support for regionalism; and
- Changed incentives.

Recommendation 12: Leaders endorse the path for regional integration on page 88 as a guide for the region and note the initiatives in the table on page 89-90.

Recommendation 13: Leaders direct PIFS to develop paths for increased regional integration in key areas.

Recommendation 14: PIFS works with multilaterals to update the case for regional integration.

Recommendation 15: Leaders note the need to improve reporting on, and communication about, the Plan and request PIFS to do the following:

- Relaunch the Plan with a series of meetings and events in member countries (details on this are set out further below);
- Ensure senior executives make annual visits to all member and associate member countries to meet with key stakeholders to discuss the Framework, progress against it and any concerns they have;
- Develop a new communications strategy with clear, simple supporting materials (while much has already been done in this area, all materials will need to be redrafted in light of the new Framework); a premium should be placed on simplicity, clarity and improved stakeholder analysis, and tailoring messages to individual countries and groups within them;
- Determine the level of awareness of the Framework that it should be aiming for within particular groups (i.e. how would we measure success in this area?); and
- Determine how to measure the success of this in a cost-effective way?

Recommendation 16: PIFS develops and implements a formal policy on increasing public access to documents, minutes and policies based on the presumption that all papers and minutes should be freely available to the public.

Recommendation 17: The new Pacific Plan be called the New Framework for Pacific Regionalism.

Recommendation 18: Leaders endorse the key elements of the New Framework for Pacific Regionalism set out below and direct PIFS to oversee an inclusive drafting process for the Framework:

Part 1: A New Framework for Pacific Regionalism would have four sections:

1. Vision;
2. The Region's Values;
3. A Strategy for Pacific Regionalism; and
4. Paths to Deeper Integration.

Part 2: Prioritising Initiatives would have two sections:

1. A Process for Prioritising Initiatives; and
2. Monitoring and Evaluation.

Annexes should cover detailed processes and criteria used in selecting priorities.

Recommendation 19: The Leaders endorse the following key elements of the prioritisation process:

- It should be transparent. If the process is to have and maintain the confidence of stakeholders, it needs to be grounded in a set of clear, relevant criteria (see below), which need to be applied consistently and objectively. This in turn will give stakeholders confidence in the prioritisation process and its outcomes.
- It should be inclusive. All stakeholders need to feel that they can access the process and propose initiatives they believe will meet the criteria.
- It should give rise to a manageable number of regional priorities. Ensuring that the number of priorities is such that the Leaders are able to consider and debate them effectively is critical to achieving anything.
- It should be timely. The best advice is worthless if those who receive it do not have the time to consider it properly. The agenda and supporting analysis need to be provided to Leaders sufficiently prior to their annual meeting for the information to be 'digested' and assessed.
- It should be simple. There should be a single route along which all proposed initiatives pass and a single guardian or monitor who has ultimate responsibility for determining the initiatives that go forward and the agenda for the Leaders' meeting.
- It should be independent. The process needs to be insulated from intervention by stakeholders who have an interest in seeing their particular initiative making it onto the Plan or onto the Leaders' agenda.
- It should be supported by proper analysis. Decisions need to be informed by analysis that shows how a proposal meets the criteria established to determine whether something should be a regional initiative or not. Proposals should include cost-benefit analyses and an implementation plan.

- It should be overseen by Leaders. Leaders need to feel they are in charge of the process and need to be confident that the initiatives that make it onto the agenda reflect their interests, the nature of the Forum and the regional integration project.

Recommendation 20: Subject to further professional analysis per Recommendation 8, a new, more business-like Board for Pacific Regionalism replaces PPAC. This new Board will have a clearer role, a wider skill-set, improved governance arrangements and fewer members than PPAC, and its members will be appointed by Leaders on the basis of merit and relevant experience (and should include members with private sector and civil society experience). The Secretary-General of PIFS should be its chair.

Recommendation 21: PIFS should invest in upskilling and professionalising the capabilities, accountabilities and responsiveness of the new Board (and the Review suggests other regional organisations should do likewise for boards governing regional initiatives). (As noted earlier, the University of the South Pacific has introduced exemplary reforms in this regard.)

Recommendation 22 (as per Recommendation 8)[4]: PIFS develops, in consultation with the CROP agencies, their members and their other major financers, terms of reference for furthering the analysis of options for the more effective governance and financing of collective action in pursuit of regionalism (including of the network of Pacific regional organisations), and subsequently recruits specialist short-term advisory inputs for that.

Recommendation 23: Leaders endorse the following details of the prioritisation process:

- A clearer role for PIFS, including a mandate to act as the guardian of Forum processes. PIFS will assess the initiatives proposed to it (and may, with the blessing of the Board, propose initiatives itself). It will also be mandated to ensure that no initiative goes to the Forum without first having been assessed by it itself against the criteria for whether something should be a regional initiative (see below) and go on the agenda for the Leaders Forum; it will oversee implementation but will not implement initiatives itself; and it will develop policy proposals in response to the Leaders' requests.
- All stakeholders will be able to propose initiatives they believe meet the criteria established by PIFS and approved by Leaders. Leaders will be asked at the end of each Forum to decide what initiatives they wish to see analysed for consideration at next year's Forum. PIFS will provide advice on this, but the Leaders may also receive advice from other quarters.

[4] This recommendation deliberately appears twice in the report: once as Recommendation 8 in the discussion of the governance of regionalism, and once as Recommendation 22 in the discussion of the financing of regionalism.

- Regional ministerial meetings will be empowered to take decisions without referring to Leaders. In general, the results from these meetings will be provided to the Leaders for information only, unless the ministerial meeting wishes to put forward an initiative that it believes it does not have the authority to decide on. This sort of initiative will, in line with the thinking above, go through the normal screening process before being considered for the agenda for the Leaders Forum.
- Progress on all initiatives will be reported on annually. Where significant progress has not been made, PIFS – through and with the agreement of the Board – will make a recommendation to the Leaders as to whether the initiative should be discontinued.

Recommendation 24: Leaders endorse the market and sovereignty tests, and the expanded subsidiarity test, including the eight categories set out on pages 107–108.[5]

Recommendation 25: Leaders adopt the following additional criteria:

- The net benefit test. Will the proposed initiative bring substantial net benefits: has some estimate of the costs and benefits been made? Is it a 'big-ticket' item?
- The political test. Does the initiative really require the Leaders' attention/input or can it be sent to another forum (e.g. regional ministerial meeting)?
- The success test. Is the proposed initiative likely to succeed? Is there an implementation plan? Is funding available for it? In light of available capacity to implement it, is it too complicated?
- The duplication test. Is the initiative being undertaken elsewhere by another organisation or process (i.e. no duplication of effort)?

Recommendation 26: It is recommended that:

- All Pacific Plan initiatives be accompanied by a formal implementation plan.
- The implementation plan for complex projects should include: (1) risk-management matrices and associated risk-reduction strategies; and (2) stakeholder mapping and analysis.
- PIFS staff who are likely to implement or oversee the implementation of projects should be given project management training.

Recommendation 27: PIFS oversees a comprehensive review of pooled service initiatives to identify why some initiatives have been very successful and why others have failed, and uses these lessons to improve implementation.

[5] *These eight categories are not intended to be exclusive. Initiatives may fall into more than one category. Thus, the University of the South Pacific (USP) was established on the grounds that there are economies of scale in providing tertiary education, many of the countries that access its services do not have the capacity to set up a national university, and there are regional (and national) externalities that warrant the provision of subsidies.*

Recommendation 28: Leaders approve the reporting arrangements, including reporting only the following:

- Proposed initiatives and decisions made on them at the Leaders Forum;
- Leaders' priorities for development and consideration at the following year's Forum;
- Progress on implementation of approved initiatives; and
- Progress on regional integration.

Recommendation 29: Recognising the enduring nature of much of the region's dependency on aid flows, PIFS should build on the advances made in implementing the Forum Compact/peer-review process and deepen and expand its role in advocating for, and supporting, development effectiveness in the Pacific.

Recommendation 30: Leaders endorse the use of PIFS and the Board for Pacific Regionalism as the conduit to the SIS meeting and charge them with ensuring that initiatives proposed by stakeholders are relevant to SIS and meet the criteria developed for identifying SIS and other initiatives under the new Framework.

Recommendation 31: Leaders establish a temporary decision-making (as opposed to advisory) council comprised of a triumvirate of the immediate past, current and next identified Forum chairs to oversee the implementation of the Review's recommendations.

Recommendation 32: Leaders endorse the following critical steps and associated timetable, and request the Secretary-General of the Forum to provide them with a more detailed implementation plan for the approved recommendations of the Review within one month of the Review's recommendations being accepted (according to a timeline[6] established at the acceptance or otherwise of this report):

- Personally oversee and account for the implementation of agreed recommendations. The Secretary-General should report to the Council (above) quarterly on the process of implementing the Review's recommendations;
- Develop (per Recommendations 8 and 22), in consultation with the CROP agencies, their members and their other major financers, terms of reference for furthering the analysis of options for the more effective governance and financing of collective action in pursuit of regionalism, and subsequently recruit specialist short-term advisory inputs for that purpose;
- Subject to such early professional analysis, establish (per Recommendation 8) the new Board for Pacific Regionalism,[7] replacing PPAC;

[6] *We suggest this timeline should exhibit considerable, if not ambitious, pace.*

- Engage professional organisational development specialists to redesign PIFS' structure, draft job descriptions, assist with organisational reform and assist with the implementation of the Review's recommendations;
- Engage two people with cabinet office experience to assist with design, implementation and operation (including mentoring of, and support to, PIFS staff) of new internal processes;
- Complete the drafting of the new Framework through necessary consultation and dialogue with, and between, Leaders; and
- Noting the current low level of understanding in the region of the objects and intents of the Pacific Plan, develop a robust communications strategy for progressing Pacific regionalism. This should include explaining (through PIFS senior executives' visits to member countries) the outcomes of the Review and bringing clarity to stakeholders over the fundamental concepts and notions of regionalism, and the utility of the New Framework for Pacific Regionalism as opposed to a 'plan for regional development'.

Recommendation 33: Leaders request PIFS to develop policy proposals on:

- Establishing the feasibility, costs and benefits of sub-regional action to improve critical transport and communication services for groups of SISs;
- Establishing a body to provide commercially focused advice on maximising revenue from seabed mining modelled on the self-funding secretariat that supports the Parties to the Nauru Agreement on fishing; and
- Putting the possibility of expediting the expansion of the seasonal employment schemes in Australia and New Zealand on the agenda for the next Forum meeting.

Recommendation 34: Leaders request the Secretary-General of the Forum to develop and implement a comprehensive plan to relaunch the Pacific Plan as a New Framework for Pacific Regionalism.

Recommendation 35: It is recommended that:

- PIFS be reorganised to enable it to discharge its new role effectively; and
- Those unimplemented recommendations of the review of PIFS that are compatible with its new role be implemented immediately.

Recommendation 36: Forum member countries collectively undertake funding of the one-off costs associated with implementing the Review.

[7] *Membership, governance arrangements, etc., would then need to be confirmed at the subsequent Leaders Forum.*

MAIN REPORT

PART 1: INTRODUCTION

BACKGROUND

Origins of the Pacific Plan

In 2003, Pacific leaders tasked an Eminent Persons Group to carry out a review of the Pacific Islands Forum ('the Forum') and its Secretariat and to propose a refreshed mandate and vision for the Forum, to effect improved leadership on regional cooperation and integration.

Subsequently, following a special retreat in 2004, Forum Leaders ('Leaders')[8] adopted the following vision in the Auckland Declaration (see Annex 4):

> *"Leaders believe the Pacific region can, should and will be a region of peace, harmony, security and economic prosperity, so that all its people can lead free and worthwhile lives. We treasure the diversity of the Pacific and seek a future in which its cultures, traditions and religious beliefs are valued, honoured and developed. We 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 for its defence and promotion of human rights. We seek partnerships with our neighbours and beyond to develop our knowledge, to improve our communications and to ensure a sustainable economic existence for all."*
>
> – Leaders' vision in the Auckland Declaration
>
> April 2004

Leaders agreed to give effect to this vision through:

- The development of a 'Pacific Plan' ('the Plan') to create links between the sovereign countries of the region and to identify where the region could gain from sharing resources, governance and aligning policies.
- Recognition of the particular needs of Smaller Island States (SISs);
- Recognition of the importance of cultural identity, regional inclusiveness, sub-regional representation, human rights, women and gender, youth and civil society;
- Improvement of the way the Forum communicates its work; and
- Reform of the Forum's procedures, its meetings, and the role of Leaders, the Chair, ministers and officials.

[8] *The leaders of Australia, the Cook Islands, the Federated States of Micronesia (FSM), Fiji, Kiribati, New Zealand (Chair), Niue, Palau, Papua New Guinea (PNG), the Republic of the Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.*

The plan was further developed and subsequently endorsed by Leaders in 2005 as the **Pacific Plan for strengthening regional cooperation and integration** (see the Kalibobo Roadmap', Annex 5).

The agreed goals of the Plan were to enhance and stimulate economic growth, sustainable development, good governance and security for Pacific countries through regionalism.

The 2013 Review

Leaders' intentions were that the Pacific Plan be subject to periodic independent review. The last such review was conducted in 2009.

The purpose of the 2013 Review ('the Review), more substantial than any previous review, was to assess the effectiveness of the Pacific Plan and ensure that it remains the driver of regional efforts for integration and cooperation.

The Review was to build consensus on the future direction of the Pacific Plan and provide a platform for prioritising regional integration and cooperation efforts over the next decade.

The scope of the Review was to be wide-ranging. It was to engage with stakeholders in all Forum island countries (FICs), including development partners and non-state actors. The Review was to consider the impact of the Pacific Plan to date and to what extent it has delivered on Leaders' aspirations. It was to consider the strategic underpinnings of the Plan and its role in supporting regional integration and coordination into the future.

The Review was also asked to consider governance and priority-setting, and to what extent the regional institutional architecture supports the strategic directions of the Plan.

In addition, the Review was asked to consider how the priorities of SISs can be reflected more effectively.

The intention was that this review should speak directly to Forum Leaders and provide them with a direction for taking the Pacific Plan forward.

Terms of Reference (ToR) for the 2013 Review (Annex 1) were approved by Pacific leaders, who appointed the Rt. Hon. Sir Mekere Morauta as the eminent person to chair the Review. Annex 6 provides details of the wider review team.

METHODOLOGY, EMPHASIS, DEFINING CONCEPTS

Methodology

The Review's methodology was set out in Review Note 1, published in December 2012 and reproduced in Annex 2.

The Review committed itself to being open, consultative, inclusive and transparent, and iterative in its deliberations. The team's proposed consultations, its working papers and interim presentations, and public submissions received, were published on the Review's website[9] as they were generated.

The Review's principal period of evidence-gathering was from late January to late May 2013 and sought to establish the breadth of issues that stakeholders perceived as important to the discussion of regionalism. The Review team visited all 16 Pacific Island Forum (PIF) member countries,[10] including Fiji, as well as the Forum's two associate members.[11]

In most cases, visits to member countries included consultations with:

- Current and former political (including opposition) leadership, usually including the current head of government and senior ministers;
- Senior government officials, usually at permanent secretary (or equivalent) level, as well as sector specialists;
- Non-governmental organisations (NGOs), including community and faith-based organisations, and women's, youth and special-interest groups;
- Private-sector representatives and trade bodies;
- Academia;
- Development partners; and
- Regional and intergovernmental organisations, including the agencies of the Council of Regional Organisations of the Pacific (CROP)[12] in the countries visited.

The review team also consulted with bilateral and multilateral development partners,[13] in country or at their headquarters, or both.

In all, more than 700 individuals were consulted. A list of persons and organisations met is at Annex 7.

[9] *http://www.pacificplanreview.org*

[10] *Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Republic of the Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu.*

[11] *French Polynesia, New Caledonia.*

[12] *See Annex 11 for the mandate and membership of CROP.*

[13] *Asian Development Bank, Australia, European Union, Japan, New Zealand, People's Republic of China, Republic of China (Taiwan), United Nations (headquarters and agencies), World Bank.*

In parallel with the country visits, the Review:

- Solicited public submissions on issues and perspectives relevant to the Review's Terms of Reference, receiving almost 70 in all and publishing[14] the great majority;[15]
- Commissioned a peer-reviewed paper on the governance of international membership organisations;[16]
- Commissioned a scoping exercise of available data and statistics on regional issues; and
- Undertook its own background research and analysis of historical and contemporary papers and publications on Pacific regionalism.

The Review team's interim findings and suggested next steps were presented[17] to the Pacific Plan Action Committee (PPAC) for their feedback at the end of May 2013. PPAC endorsed those initial findings and direction.

On that basis the Review proceeded with a period of further research into specific issues, and a series of second-round consultations with stakeholders.

A draft report, in the form of a series of 'working papers', was presented to PPAC in August 2013 for comment and, together with a later 'Concept Note', for briefing Leaders ahead of the Forum meeting in Majuro in September 2013.

In an agreed resequencing, because of the political nature of the Review's principal conclusions, the Review Chair briefed (Annex 8) Leaders at a special session of the Forum in Majuro in September 2013, prior to finalising the report in September/October 2013.

The Direction and Emphasis the Review Assumed

The Review's early consultations suggested that there were diverse views not just on the purpose and utility of the Pacific Plan but on the very nature and definition of regionalism and how it should be prosecuted.

Consequently, in its February 2013 Review Note 3,[18] the Review team raised a number of fundamental questions about the Pacific Plan and suggested that the Review would need to do more than just "refresh"[19] it. The Review's early discussions raised questions over (among other things):

[14] *Available at: http://www.pacificplanreview.org/submissions*

[15] *Some authors requested that their submission remain confidential to the Review, for personal or political reasons. Honouring such requests was the only reason for non-publication.*

[16] *Available at: http://www.pacificplanreview.org/resources/uploads/embeds/files/AnthonyBeattie_GovernanceFINAL.pdf*

[17] *Presentation available at: http://www.pacificplanreview.org/resources/uploads/embeds/files/Regional_Consultation_ Presentation_ Morning27thMayHandouts.pdf*

[18] *Available at: http://pacificplanreview.org/resources/uploads/embeds/files/ReviewNote3_CurrentLinesofEnquiry.pdf*

[19] *As envisaged in the Review's Terms of Reference (Annex 1).*

- The changing context for Pacific regionalism and the emergence of complex social, economic, environmental and political determinants that have evolved since the original Plan's conception;
- What 'regionalism' means in the Pacific context, and within that:
    - how to define what should be planned, governed or delivered through collective action at the regional level, as opposed to through national or international (global) action, and
    - an increased interest in sub-regional agendas and collective action;
- The translation of the Pacific leaders' original vision into a 'plan' whose relationship to, on one hand, member countries' national development priorities and, on the other hand, global development processes (such as, for example, the Rio +20 commitment) is unclear;
- The institutions[20] and processes surrounding the Plan, particularly with respect to how priorities are established and what influences priority-setting; and
- The likely pathways to development in the Pacific, where both growth and poverty have particular characteristics, and how the Pacific Plan captures and monitors these.

The Review team subsequently published a series of interim Review Notes on many of these questions.[21]

Crucially, the team increasingly questioned, as the Review progressed, whether the Plan, in its current form, is really driving regionalism or, rather, reacting to events and disparate imperatives emerging from other national and international forums. Ownership of the Plan, it became clear, is limited at the political level.

One issue raised early in the process became a fundamental determinant of the Review's direction and emphasis. This was whether the Pacific Plan should be interpreted as a 'regional development plan' (capturing all that Pacific stakeholders deem important to address in development in the Pacific) or whether it constitutes a framework for – specifically – advancing the political principle of Pacific regionalism. As we will discuss, the Review soon established that it could not be the former and should be seen as the latter.

Thus, if the Plan is the scaffold on which the region's peak political body (the Forum and its Secretariat) structures its work and priorities for advancing regionalism, then the Review

[20] *This Review uses the term 'institutions' in the New Institutional Economics sense of the 'rules of the game'. This was not a review of regional organisations.*

[21] *Available at: http://pacificplanreview.org/review-team/team-documents*

had to examine not so much its technical content and to-do list (as the content will reflect evolving social and political values) but, rather, the institutions and processes by which political values are expressed about regionalism and then acted upon. This emphasis is in line with the Review's Terms of Reference to: *"consider the governance, policy-making and priority-setting arrangements… including the role of PPAC, SIS Officials, CROP Executives, and the Pacific Plan Office"*.

If the legacy of the Review was ultimately to be the more robust expression of political values and priorities in Pacific regionalism, addressing complex issues of regional governance, then the Review's output was likely to constitute a process for moving forward rather than a product.

Improving the Conversation: Defining Regionalism

Early on in the Review it became clear that different stakeholders were using terms in different ways and that this was hindering the conversation about regionalism. As part of its contribution to improving this discussion, the Review set out, in Review Note 4,[22] to clarify how it believed key terms should be used.

The Review adopted the definition for regional cooperation used in the Asian Development Bank (ADB)–Commonwealth Secretariat joint 2005 study, Towards a New Pacific Regionalism,[23] in which it was defined as the development of agreements between national governments where implementation of these agreements is left purely at the national level.[24] The concept of regional cooperation can be further broken down in terms of the nature of implementation associated with it: implementation can be either voluntary or binding. In a voluntary approach, a member that does not implement the group's decision is not penalised. A binding approach imposes costs for non-implementation. This can be either a financial penalty, such as a fine, or a political penalty, such as blocking a member's future participation in group decision-making councils.[25]

The Forum has generally opted for a voluntary rather than binding approach to implementation of regional decisions. However, it is possible to see some recent decisions – such as the suspension of Fiji's participation in Forum meetings following the military coup there in 2006 and the revocation of the promise to hold elections in 2009 – as a move towards a more binding model of regional cooperation.[26]

[22] *Ibid.*

[23] *Asian Development Bank and Commonwealth Secretariat, 2005, Towards a New Pacific Regionalism, joint report to the Pacific Islands Forum Secretariat, Asian Development Bank.*

[24] *Ibid., p. 53. As it goes on to note, "Within this definition, cooperative institutions are those that help overcome problems of coordination, information sharing, mistrust, and commitment between governments. Operationally, this includes conferences, meetings, forums, and other forms of intergovernmental discourse. Dialogue is the key process and coordination measures are the key output – treaties, declarations, strategies, and action plans that outline mutually agreed steps to be taken by national governments. These are usually accompanied by mechanisms to ensure and monitor implementation, such as working groups, monitoring units, and committees. Since the early days of the Forum, regional cooperation has been a primary vehicle for Pacific regionalism. Beginning in the 1960s, a network of regional organizations has developed to facilitate interaction and coordination between newly independent sovereign states."*

[25] *This section draws from Towards a New Pacific Regionalism.*

Examples of regional cooperation range from joint statements on climate change to the projection of wider international norms and values into the Pacific such as the championing of gender equality, good governance, corruption, democracy and the rule of law, with the implementation of these norms being left up to national governments.

Defining Regional Integration

In some cases, regional cooperation has led to a decision to move beyond national implementation of agreed regional priorities to a deeper form of regionalism – regional integration. This has taken place through the creation of regional bodies to deliver services and through moves to increase regional economic integration. The reasons for pursuing integration vary from initiative to initiative but include things like delivering regional public goods. The key difference between regional integration and regional cooperation is that in the former implementation is done mostly through a regional body and not by national governments, with the regional body providing services that previously were provided nationally,[27] rather than merely coordinating national service delivery.[28]

A Plan for Regional Development?

The Pacific Plan, as originally conceived, was a plan for regional cooperation and integration focusing on the delivery of initiatives that were more efficiently or effectively delivered at the regional level. In recent years, some stakeholders have suggested it could do more and should, in effect, become a regional development plan for the Pacific – with some suggesting that it was, in fact, already one. In considering the possibility that it might be a regional development plan, it is first necessary to think further about one would look like. In Review Note 4, the Review argued that, by analogy to key features of a national development plan, a regional development plan would:

- Be comprehensive – it would cover all government activities in the region. As such, national development plans would need to align with it;
- Prioritise expenditure across the region and be backed up by a budget process that allocated funding across the region; and
- Involve redistribution between states in the region and within states (between individuals living in the individual states).

Given the above, a regional development plan would require pooling of sovereignty.[29]

[26] *There is some evidence from regions outside the Pacific that moving away from a purely voluntary model has enhanced implementation of agreed positions and increased the benefits of regional cooperation in regions outside the Pacific. See Appendix 8 of Towards a New Pacific Regionalism, which outlines how the Mercado Común del Sur (MERCOSUR) grouping in Southern America, the European Union (EU) and the Economic Community of West African States (ECOWAS) have all used binding cooperation to reinforce their commitment to shared principles.*

[27] *The exception to this being regional public goods, which are almost never provided by national governments.*

[28] *While the difference is conceptually clear, it is often difficult to draw a clear distinction between regional bodies that are pursuing regional integration and those that are facilitating regional cooperation. The reality is that many are doing both. For example, regional bodies such as the Secretariat of the Pacific Community (SPC) both facilitate regional meetings (cooperation) and provide technical services through staff experts (overcoming national capacity constraints and/or realising economies of scale in service provision).*

It has not proved possible to find any examples of regional development plans elsewhere. The planning and budgeting activities of the European Union display some features of a regional development plan: these activities involve redistribution between wealthier and less wealthy states and is underpinned by a budgeting and allocation process at the regional level. This, in turn, is underpinned by some pooling of sovereignty. Other examples of what could possibly be called regional development plans are really moves towards federation. Thus, planning for the unification of East and West Germany satisfies all of the conditions set out above: it was comprehensive and involved pooling of sovereignty, transfers between wealthier and less wealthy areas, and comprehensive taxation, planning and budgeting systems.

Given the above, it is clear that there is nothing incoherent about the suggestion that the Pacific Plan could be a regional development plan. However, it is equally clear that in the absence of any decisions on pooling sovereignty, regional systems for budgeting and spending funds, transfers across the region, and the subordination of national development plans to the Pacific Plan, it is not, yet, a regional development plan. It could become a regional development plan only if leaders agreed to take the sorts of steps outlined above, which, as yet, they have not done.

[29] *It is worth noting that the EU in its operations continues to subscribe to the principle of subsidiarity, whereby the Union does not take action unless it is more effective to do so at this level than at national, provincial or local levels. In short, in many areas of service delivery European nations have retained complete sovereignty. The principle of subsidiarity is defined in Article 5 of the Treaty on European Union, which says: "Under the principle of subsidiarity, in areas which do not fall within its exclusive competence, the Union shall act only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States, either at central level or at regional and local level, but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level." See http://www.lisbon-treaty.org/wcm/the-lisbon-treaty/treaty-on-european-union-and-comments/title-1-common-provisions/9-article-5.html*

PART 2: OUR DIAGNOSIS

This part of the report presents our most important findings, with associated recommendations, and is divided into five sections:

- **The Region, and the Regionalism, We Found** describes the current context – as we see it – for Pacific regionalism. It highlights some economic, social and institutional factors that appear important in pursuing the vision of the Pacific Plan.[30]
- **The Need and Appetite for Further Integration** presents a view on the kind of regionalism the Pacific is seeking or that appears realistic: its scope, limits and timeframe.
- **Alternative Development Paths** discusses how regionalism needs to reflect unique development challenges and opportunities in the Pacific.
- **The Governance and Financing of Pacific Regionalism** highlights a number of generic governance and financing issues faced by international membership organisation and then considers how these affect Pacific regionalism.
- **What Needs to be Addressed?** distils from the diagnosis what, then, would need to be addressed to effect a greater degree of integration, which is dealt with in Part 3 of the report.

THE REGION, AND THE REGIONALISM, WE FOUND

This report does not need to describe the complexity and diversity of the Pacific, but it is worth reflecting on some of the Pacific's characteristics in terms of the realities of regional cooperation and integration.

The 14 island members of the Forum (excluding the metropolitan members, Australia and New Zealand, and not including here its associate members, French Polynesia and New Caledonia) command Exclusive Economic Zones[31] covering almost 20 million square kilometres of ocean – the same area as the combined landmasses of Europe and the United States of America.

[30] *See page 48.*
[31] *See map, page 7.*

One must cross nearly 5,000 kilometres of ocean to get from Palau in the northwest to the Cook Islands in the southeast of the Forum's membership area. That is the same distance as travelling from the centre of the United States to the centre of Europe, but the Pacific journey would take three times as long and cost almost twice as much.[32]

Yet this vast, highly separated region is populated by less than 10 million citizens, and more than 7 million of those live in one country – Papua New Guinea. Three countries – Papua New Guinea, Solomon Islands and Fiji – provide more than 90% of the total population of the island countries of the Forum. The smallest Forum island country, Niue, has a resident population of around 1,800. (Annex 9 provides population and other geographical data.)

While the region is unlikely ever to compete globally in manufacturing and services, its extensive oceanic and land-based natural and mineral resources[33] are of considerable global significance, as is its spatial and political geography for other, mostly security, reasons. These are the basis of powerful new geopolitical interests in the Pacific.

So there is an inherently compelling argument for regionalism: these [mostly] tiny economies, with small populations and tax bases on which to draw, need to do all they can to leverage voice, influence and competitiveness, and to overcome their inherent geographical and demographic disadvantages. The Pacific leaders' original intent to develop *"a Plan to create links between the sovereign countries of the region and identify where the region could gain from sharing resources, governance and aligning policies"* is as valid today – even more valid – than it was at the outset. However, this no easy task.

Describing the Pacific as a single 'region' is an artificial construct: it is a cartographic, rather than ethnic or political, construct. Smallness and remoteness, and for some a shared natural resource (oceanic fish stocks), are certainly commonalities but these in themselves do not define a single 'region', nor separate its sub-regions. Even the three conventional sub-regional descriptors of Melanesia, Micronesia and Polynesia (see map on page 7) are based on a mix of physical and human geographies that do not necessarily define either commonalities within[34] or differences between the areas.

The region is diverse and complex. For every generalisation that can be made – socially, geographically, economically or politically – there are multiple exceptions. The region is connected but fragmented, its members joined in values and purpose in principle, but disparate and isolated in practice.

[32] *Annexes 19 and 20 illustrate the costs of regional air travel.*

[33] *Including, now, seabed minerals.*

[34] *With the exception of Melanesia.*

What does separate the Pacific island countries from the rest of the world is their almost exclusive dependence on the sustainable exploitation of the region's generally abundant[35] natural capital – whether that is land-based or oceanic. (Tourism is seen as a product of the region's natural capital.) Yet it is this natural capital that is the subject of such intense international interest, and that is under increasing strain.

A further, fundamentally important, defining dependency of the region is its social capital: the importance of culture, social values and religion in binding the Pacific island countries' citizens and communities together, and providing – traditionally – enormous resilience.

The strength of the Pacific island countries' social capital, and the region's – historically at least – sustainable exploitation of renewable natural resources, are the basis of life, livelihoods and development in the Pacific.

They also imply a nuanced interpretation of 'growth' and 'poverty', of pathways to development, and of the centrality of culture, religion and societal values, in any consideration of 'the region'. (See 'Alternative Development Paths', page 58.)

New Vulnerabilities

Some estimates are that by 2015 the Pacific will constitute the slowest-growing region of the world – effectively meaning that, in relation to other regions, it is going backwards rather than forwards. In aggregate, the Pacific region is significantly off track to meet many of the Millennium Development Goals.

However, this Review's consultations suggest that Pacific citizens have real concerns about other, more complex vulnerabilities and uncertainties as the region grapples with modernity and the inevitable forces and processes of globalisation. For example:

- The erosion of the natural and social capital that has underpinned life and livelihoods for millennia;[36]
- Evolving social fabrics and the diminution of traditional social structures and safety nets as new forms of domestic and regional migration evolve, both inwards and outwards, and as new generations of the various Pacific diasporas become less connected to the islands;
- Monetisation, as well as the impact of foreign investment and its sometimes dubious influence on power and politics; and
- A new, more global interpretation of 'insecurity' in the region (transnational crime, for example) sitting alongside more endogenous concepts of insecurity (food insecurity, and a pan-Pacific non-communicable disease epidemic, for example).

[35] *With some pressing exceptions.*

[36] *Including, of course, new environmental vulnerabilities.*

Thus regionalism is not just about geography and economics; it is also about the governance of a region that is, collectively, under increasing strain, and whose societies are experiencing new vulnerabilities, including new forms of poverty.

But economics is clearly important too, and again, regional governance needs to address the huge diseconomies of scale that exist, the high costs of doing business in and across the region, and of slow, expensive and unreliable transport[37] and communications.

Annex 10 provides data and statistics on some of these new vulnerabilities.

Multiple Dependencies

Vulnerabilities are exacerbated in the Pacific by multiple dependencies, which serve to limit, or at least define, the ability of the region to respond:

- Dependency on aid and aid flows is generally high across the Pacific;
- The region's oceanic environment, and all that the ocean means for Pacific societies, resources, infrastructure and livelihoods, is dependent on climatic factors determined by the actions and inactions of other, industrialised nations beyond the shores of the Pacific;
- The majority of new investment in services and business is dependent on foreign, rather than local, investment, yet foreign investors find it a difficult region in which to do business;
- With poorly developed, small and often inefficient markets, monopolies and monopsonies prevail – with the costs of air and sea transport, and communications, particularly affected;
- Virtually all significant markets for Pacific island produce – heavily skewed towards the products of agriculture[38] and forestry (but also labour) – depend on negotiating the barriers of much larger and more sophisticated economies;
- Getting around the region (or even, for some, from one part of the country to another), or to access metropolitan centres, education or diasporas, requires transits and stopovers (and visas) through the ports and transport infrastructures of others;
- With small populations on which to draw, and low or modest tax bases, securing the specialist skills that are needed in both the public and private sectors to drive services, regulation and competitiveness is perennially challenging. Regional organisations (themselves heavily funded through external aid flows) and the wider international community therefore have a special role to play, but also represent another form of dependency – directly or indirectly – in terms of prosecuting development in the Pacific.

[37] *Annexes 19 and 20 tabulate some costs of flying in the Pacific compared to other regions, and of accessing metropolitan centres.*
[38] *With significant implications in terms of meeting sanitary and phytosanitary (SPS) requirements.*

An overriding observation is that, for many things, Pacific development is – or is often perceived to be – something that happens through supra-national agency. And that is frustrating to many Pacific citizens and politicians.

The State of Pacific Regionalism

The kind of regionalism envisaged under the Leaders' 2004 Auckland Declaration – of sovereign countries of the region gaining from sharing resources, governance and aligning policies under the auspices of a Pacific Plan – has been somewhat slow to emerge.

But there are some significant examples of regionalism in the Pacific.

In terms of regional cooperation, we see that:

- Economies of scale may, putatively at least, be achieved through the sharing of common technical and developmental resources – through the commonly owned (but mostly highly aid-dependent) technical agencies. Common approaches to, and technical capacity for, trade promotion and negotiations, statistics and statistical analysis, geotechnical and hydrographical surveys, air safety, public health, quarantine, destination marketing for tourism, and many other specialist services are thus provided;
- The multi-member University of the South Pacific has delivered societal benefits across the region that few countries could provide themselves, and it continues to adapt and develop to meet the needs of a modernising Pacific region;
- Fiji's and Papua New Guinea's medical schools have trained many of the region's doctors;
- Pooling of resources among Pacific island countries in sea and air transport services improved frequency and reliability for a while, but ultimately failed, as did protracted attempts to institutionalise common bulk purchasing of fuel and pharmaceuticals; and
- Many aid-funded development programmes assume a regional nature, purportedly to achieve greater impact or efficiency. However, those impact and efficiency gains are not universal and there are also costs and inefficiencies in such multi-country programming.

Real forms of regional integration have been slower to emerge, but:

- The common management of oceanic fish stocks, while institutionally complex, has been largely successful;
- The Pacific community has rallied to ensure safety and security in times of civil unrest and potentially contagious instability – most famously through the Regional Assistance Mission to Solomon Islands (RAMSI);

- The Pacific as a whole is listened to more, and is better off as a result, when it has successfully presented itself and its values collectively – for example, on such important issues as a nuclear-free Pacific and climate change;
- Similarly, the championing of common norms and standards on such things as gender, education, audit and trade has exemplified the sort of benefits to be derived from an integrated regional approach;
- The Forum Compact has championed best practice across the island countries, and pioneered a world-leading peer-review system, in managing aid effectiveness and development effectiveness.

Annex 21 provides more detail of some of the achievements of the Pacific Plan.

However, these – comparatively few – long-standing examples of Pacific regionalism have diverse origins. They cannot be said to be the result of regular, purposeful, institutionalised, contemporary political processes and dialogues about the future of the region.

Neither can they always truly be said to be products of the Pacific Plan, although the Pacific Plan captures them in its oversight of regional initiatives.

The Role of Pacific Regional Technical Agencies

The technical agencies of the region – self-governing (and separately governed) international membership organisations but falling under the non-mandatory coordination of the Council of Regional Organisations of the Pacific (CROP) (Annex 11) – are often seen as the implementers of the regional agenda. They deliver club goods[39] for the benefit of their members collectively (for example, seismic and oceanographic services, assessment of oceanic fish stocks, pooled statistical analyses, etc.). They also provide technical services (often, but not always, as a free good) to individual member countries in a capacity substitution role. And they provide much of the analysis and briefing for normative and standard-setting work in the region, and in advocating a Pacific position in international forums – not least about the impact of climate change on Pacific island countries.

This was not a review of the CROP agencies, but it was nonetheless clear that they deliver technical excellence, represent an irreplaceable depository of Pacific data, knowledge and sectoral experience, and are widely valued by their memberships.

[39] *See Annex 17 for further explanation of the term.*

Notwithstanding the value of their work, the place of the CROP agencies in prosecuting regionalism is an interesting one from a political perspective. It is clear that their activities are almost invariably 'in line with' the Pacific Plan, and they are a necessary resource for its implementation. There is therefore a popular assumption that the CROP agencies are, effectively, the embodiment of regionalism: that regionalism is the product of the CROP agencies' work. However, as will be discussed, the Review takes the view that regionalism is in the first instance a political, not technical, process. Any assumption that the CROP agencies alone can be responsible for bringing about deeper regional cooperation and integration in the absence of robust political dialogue needs to be questioned.

This review did not recognise such a robust political dialogue about regionalism. Cooperation at a technical level is relatively good across the Pacific; hard political choices being made about economic integration and the future of the Pacific are much harder to pinpoint.

As we were told by one of the group of eminent politicians who originally framed the Pacific Plan, their vision of regionalism was "lost in its translation" (in its implementation as a predominately technical, as opposed to political, sovereignty-sharing, agenda).

The Right Conversations Not Taking Place

An overwhelmingly consistent message the Review received across the Pacific is that citizens feel that the right conversations are not being had about the region's new vulnerabilities – social, economic, political, cultural and environmental – and that citizens' voices are not being heard about what kind of Pacific is emerging in the absence of coherent, effective regional governance.

"We [the Pacific leaders] are not having those conversations [for example, about sharing sovereignty on certain issues] – but we should be," said one prime minister to the Review.

The Pacific Plan

The status of the Pacific Plan is extraordinarily dichotomous.

On one hand, it is described as the 'master strategy' for driving Pacific regionalism; it is the framework for the collective action of the Forum's 16 full and two associate member countries; and it defines the structure and functions of the Forum Secretariat – and other CROP agencies too. Stated relevance to the Pacific Plan is an omnipresent justification in submissions for the funding of regional initiatives. Pacific Plan priorities, endorsed at the highest level of Pacific leadership, are assumed to define and shape the course of development in the region. Conversely, the absence of the official recognition of issues in the Pacific Plan is anathema to the advocates of those issues.

On the other hand, the Plan is not widely known about beyond its immediate stakeholders. It is not a go-to reference document for decision-making (although, as above, it is used to justify initiatives). It has so many priorities, and is so broadly framed, that it effectively has

no priorities. It is not mandatory, and carries no powers of enforcement. It has no budget, timeline or robust indicators of what success looks like. Some question its (allegedly metropolitan) provenance.[40]

Ultimately, the Plan lacks ownership.

Significantly, reports of progress under the Pacific Plan struggle to identify and articulate outcomes and impacts: change often has to be described through the proxy (and unsatisfactory) measures of the activities of national and regional implementing partners. (There are, of course, exceptions, as suggested in the preceding section, although attribution would pose some difficulties.)

For many Pacific citizens, the Plan and its implementation just aren't making enough of a difference.

Yet, as the commissioning of this Review would suggest, leaders do attach importance to the Pacific Plan and to getting it right. Indeed, a clear and consistent message from the Review's consultations is that:

- The principles espoused by the Pacific Plan, of creating links between the sovereign countries of the region and identifying where the region could gain from sharing resources, governance and aligning policies, remain valid and important, even if they have not progressed rapidly; and
- A framework for articulating and guiding the priorities and processes of regional integration is still needed.

Surrounding Institutions and Processes

Prosecuting Pacific regionalism is a political agenda: a pan-Pacific political discussion about values, vulnerabilities and dependencies that must be resolved through political choice and policy measures. It is about making political choices on, perhaps, such complex matters as sharing sovereignty, pooling resources and delegated decision-making.

It is a discussion that needs to hear Pacific citizens' collective voices.

Crucially, it must recognise the need for space and time for collective leadership on Pacific regional issues that cannot be resolved by single nations acting alone.

So if that is the need, and if we have a forum (the Forum) for such political debate, and if we have a vehicle for advancing regionalism (the Plan), then why has it not progressed with greater scope, scale and speed?

[40] *Although the Review would question some of that criticism.*

It became clear to the Review that the answer lies in an examination of the institutions[41] and processes that surround and support the Plan. And that the governance and financing of regionalism, and the organisations that prosecute regionalism, were likely at the heart of why the original political vision for, and ideals of, regionalism had been 'lost in translation'.

What we found was a lack of space in the Forum for the kind of political conversations discussed above. Instead we found a largely officials-led process, in which clarity over who are the principals in, and who are the agents of, regionalism has become confused. A priority-setting process in which the agents of regionalism (not least the CROP agencies) are incentivised to – effectively – prosecute their own agendas,[42] whereby the importance of having the agents' technical agendas prioritised in the Plan, for funding purposes, is perceived to be of such importance that it starts to drive and determine the whole priority-setting process of the Plan.

The result is the prosecution of a (largely technical) agenda that is 'in line with' the leaders' vision of regionalism, but which is not necessarily representing political choice or strategy, or – it is clear – yielding the pace, scale and quality of change that is needed to achieve meaningful levels of regional integration.

As one observer put it, we have "created a superstructure of institutions and processes to prioritise, mandate and report on something that is ultimately not widely valued, and which does not effectively drive regionalism".

This led the Review to its primary, most central conclusion: what is needed to progress regionalism is not a revised list of priorities, but an overhaul of the processes, institutions and governance of the Plan.

[41] By 'institutions' we mean the 'rules of the game', not organisations.

[42] Albeit an agenda that is derived through legitimate processes, but different processes for different, mostly apolitical, purposes.

THE NEED AND APPETITE FOR FURTHER INTEGRATION

While there are compelling prima facie arguments for deeper social and economic integration in the Pacific, it is important to frame those arguments in the context of the diversity of Pacific island societies, cultures and economies, and often distinct political values.

This diversity creates an uneven need for economic integration: at one extreme, the two island countries that are home to 85% of the Pacific's population – PNG and Fiji – probably don't need anything very much, in economic terms, from their island neighbours. But at the other extreme, the politically unattached SISs of the central Pacific are wholly dependent for their survival on the economies, infrastructure and services – and often goodwill – of others.

Some of the Pacific island countries (PICs) are already effectively integrated into the economies of the wider region's metropolitan societies and economies, while others have no institutionalised linkages at all. The great majority of aid is, understandably, allocated country by country rather than regionally.

There has been mixed experience[43] in terms of the gains to be made through pooling of services regionally. Efficiency gains through pooling and other attempts to achieve economies of scale have not always resulted in a perceived net benefit, given inevitably higher transactions and communications costs (an observation recently reinforced by a more empirical research).[44]

Overall, one has to say that there is an uncertain appetite for deeper integration, and this may (hypothetically) be explained by the diversity of need, the significant ethnic, cultural and political differences, and the omnipresent tyranny of distance. Pacific regional cooperation and integration remains essentially non-mandatory[45] in all its forms – again a feature that recent research has postulated as being significant.[46]

While there is some political 'curiosity',[47] there appear to be few contemporary political debates about further pooling of sovereignty across the region, although that was part of what was envisaged by the original framers of the Pacific Plan.[48]

[43] *Including, though, some notable successes – see preceding section.*

[44] *Matthew Dornan and Tess Newton Cain, 2013, Regional Service Delivery Among Small Island Developing States of the Pacific: An Assessment, draft paper provided to the Review; final version accessible at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2343451*

[45] *The Forum and other regional organisations have few if any powers of enforcement in contrast to, for example, the European Union.*

[46] *Dornan and Cain, 2013.*

[47] *In terms of pooling sovereignty on certain issues, but not on sharing national sovereignty.*

[48] *And as reinforced by the Forum's 2000 Biketawa Declaration, which committed members to a set of regional values on rights and good governance, and institutionalised, for the first time, the principles of collective action across the Forum to address regional crises and other critical issues. See http://www.forumsec.org/pages.cfm/political-governance-security/biketawa-declaration*

Regionalism in the Pacific, in the Review's opinion, needs to be seen as:

- A spectrum of possibilities, from very modest voluntary cooperation to significant economic and political integration – different countries will wish to embrace different forms and nuances of regionalism;
- A very long-term (but nonetheless managed) project, over perhaps 20, 30 or 50 years;
- A journey to be taken at different paces by different countries at different times;
- Something that will likely emerge from sub-regional approaches in the first instance, where those constraining factors of diversity and distance are less significant. The Review sees sub-regionalism as the building blocks of wider Pacific regionalism; and
- Something requiring as much effort on the 'soft' processes of building trust and understanding between nations as on the 'hard' processes of regulation and economic integration.

However, the Review's overarching conclusion is that while Pacific regionalism is challenging from many perspectives – political, cultural and logistical – it is nonetheless needed and aspire to. And within that consensus, there is also agreement that there needs to be an essentially political regional forum and process to debate and progress regionalism, and some sort of framework on which to base it.

ALTERNATIVE DEVELOPMENT PATHS

Development in most countries has been achieved through a move from predominantly rural agricultural production to urban industrial production, and then to the production of services.[50] Given their size and distance from markets, neither of the usual strategies for industrialisation – export-led development and import substitution – are feasible for many PICs. The economic costs of smallness and distance mean that it is unlikely that commonly traded manufactured goods and services will ever be produced competitively in most Pacific island states. These same factors mean that import substitution for most

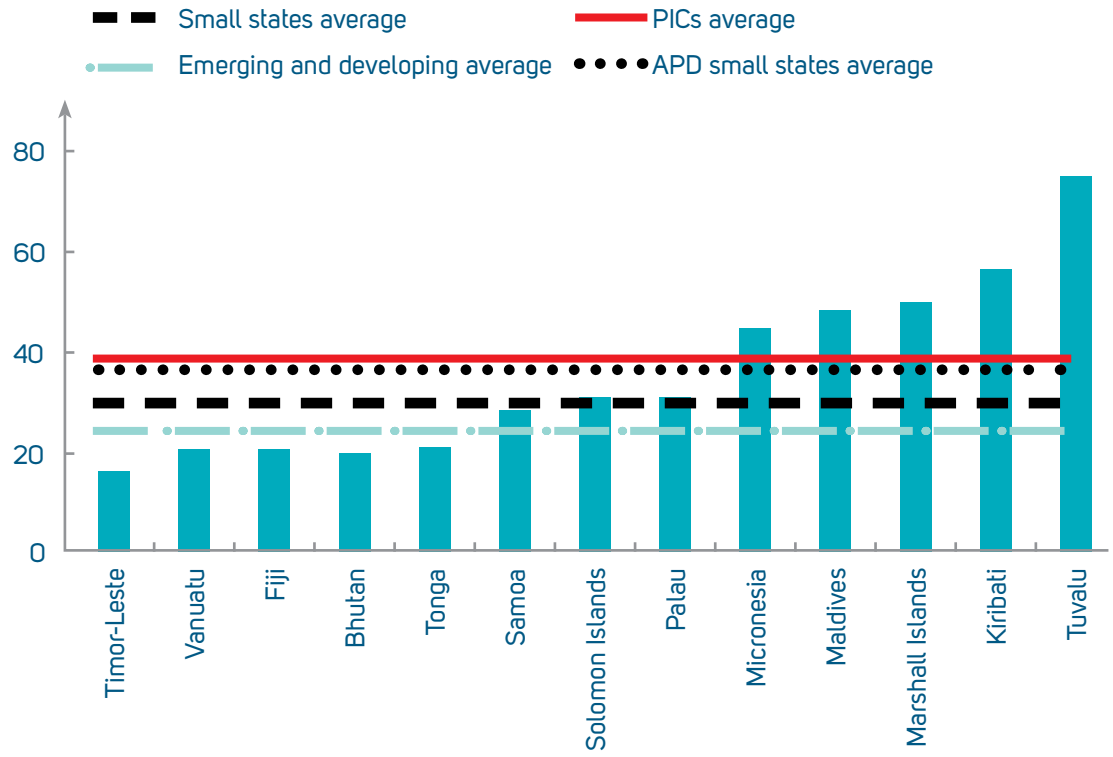
[49] *So we would emphasise the importance to progressing regionalism of cultural and sporting links, for example.*

[50] *This section draws on the World Bank's 2011 Discussion Note: Pacific Futures, World Bank, accessible at http://devpolicy.anu.edu.au/pdf/2012/Discussion_Note_Pacific_Futures.pdf*

[51] *This is clearly not the case for import substitution for agricultural goods, where a number of countries are now using hydroponics to successfully grow vegetables that previously were imported.*

manufactured imports would be possible only if tariffs were prohibitively high.[51] In short, most PICs are unlikely to industrialise to any great extent and, tourism aside, may struggle to develop their service sectors as export earners.[52]

Asia and Pacific developing (APD) small states: current government expenditure, 2011 (1% of GDP)



Source: IMF, World Economic Outlook (WEO) and IMF staff calculations.
Note: The APD group includes Bhutan, Fiji, Maldives, Marshall Islands, Micronesia, Palau, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu and Vanuatu. With the exception of Bhutan, the Maldives and Timor-Leste, they are all Pacific island countires.

[52] *See Geoff Bertram, 2013, 'Pacific Island Economies', pp. 325–340, in: Moshe Rapaport (ed.), The Pacific Islands: Environment and Society, University of Hawai'i Press, for a summary of the challenges facing Pacific economies.*

This is one of the reasons why, over the last two decades, economic growth rates in the Pacific have been lower than elsewhere and per capita incomes have remained flat.[53] For structural and geographic reasons, this trend is unlikely to reverse itself anytime soon.[54] PICs can mitigate some of the costs of smallness and distance through improving transport links, implementing good telecommunication policies, reducing the cost of doing business[55] through harmonisation of regulatory regimes and improving infrastructure,[56] and reducing the cost of some public services by sharing them across the region.

There are also opportunities for PICs to pursue import substitution (the high cost associated with exporting goods contribute, for the most part, to an equally high cost of importing goods) for goods like fresh produce, where investment in hydroponic farms by a couple of PICs (e.g. Niue and Samoa) has produced vegetables at a significantly lower cost than importing them. Many are also working to improve access to regional markets for their goods, and add value to traditional products through increased processing.

However, this will only take countries so far and for many PICs economic growth will have to come from other sources. Some will have access to rent opportunities – in tourism, fisheries, natural resources and geopolitical rents.

Others, for historical reasons, will benefit from transfers from metropolitan countries, access to their labour markets and the remittances from citizens working there.[57] These opportunities can be a viable and sustainable source of growth in small countries.[58] However, some countries do not have access to these opportunities. These countries will, in the absence of substantially increased aid flows, improved access to regional labour markets or discoveries of substantial mineral resources, probably struggle to achieve high levels of per capita income.[59] These countries tend to have very high levels of government expenditure that are largely financed by the outside world through development assistance.

[53] See World Bank, 2011, Discussion Note: Pacific Futures, World Bank, p. 8, figure 4: Per Capita GDP Growth in PICs, accessible at http://devpolicy.anu.edu.au/pdf/2012/Discussion_Note_Pacific_Futures.pdf

[54] This is not a commentary on where they are, but on where they might reasonably aspire to be. Nearly all PICs are lower-middle-income countries. There are many poorer countries in the world, particularly when measured on a gross national income at purchasing power parity (GNI PPP) per capita basis (which includes aid flows and remittances).

[55] Some SISs in the Pacific are ranked very poorly on the World Bank Doing Business index (DBI) – e.g. FSM at 150, Kiribati at 117 and Palau at 111. Clearly there is room for improvement (other Forum members are doing relatively well, with Samoa at 57 and Fiji at 60). Sources: World Bank, 2013, Doing Business 2013, World Bank (accessible at http://www.doingbusiness.org/~/media/GIAWB/Doing Business/Documents/Annual-Reports/English/DB13-full-report.pdf)

http://www.doingbusiness.org/~/media/GIAWB/Doing Business/Documents/Annual-Reports/English/DB13-full-report.pdf); and IMF staff estimates. A lower number indicates a more friendly business climate.

[56] As Geoff Bertram notes on p. 338 of 'Pacific Island Economies', "not surprisingly, private sector entrepreneurship encounters substantial obstacles within island economies and succeeds best when it modifies capitalist rationality to fit the demand of customary practices and traditions. The most talented entrepreneurs from Pacific Island communities are drawn out to the metropolitan economies around the rim of the Pacific where there are wider opportunities for profitable enterprise and investment."

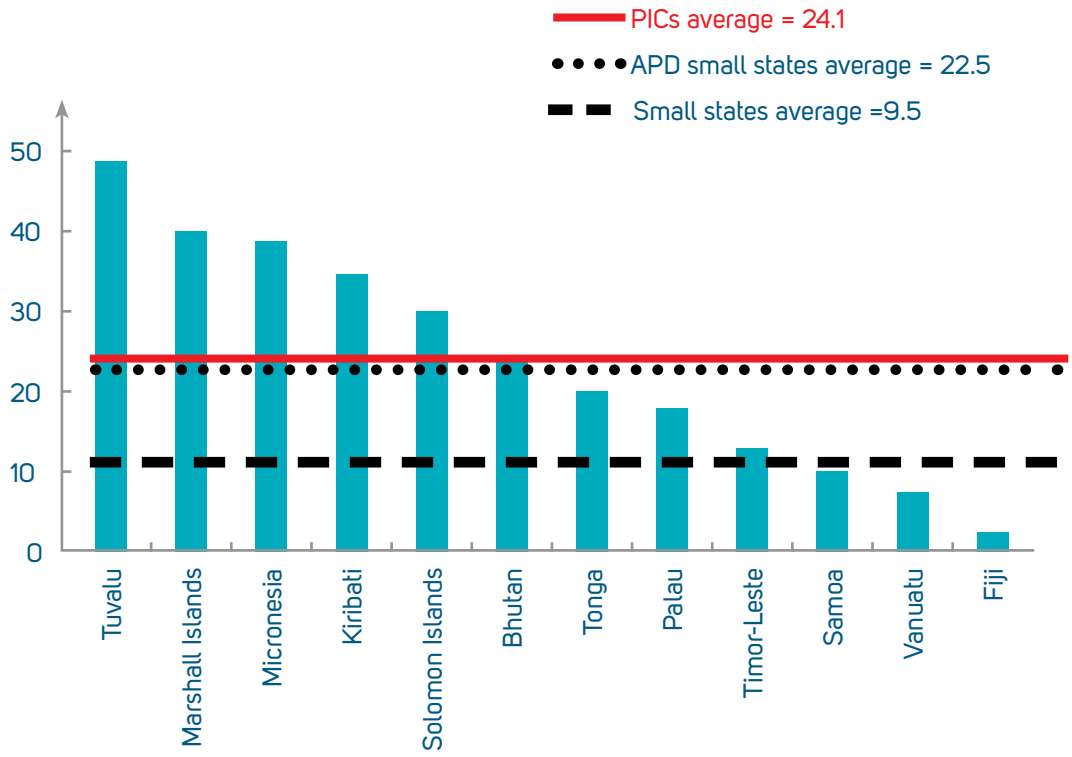
[57] Defined as GNI PPP in the foreseeable future.

[58] See Geoff Bertram, 2013, 'Pacific Island Economies', for a discussion of how this can work.

[59] Gross national income (GNI) converted to international dollars using purchasing power parity (PPP) rates. This is preferable for measuring per capita income because it includes aid flows and remittances from abroad, which are important for PICs, and compensates for the purchasing power of residents. Gross national income is the sum of value added by all resident producers, plus any product taxes (less subsidies) not included in the valuation of output, plus net receipts of primary income (compensation of employees and property income) from abroad.

For them, it looks as if the level of income they can attain through their own efforts may be below that needed to have a 'reasonable' standard of living, however that is defined, raising the prospect of a permanent 'deficit' that would need to be funded by the outside world.

Asia and Pacific developing (APD) small states: current government expenditure, 2011 (1% of GDP)



Source: IMF, world Econimic Outlook (WEQ) and IMF staff calculations.
Note: The APD group includes Bhutan, Fiji, Maldives, Marshall Islands, Micronesia, Palau, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu and Vanuatu. With the exception of Bhutan, the Maldives and Timor-Leste, they are all Pacific island countires.

There are a number of aspects to a response to this:

1. Maximising existing growth opportunities;
2. Expediting implementation of sustainable development policy; and
3. Working out the nature and size of any shortfall and what can be done about it.

Maximising Growth Opportunities

The above sections have argued that some PICs will need to pursue alternative development pathways to those traditionally followed by other countries. A number of possible ingredients that could be used to construct a strategy for economic development have been set out, including:

- Import substitution – e.g. using hydroponics to grow vegetables;
- Increasing traditional exports and adding value to them;
- Increasing tourism – in some of the smaller states, there is a need for government and donor intervention to get the industry off the ground;[60]
- Increasing access to regional labour markets and the remittances that flow from them;
- Improving infrastructure – e.g. the lack of a runway in Tuvalu long enough to accommodate large commercial jets makes air travel, and hence tourism, very expensive;
- Developing Internet-based economic activities;[61]
- Increasing revenue from forestry and fisheries;[62]
- Improving the business environment – as was noted above, many PICS rank poorly on the World Bank's Doing Business index;
- Developing mineral resources;
- Providing the suite of institutions and public goods needed if markets are to work well – many PICs do not have the capacity to investigate claims of anti-competitive behaviour; and
- Increasing revenue from geopolitical and historical rents.

There are clear coordination issues in developing tourism in SISs. Tourists will not go to an island unless there is something to do and somewhere to stay, airlines will not put on flights unless there is demand to go there, and the private sector will not begin building hotels and providing tourist-related services unless it has some reason to believe that tourists will actually come. There is a strong case for believing that government and donor intervention are required to get a tourism industry off the ground. The growth of the tourism industry in Niue is an example of the sort of successful intervention that requires collaboration between government, the private sector and donors, with the governments of Niue and New Zealand working to underwrite the risks of additional commercial flights and ensure that the infrastructure needed for tourism is in place (e.g. airport capable of handling commercial jets, hotels). Once off the ground – as it were – there is no need for further assistance – though this can take a while: at one point in the development of the tourism industry in Vanuatu, the resort owners there got together to arrange a charter flight for a year in order to convince the airlines that an additional flight was viable.

The potential of the Internet to overcome the tyranny of distance was repeatedly raised during our consultations. While there are indeed clear opportunities in this regard, as yet there is little evidence of it happening. Broad policy on how to go about doing this, including attracting expertise from elsewhere, could be usefully developed. Other barriers need to be removed. This would involve reviewing immigration policies to allow for interested professionals to base themselves in island countries and deliver services remotely, and overcoming constraints to have adequate Internet services.

These are critical extractive industries for the Pacific. While a great deal of effort has gone into ensuring that these industries are sustainable, in a number of sectors and in a number of countries, further work needs to be carried out. In some cases – such as reforming the southern albacore fishery – this action needs to be sub-regional. In other cases, such as sustainable management of native forests, nations can learn from best practice elsewhere and undertake reforms at the country level.

Increasing growth is a critical issue for all Forum countries. PICs are aware of this and are cognisant of most of the opportunities set out above, but they have yet to pursue them in a consistent and comprehensive way – largely because this requires a level of resourcing and capacity that many do not have. In addition, even after they have identified opportunities, some of the smaller PICs do not have the administrative capacity to pursue all of these opportunities at once. Prioritisation within these opportunities and targeting of resources in support of the most promising ones is needed if PICs are to increase growth rates: PICs therefore need to look at the opportunities that they have and design growth strategies that prioritise them and which they have the capacity to deliver. In doing this, they will require assistance from PIFS and the multilateral finance institutions (MFIs).

Recommendation 1: PIFS works with multilateral finance institutions (MFIs) to offer PICs the opportunity to develop more highly prioritised growth strategies, designed so as to be within their capacity to deliver, covering the particular set of opportunities for growth that face them.

Generally, before doing work of this sort, PIFS would require a request from members. In order to ensure ownership and interest by Forum members, this should be developed as a proposal for the Forum to consider (and would therefore need to go through the relevant PIFS processes set out below).

During consultations, a number of stakeholders raised the need for rapid action with respect to aspects of two sectors. In particular, it was suggested that action could be taken to increase the likely rents flowing to PICs through:

- *Reforming the management of the southern albacore fishery*. It may be possible to reform the licensing of this fishery so that the system used resembles that adopted by the Parties to the Nauru Agreement, resulting in increased revenue from licensing fees;[63] and
- *Helping PICs negotiate more lucrative deals on seabed mining*. Given the limited experience that most PICs have with mining, they need advice on how to ensure that this activity is environmentally and economically sustainable. It has been suggested that the Pacific should establish something like the self-funding secretariat that supports the Parties to the Nauru Agreement to provide commercially focused advice on maximising revenue.

[63] *There are, however, some technical differences between the two fisheries that may pose insurmountable difficulties, including the fact that most albacore can be taken in international waters.*

Recommendation 2: PIFS works with relevant CROP agencies to investigate the merits of reforming the management of the southern albacore fishery and establishing a self-funding secretariat to assist PICs with the development of seabed mining.[64]

Sustainable Development

The culture and values of the Pacific translate naturally into the idea of sustainable development, and in the Waiheke Declaration of 2011 Pacific leaders committed the region to pursuing it. Work has begun on implementing this declaration. A Waiheke Declaration technical working group, with membership from CROP agencies and international multilaterals, has been established. Equally significantly, sustainable development will be at the core of the post-2015 global agenda. This will set goals that member countries are likely to take on board.

In short, this is crowded policy space. However, this in itself is not a reason for doing nothing. The most obvious gaps are not at the level of theory or measurement, but rather in identifying concrete action that could be taken by the region or by individual nations[65] and providing them with some general policy tools to help them manage trade-offs. The concept of 'sustainable development', if it is to guide action, needs to be made more concrete and implementable,[66] as do, critically, the linkages and trade-offs between the different elements of sustainable development, between the economic, the social[67] and the environmental dimensions of development, and, in the Pacific context, how these link to sustaining Pacific cultures.[68] It is unlikely that work in this region would cut across the global work on developing indicators, or policy work at the national level, and would expedite implementation of the Waiheke Declaration.

[64] If these proposals have merit, they would then need to go through the processes outlined below from p. 65, which are designed to restrict the number of initiatives advancing under the Pacific Plan to a manageable set of high-priority issues.

[65] Or groups within the Pacific: the Asian Development Bank has recently categorised PICs into four groups: tourism-led (Palau, Cook Islands, Vanuatu), natural-resource-export-dominated (Solomon Islands, PNG, East Timor), balanced (Fiji, Tonga, Samoa), and small island economies (Tuvalu, Kiribati, FSM, Republic of the Marshall Islands, Nauru). It may be useful to use this taxonomy to develop generic sustainable development plans for each group.

[66] The action plan for implementing the Waiheke Declaration that was released by the 16th Forum Economic Ministers' Meeting is an important step forward in doing this.

[67] For example, labour mobility, while bringing clear benefits in terms of remittances, increased entrepreneurialism, knowledge flows and skill transfer, can also impose social and cultural costs: the exodus of young people associated with access to labour markets in metropolitan partners can feel like an existential threat to culture when they don't return, and can bring with it social problems when they do return.

[68] The relationships and the interdependencies between these dimensions of sustainable development have long been recognised. However, as elsewhere, policies related to each dimension often continue to be developed independently from one another. In many ways this is not that surprising: determining the appropriate trade-offs between each dimension is difficult. Different countries, and even different communities, will have different views on where the appropriate balance lies. This is not to say that no general policy advice can be given in this area. Many of the things highlighted by the Waiheke Declaration – e.g. raising educational standards and expanding opportunities for acquiring technical and vocational skills relevant to job markets – would be part of any strategy for sustainable development. These initiatives tend to be those where there is no need to make a trade-off between the different elements of sustainable development. Thus, for example, increasing employment opportunities for women is good for the economy and for social cohesion, and is unlikely to have any impact on the environment that cannot easily be managed.

Recommendation 3: PIFS expedites its work on developing concrete policies on sustainable development for the region to use and policy to help the countries and the region manage trade-offs between the different elements of sustainable development.

The costs of key parts of a sustainable development strategy are higher in small island countries: renewable energy is more expensive; disposal of waste is more difficult and costly; ensuring a reliable water supply is often expensive and intensive in its use of fossil fuels; and sewage treatment is difficult. In its travels, the Review team came across a variety of innovative approaches to these issues (e.g. the ocean thermal energy conversion system [OTEC], which is used to provide air-conditioning at the Intercontinental Hotel in Bora Bora, French Polynesia).[69] While knowledge transfer on these matters has been taking place,[70] it has not always occurred in a timely and systematic manner. Where rapid progress is being made, this transfer of experience should be systematised and should cover all elements of the sustainable development project – there may, for example, be merit in having an annual conference on sustainable development to encourage knowledge transfer across the area.

Recommendation 4: PIFS works with relevant CROP agencies to investigate how to improve knowledge-sharing in the area of sustainable development.

A Reasonable Standard of Living

As was noted above, given their prospects for growth, some of the SISs may struggle in the foreseeable future to be able to generate internally the resources needed to sustain modern government, health and education systems and provide their citizens with a reasonable per capita GNI PPP. This raises the prospect that some may need ongoing transfers from donors to enable them to do this. As region, the Pacific is probably unique in confronting this issue.[71] This, in turn, raises a series of questions about the size and nature of the problem, including the following:

- What, in the Pacific context, is a 'reasonable' standard of living?
- How close can different PICs reasonably expect to get to this level of per capita income over the next 20–40 years?

[69] The OTEC system passes cold sea water through a heat exchanger, where it cools fresh water in a closed-loop system. This cool fresh water is then pumped to buildings and is used for cooling directly (no conversion to electricity takes place).

[70] The Pacific Energy Summit 2013 – a conference on renewable energy – was recently held in Auckland: see http://www.pacificenergysummit2013.com. The Pacific Leaders Energy Summit was also held in Tonga in conjunction with this event.

[71] The Caribbean, the other area where some countries may require long-term ongoing transfers from donors, is much closer to very large tourism markets (the US, Mexico, Central America, Venezuela and Columbia have a combined population of around 500 million people), does not suffer from the same costs of doing business, has high levels of remittances from abroad, and can probably expect to attain moderate levels of per capita income in the next 30–50 years. Of course there is a great deal of variation in this picture, with many individual countries in the Pacific already having attained moderate levels of income; equally, other SISs elsewhere face the same challenges as PICs.

- What is the cost of government service delivery to a 'reasonable' level?[72]
- What is the cost of a 'reasonable' standard of governing – e.g. a reasonable court and justice system, parliament, etc. – in these countries?
- Can assistance be delivered in a way that does not undermine enterprise, compromise the culture of the islands, or generate unacceptable side effects?
- How much of a role can increased labour mobility play in reducing this gap?
- Who is going to deliver this assistance and how can this be made politically and economically sustainable?[73]
- What is the quid pro quo (e.g. further improvements to public financial management) for providing this assistance and how will it be decided?

These are difficult questions to answer. Doing so would require a great deal more analysis and thinking than the Review is able to do. The hope and expectation of the Review team is that these issues will be taken up and developed further after the completion of the Review.

Recommendation 5: PIFS works with one or more of the multilateral development organisations to examine these issues.

Measuring Poverty and Measuring Progress

The above discussion raises important questions about how to define both poverty and progress. Many of the things that are important in the Pacific are not adequately reflected in traditional measures of development. As repeatedly raised in our consultations, the view that the sole measure of progress is income per head is an anathema to most Pacific islanders.[74] In general, they have a richer, more multi-dimensional view of development that reflects the value they place on the environment, culture, family, social cohesion, sports

[72] There are reasons for believing that the cost of service delivery for SISs may be much higher than for larger countries and that sharing services will not reduce the cost of this much at all: see http://devpolicy.org/pooling-pacific-20130625 for a discussion of this.

[73] See World Bank, 2011, Discussion Note: Pacific Futures, World Bank, pp. 19–22, for a useful commentary on these issues (accessible at http://devpolicy.anu.edu.au/pdf/2012/Discussion_Note_Pacific_Futures.pdf).

[74] Extreme poverty, defined as the proportion of the population living below US$1.25 a day, and its manifestations of starvation and destitution, is rare in most FICs. This is thought to be a result of the generally high dependence on subsistence living and entrenched traditional social safety nets (see David Abott and Steve Pollard, 2004, Hardship and Poverty in the Pacific, Asian Development Bank; accessible at http://www.paddle.usp.ac.fj/collect/paddle/index/assoc/adb004.dir/doc.pdf. Instead, following Abott & Pollard's (2004) seminal study, poverty is generally viewed as hardship or an inadequate level of sustainable human development, as evidenced by:

- *A lack of access to basic services, such as primary health care, education and potable water;*
- *A lack of opportunities to participate fully in the socioeconomic life of the community;*
- *Lack of adequate resources (including cash) to meet the basic needs of the household or the customary obligations to the extended family, village community and/or the church.*

This Pacific definition of poverty is measured by the percentage of people living below the basic needs poverty line (BNPL) and, subsequently, this is the measure that is used to assess the region's progress against the first target under MDG 1 (see PIFS, 2012, Pacific Regional MDGs Tracking Report, PIFS, accessible at http://www.forumsec.org/resources/uploads/attachments/documents/MDG%20Track%20Rpt%20web%2020122.pdf)

and leisure. Similarly, when it comes to measuring poverty in the Pacific perspective, there is considerable dissatisfaction with the use of per capita income as the sole measure of deprivation. In the Pacific, as with elsewhere, poverty is experienced as a multi-dimensional phenomenon, with low income being an important aspect of it, but not the sole determining factor. [75]

A number of global multi-dimensional poverty indexes (MDIs) have been developed to try to capture the lived experience of poverty.[76] Elsewhere, countries like Colombia and Mexico have responded to the multi-dimensional nature of poverty by developing an indicator for their country that seeks to capture how their poor and excluded citizens experience poverty. These indicators, while much truer to the lived experience of poverty in a particular country, are country specific and cannot be used to make international comparisons.

The multi-dimensional approach chimes with the experience of poverty that many Pacific islanders have, where traditional activities like fishing, agriculture and cultivating fruit can go some way to compensating for a low income. Equally significantly, the strong social networks and extended families, which can be called on in times of need, give Pacific island families a resilience in the face of adverse events that is fast disappearing in the developed world.

There is a strong case for developing multi-dimensional indicators of poverty and development that are uniquely Pacific, and a deep desire amongst the people of the Pacific for this to occur. Given the differences between the Pacific and the rest of the world, it is unlikely that it will be comparable with other indicators; however, given the similarities between Pacific nations, there are grounds for believing that this may give rise to indicators that will enable PICs to compare themselves to each other. The measures of both development and poverty need to be the product of extensive consultation across each country that wishes to develop them. This consultation should in turn reveal the extent to which a common indicator, which builds on the Sustainable Development Goal (SDG) indicators, is possible across the Pacific.[77] (See Annex 12 for further details on building uniquely Pacific Indicators.)

Recommendation 6: PIFS works with PICs and multilateral development agencies to develop uniquely Pacific indicators of both poverty and progress.

[75] *"Poor people themselves describe their experience of poverty as multidimensional… [and] include poor health, nutrition, lack of adequate sanitation and clean water, social exclusion, low education, bad housing conditions, violence, shame, disempowerment and much more," Oxford Poverty and Human Development Initiative, 'Policy – A Multidimensional Approach' [web page], http://www.ophi.org.uk/policy/multidimensional-poverty-index*

[76] *The most well known of these is that developed by Sabina Alkire and Maria Santos for the UNDP's 2010 Human Development Report (accessible at http://hdr.undp.org/en/reports/global/hdr2010/mpi).*

[77] *That said, the starting point for doing this should be the current SDG development process. Data and views on what is important for the Pacific collected through these processes should be considered as strong candidates for inclusion in any Pacific indicators. And it should be acknowledged that it is possible that the SDG indicators may be sufficient to track progress in the Pacific. It is also possible, and even likely, that they will need to be supplemented in some way to reflect the Pacific way of life.*

THE GOVERNANCE AND FINANCING OF PACIFIC REGIONALISM

Why Was the Review Interested in 'Governance'?

The Pacific Plan is concerned with translating high-level aspirations about regionalism, established through collective decision-making by the region's political leadership, into *change* that results in tangible benefits for Pacific society, the region's economy, its security and the environment. The vehicle is a formally constituted international membership *organisation*: the Pacific Islands Forum and its Secretariat (and other related organisations: the CROP agencies), and within that forum the mechanism is the deliberation of a *board*[78] – the Pacific Plan Action Committee.

Governance is about this process of translation: of translating the wishes of an organisation's owners into a performance that efficiently and effectively yields desired outcomes and impacts. In this case the desired outcomes and impacts are improved regional cooperation and deeper social, economic and political integration.

Governing bodies – or *'boards'* – ensure the overall direction, effectiveness, supervision and accountability of the organisation.[79]

How good an organisation's governance is will often be measured in terms of three key attributes of its board: *capability, accountability and responsiveness*.

Thus, given the Plan's intent to bring about significant change on behalf of its stakeholders through the deliberations of a board and the subsequent performance of an organisation (or network of organisations), the issue of governance constituted[80] an area of interest to the Review.

International Governance

The governance of international membership organisations is notoriously fraught the world over. There are inherent tensions and difficulties in reconciling the often diverse interests and perspectives of individual member countries with the need for a single collective position on supra-national issues. The executive functions and responsibilities of 'boards' become confused with the need for, and comfort of, 'representation'.

Furthermore, the inherent difficulties of providing for and governing a wider, supra-national benefit through the lens of national domestic interests is often further complicated – particularly in the case of development-oriented international membership organisations – by the inescapable factor of how and by whom the organisation is financed. Cash-strapped developing countries will rarely be able to prioritise supra-national activities and investments above more pressing national requirements to the extent needed to finance

[78] *We use the term 'board' here in its generic sense, meaning a formally constituted organ that bears collective responsibility for the governance of an organisation or initiative. A 'board' may be the cabinet of a nation's government, the directors of a company acting collectively, the trustees of a charity, or just the volunteer management committee of a local sports club – and anything in between that seeks to deliver a result on behalf of a wider ownership or membership.*

[79] *Chris Cornforth, 2005, The Governance of Public and Non-profit Organisations: What Do Boards Do?, Routledge.*

[80] *As emphasised in the Review's Terms of Reference (Annex 1).*

the international organisation's performance fully. So, as with PIFS and many of the CROP agencies, a significant component of the financing of international collective action is typically derived from the donor community – which has its own accountabilities (always) and priorities (sometimes).

A further feature of the organisational structure charged with delivering on the Pacific Plan, specifically, is its loosely affiliated network of otherwise autonomous CROP agencies. Each has its own separate governance and financing arrangements, but collectively they are expected to deliver on a common regionalism agenda.

The Review recognised that many of the generic difficulties and tensions in governing collective action at the international level applied, or likely applied, to the governance of the Plan. The Review therefore commissioned an independent, peer-reviewed 'think piece' on the governance and financing of international membership organisations (the 'Beattie' paper)[81]. The paper provided a reference for much of the Review's subsequent thinking on governance issues.

Governance Questions are Central to the Pacific Plan

A fundamental conclusion of the Review is that it is very difficult to see how the Pacific Plan, or the processes surrounding it, are driving regional integration with the scope, pace and scale intended in its original framing – or indeed that is necessary for the future of the region. In other words, the aspirations and wishes of the owners – or principals – are not being translated into enough change. To what extent might governance of the Plan's processes be part of this failure, and how?

The processes around the Plan appeared to the Review to be dominated by bureaucratic and institutional interests, with the result that the Plan contains too many priorities, often of the wrong sort. The regional agenda has become clogged with relatively small initiatives that do not require the attention of Leaders and serve only to dilute managerial attention and accountability. How has this come about?

The Review was repeatedly told that both the CROP agencies and the Forum's metropolitan members hold undue sway on the Pacific Plan agenda. Is that true, and if so what might be contributing to that fact or perception?

In exploring these questions we highlight below a number of observations that arise when we look, through the filter of the Beattie paper's generic analysis of the governance of international organisations, at how the Pacific Plan is governed.

[81] *Anthony Beattie, 2013, The Governance of Priorities, Financing and Performance in the Delivery of Public Goods by International and Regional Membership Organisations, paper prepared for the Pacific Plan Review, Pacific Islands Forum Secretariat, accessible at: http://www.pacificplanreview.org/resources/uploads/embeds/files/AnthonyBeattie_GovernanceFINAL.pdf*

Principals and Agents – Who's in Charge of the Agenda?

In the context of the implementation of the Pacific Plan – which at its highest level sets out aspirations articulated over time by the Pacific's political leadership – it is clear who the *'principal'* is: it is the region's political leadership speaking collectively at the annual Forum.

However, the political leadership must depend on a regional administration or bureaucracy – or 'agent' – both to advise it and to carry out whatever is necessary to bring about the desired change. Here it becomes more complicated.

Intuitively one would say that the agent is the Forum Secretariat. That is its established constitutional function; it has staffing and organisational presence; it has convening power; it has funds and funding mechanisms.

But in fact it is explicit that the implementation of the Pacific Plan is largely in the hands of (1) the Pacific's sovereign national governments, and (2) the separately governed Pacific regional organisations (which contain much of the region's technical expertise), loosely convened under the umbrella of a non-mandatory coordinating committee – the Council of Regional Organisations of the Pacific (CROP). (PIFS is also a member of the CROP, which is chaired by the PIFS Secretary-General in a 'first among equals' appointment.)

The relationship between the principals and the agents is further complicated, in the case of the CROP agencies, by the need to secure external finance[82] over and beyond member countries' contributions. While we recommend debunking the assertion, it has been widely assumed that donor finance will be available for a regional initiative only if it is prioritised in the Pacific Plan. It has therefore always been in the CROP agencies' interests to ensure that the priorities of the Plan and those of donor finance are wholly aligned, with many of the CROP agencies asserting that their priorities must be in the Plan to be funded by donors.[83] The CROP agencies, the heads of which are ex officio members of PPAC, thus hold their influence on the Leaders' agenda very dear.

Recommendation 7: PIFS explicitly debunks the misunderstanding – and thereby removes the significant consequences of – the myth that an issue or an initiative must appear in the Pacific Plan if it is to attract funding. The Plan is not a regional development or funding plan, but a framework for, specifically, advancing Pacific regionalism.

Two of the Forum's members, Australia and New Zealand, are also very significant regional donors. A third Forum member, Papua New Guinea, has recently started making grants-

[82] *On average, across the principal CROP agencies, aid funds provide nearly 80% of those organisations' annual budgets (see Annex 14).*

[83] *Other institutional incentives also exist to raise and perpetuate, through the Pacific Plan, the profile of current work programmes – for example, the dependency of the regional organisations on contract staffing.*

in-aid to other Forum island countries also. This has – inevitably – led to the assertion that these 'donor members' do, or are potentially able to, exert disproportionate influence on the Forum's agenda. Although this assertion was frequently put to the Review, and regularly appears in academic and media commentaries, the Review found little or no evidence of any Machiavellian donor influence on the agenda, but it does have a view on why this perception arises and how some adjustment is necessary to the way donor dialogues are managed (see below, under 'Membership of the Forum and of the Plan').

Many of the problems attributed to convoluted principal–agent relations seen in other international organisations seem to be alive and well in the Forum too: while the principal (the political leadership) nominally sets the agenda, in fact agents and agents' interests have much to do with setting the agenda and with what gets implemented. The agents have all the power and knowledge, and – principally because of financing imperatives – also have the incentives to influence the agenda more that might be expected in an ideal principal–agent relationship. Anthony Hughes, in his review of the architecture for regional cooperation in the Pacific, referred to this as the *"management capture of governing bodies"*, and pointed to several dangers inherent in it.

Governance of the Pacific Plan

Oversight of the Pacific Plan is provided by the Pacific Plan Action Committee. PPAC is a descendant of the Pacific Plan Task Force, made up of mostly foreign affairs officials, that worked on the original development of the Plan. PPAC's mandate and governance arrangements were set out in the Kalibobo Roadmap (Annex 5), attached to the 2005 Forum communiqué.

The Kalibobo Roadmap also set out some other important elements, including:

- The establishment of bespoke units in PIFS to support PPAC and the progress of the Plan: the Pacific Plan Office and the Smaller Island States unit;
- The establishment of a 'regional institutional framework', relating to the *"central role of the regional organisations", "appropriate to the development of the Pacific Plan"*.[85]
- A proposed 'Pacific Fund' "to manage Pacific Plan implementation", to be utilised principally for *"capacity-building… workshops and seminars… in assessing progress and… in advising countries on implementation"*.

[84] *Anthony Hughes, 2005, Strengthening Regional Management – A Review of the Architecture for Regional Co-operation in the Pacific, report to the Pacific Islands Forum.*

[85] *Note that this Review was not asked to review the regional institutional framework or its member organisations.*

Contemporary statements describe the role of PPAC as being *"to review implementation of the Pacific Plan and provide high-level advice to Leaders on strengthening regional cooperation and integration"*.[86]

PPAC reports directly to Leaders through the medium of a 'letter' to the Forum Chair summarising its deliberations. The Kalibobo Roadmap originally envisaged quarterly reporting to Leaders.

PPAC nowadays comprises representatives of every Forum member (16)[87] and associate member (2), as well as executives of each of the CROP agencies (9). All 27 have equal status. Delegation sizes vary but typically range from one (for most SISs) to five or more (for the larger countries). PPAC now meets once a year[88] some weeks prior to the Forum Leaders' meeting, but sometimes holds additional meetings when circumstances require. (For example, a 'Special PPAC' was held earlier in 2013 to consider this Review's interim findings.)

The lead delegates tend, in the main, to be from member countries' foreign ministries. (A concern put to the Review by some observers is that the agenda of PPAC requires a more diverse set of skills and perspectives, including input from economic and development ministries.)

A table showing the dates and delegations of the Pacific Plan Task Force and PPAC meetings from 2004 to 2013 is provided at Annex 13.

PPAC meetings are chaired by the country holding the Forum chair. The Chair and the members receive no induction, nor do they accede to any formalised accountability (as would the board of a public company, for example), or to any executive responsibilities (as regards the Pacific Plan) between meetings.

All meetings are held through the physical presence of members – usually at the Secretariat's facilities in Suva. There is no substantive use of tele- or video-conferencing for PIFS meetings.

The direct cost to the Secretariat of convening a PPAC meeting is approximately FJD120,000 (±USD64,000), mostly for the airfares and accommodation of the one delegate per FIC member that PIFS funds. Additional delegates, and the various on-costs of delegates' participation, are funded by the member countries and organisations. There is also a considerable back-office cost to holding such meetings: the Review noted the colossal effort that PIFS staff put into preparing briefings for PPAC – which in 2013 consumed more than a ream of paper per delegate.

[86] *http://www.forumsec.org/pages.cfm/strategic-partnerships-coordination/Pacific-plan*

[87] *Fiji is one of the 16 Forum members but is currently suspended from attending Forum meetings.*

[88] *Until mid-2009, PPAC met twice a year (with progress reports also produced twice yearly).*

[89] *The Forum Officials Committee is effectively the 'executive committee' of the Forum and comprises representatives of all member countries. However, PPAC does not report to the FOC but directly to Leaders.*

PPAC meetings are generally held back to back with Forum Officials Committee (FOC)[89] meetings. Most frequently, the PPAC delegate stays on for the following FOC meeting, attendance at which must otherwise be funded by the member country.

The convening of a PPAC meeting (for which airfares are paid) back to back with a FOC meeting (for which airfares are not paid) creates some interesting incentives that serve to shape the governance of the Forum and the Pacific Plan:

- PPAC meetings essentially fund member countries' participation at the FOC;
- The same person (and therefore the same arm of government) will usually represent a member country at both meetings; and
- Representation at PPAC meetings often not including development specialists.

Not surprisingly, there is a view that although their responsibilities are different, there is duplication, in practice, in the memberships and functionalities of FOC and PPAC.

In addition to PPAC and FOC, other committees hosted by the Secretariat include the Smaller Island States meeting and the Council of Regional Organisations of the Pacific. A number of important high-level ministerial meetings are held through the year on specific economic and other sectoral issues, also under the auspices of the Forum.

Communiqués are issued after the annual Forum meeting, but the papers and minutes of PPAC (or any other PIFS governing-body meeting) are not generally published. (Something the Review recommends changing – see Recommendation 16.)

PPAC's Ability to Provide 'Governance'

A board must do more than note, debate and argue the points: it must be proactive. It must make decisions and direct the efforts of an organisation (or initiative – the Pacific Plan – in this case) such that the wishes of the principals are translated, efficiently and effectively, into performance.

While PPAC may be a comfortable forum for ensuring that member countries' are represented democratically, it is difficult to see how such a large committee, with significant variation in attendance and backgrounds, can be the most effective decision-making organ for what is effectively a managed project (the long-term project that is the prosecution of Pacific regionalism). This is particularly so when the task at hand is specifically not one of representing national or organisational interests but one of seeing to the development and implementation of a collective supra-national agenda handed down by the region's leaders.

This perspective – of PPAC not needing to be a committee of representatives – seems particularly valid given the fact that there is already another such all-members committee – the Forum Officials Committee.

The issue of PPAC essentially constituting a house of 'representatives', including representatives of the main implementing agents of Pacific Plan initiatives, whom we assess as facing a number of incentives to bring programmes to Leaders' attention, also

raises questions (certainly theoretical ones at least) over the neutrality and independence[90] of the advice the committee provides to Leaders, and its recommendations as to priorities. To what extent would PPAC be likely to recommend or prioritise an initiative that was not within the core competencies or interests of the agencies represented or, conversely, to deprioritise an area of work on which a member agency was currently dependent for funding? Stakeholders and students of Pacific regionalism are uncertain.

Our Review examined the steps involved in establishing the agenda for the Leaders Forum (as far as the Pacific Plan is concerned), and it is clear that it is indeed heavily influenced by the perceptions and views of officials and technocrats, and current organisational priorities, and rather less so by those representing the region's political interests and values. Yet the Forum is the region's 'peak political body', and the Pacific Plan is fundamentally about the expression of political values and making hard political choices about things that will affect what the region will look like (socially, economically and environmentally) in the future.

The Review noted a high level of dependence on the Secretariat in the conduct of the two PPAC meetings it attended. Clearly, a delegate will seek briefing and preparation by their officials. However, the impression given to the Review was that this has often extended to leaving PPAC with, simply, an 'endorsement' role rather than a direction-setting role. The language of many of the outcome documents seen by the Review contains a preponderance of passive verbs such as 'note', 'welcome', 'appreciate', 'acknowledge', 'concur' and 'encourage',[91] but something of a scarcity of more decisive or directional language.

There also seems to be a tendency for the agenda to get clogged with lower-level, administrative, issues.

The ability of a board to provide effective direction with due capability, accountability and responsiveness will, in the private sector and increasingly in the public sector, often be subject to the formal induction of board members, training in board skills (chairing, policy and strategy development, finance, etc.), the formalised acceptance of certain responsibilities and accountabilities, agreement to a code of conduct, and to individual and collective performance monitoring. Board members will usually also benefit from regular briefings and alerts between meetings, and the chair will be in continuous contact with the executive over the performance of the organisation.

This is not the case with PPAC (or any of the Forum's governing bodies), but the Review noted and applauds how the University of the South Pacific has developed just such an approach to developing the capabilities and accountabilities of its own governing body – and would encourage PIFS and others to do likewise (see Recommendation 21 below).

[90] Neutrality and independence are seen as critical attributes of an international organisation serving multiple sovereign member countries' interests.

[91] As one regular observer of PPAC put it, "You could do all those by email".

So we have a problem. The Review has concluded that it is difficult to see how the Pacific Plan, or the processes surrounding it, are driving regional integration with the scope, pace and scale that is necessary, and that this is in large part because regionalism has 'lost its politics' and the agenda has become too driven by its agents. And, furthermore, the Review has concluded that what the agents elect to do, programmatically, is often more dependent on the availability of finance – or what is and is not likely to attract funding – than on any collective political direction. We therefore also discuss the influence of financing.

Financing the Plan

There have been calls for Forum island country members to increase their contributions to the Pacific regional organisations, to make those organisations less dependent on donor finance and to demonstrate a greater degree of 'ownership'. However, this seems unlikely to happen across the board[92] to any game-changing extent.[93] Few developing countries the world over enjoy the fiscal space, or mandate from citizens, to prioritise international obligations and the delivery of supra-national benefits above the pressing budgetary requirements of their own national developmental requirements. This is certainly the case across much of the Pacific.[94] And if the substance of an international organisation's output is essentially non-excludable and non-rival *(i.e. a true public good)*[95] there will be a perceived problem of free-riders if the activities of that organisation are disproportionately funded by a few for the benefit of the majority.

So support for the delivery of international public goods is typically heavily dependent on the wider international community, through official development assistance, and that is as relevant as it is understandable. Hence about 80% of the CROP agencies' total annual budgets are derived from donor finance. Furthermore, just two donors – Australia and New Zealand – provide the great majority (around 70% in the case of PIFS) of that external finance (Annex 14 provides a synopsis of CROP agency budgets). Those two donors are also, uniquely, both bona fide voting members of the Forum in their own right, and also of agencies such as the Secretariat of the Pacific Community (SPC).

The challenge (certainly in the medium-term) is not, in reality, to secure more endogenous or more diverse sources of funding for regionalism. Rather, it is to ensure that financing – wherever it comes from – efficiently and effectively serves the requirements of the regionalism project (as prioritised through political leadership), and that the forms and processes of funding, and the various incentives inherent in the acquisition of finance, do not in themselves undermine the sovereign expression of political values or the mandate of the organisation.

[92] *Although one or two of the PICs are increasingly able to consider greater support for regional initiatives.*

[93] *That is not to say that member contributions are unimportant. Quite the opposite: they define the very essence and mandate of an organisation as a membership organisation established by its stakeholders to serve their common needs more effectively than they could if they were acting alone. (Including the establishment of the norms and standards through which the whole membership becomes better off.)*

[94] *Several PICs are in arrears with assessed contributions to several Pacific regional organisations.*

[95] *Services provided by CROP agencies in support of national agendas alone would not fall into this category and are more likely to be fundable by individual countries.*

However, donor financing of international membership organisations invariably brings with it tensions and frustrations. On one hand accusations abound that donors ultimately control, through the 'power of the purse', the programme of an otherwise sovereign membership organisation and, on the other hand, that anything less than a hands-on approach by donor agencies will not suffice in terms of meeting legitimate accountability requirements to their taxpayers.

Putting aside accountability issues, experience elsewhere suggests that where governance arrangements also serve to confuse rather than reinforce principal–agent relationships, so that the agenda-setting becomes opaque, donors will inevitably be cautious about relinquishing exclusive control over expenditure and allowing the organisation to allocate funding according to its own priorities (because those priorities tend not to be very clearly defined in such circumstances).

Bilateralisation

Managers within an organisation become as frustrated as donors do with governance, while both remain keen to get initiatives funded. The environment is then set for the 'bilateralisation' of the multilateral organisation's agenda: the direct financing of initiatives, outwith the organisation's priority-setting or governance processes, by donors effectively contracting directly with parts of the organisation and selected programmes of the organisation. The organisation becomes a contracting service provider, rather than a supra-national, member-owned facility for dealing with common supra-national issues.

So starts a 'race to the bottom' in terms of the marginalisation of governance and increasing bilateralisation, and through that the erosion of ownership by the organisation's membership.

As a regional organisation's common supra-national agenda is weakened, the organisation comes to be seen more as a (perhaps subsidised) service provider, further distancing it from, or certainly confusing its role in, the pursuit of its international mandate.

The provision of core funding, where donors contribute to the core budget of the organisation without earmarking funds for particular programmes, has been a welcome trend in recent years. The principal of core funding as 'good practice' was reinforced by the Development Assistance Committee (DAC)[96] following the 2011 Busan High Level Forum on Aid Effectiveness, and Australia is to be commended for the significant progress it is making in moving towards multi-year core-funding commitments with the Pacific regional organisations.

Nonetheless, the Pacific regional organisations mostly struggle to secure the funding – core or otherwise – they need. The temptation is consequently great to accept increasingly diverse sources and forms of donor finance. Care needs to be taken to ensure that agencies

[96] *Development Assistance Committee, 2012, Report on Multilateral Aid, OECD, accessible at http://www.oecd.org/dac/aid-architecture/DCD_DAC(2012)33_FINAL.pdf*

established with a clear mandate to progress a particular agenda do not thus become 'project hotels' for an increasingly diverse and off-mandate set of transactional activities.

The Review would certainly reinforce previous recommendations that PIFS, for example, should not be implementing projects and programmes on behalf of donors: its role is a political one,[97] not a project management one. But that then reinforces the need for non-earmarked, non-programmatic (i.e. core) funding. And that will only ever be possible so long as governance is rated highly.

The Pacific's regional membership organisations are not alone in having to deal with these issues: there has been a considerable debate internationally around reducing the pervasiveness of 'bilateralism' and improving the effectiveness of donor finance generally, and of international membership organisations in particular. These discussions have often revolved around:

- Establishing more meaningful and inclusive dialogues over what an agency is about, what it does, and what it aims to achieve next;
- Getting that publically articulated, with clear performance measures; and then
- Allowing the agency to get on and deliver against those clearly articulated goals.

The required dialogues over governance, accountability and performance are then held separately – in their proper place within the appropriate governing bodies – rather than through bilateral negotiation.

Where donors are also bona fide members of the organisation (which they may well be for other, legitimate, reasons) it then becomes important to separate clearly – and be clear about the purpose of:

- The discussions that a member may rightfully wish to have relating to their status as one of many equal members of the organisation (and what they expect to get out of their membership); and
- The discussions that that same country will also legitimately wish to have about the utilisation and effectiveness of its aid investment in the organisation – regardless of whether or not it is also a member.

The analogy often given is that a public company would have one set of discussions with its shareholders about the governance and performance of the company – within and through its governing bodies – and another set of discussions with its bankers in a different place.

[97] *In other words, it supports a political process.*

The funding of organisations such as the International Fund for Agricultural Development (IFAD) lends itself to this sort of more constructive relationship. It is based around multi-year 'replenishments', whereby once every several years (only) there are really substantive, well-informed consultations involving members and multiple donors over what the organisation is to achieve and why over the coming (say three- or four-year) period, and how much that will cost, with donors then pledging to provide a certain amount of largely pooled finance (by replenishing the organisation's multi-year programme fund). Between replenishments, the dialogue is focused much more on the regular work and functions of the governing bodies.

Recommendation 8 (as per Recommendation 22)[98]: Develop, in consultation with the CROP agencies, their members and their other major financers, terms of reference for furthering the analysis of options for the more effective governance and financing of collective action in pursuit of regionalism (including of the network of Pacific regional organisations), and subsequently recruit specialist short-term advisory inputs for that purpose.

Membership of the Forum and of the Plan

It is not for the Review to comment on the membership of the Forum: this is entirely and properly a matter of political debate and values, and it relates to the founding principles and purpose of the Forum – which the Review was not asked to examine. However, the Review should report that many stakeholders had views on the membership of the Forum and its impact on the substance and process of regional integration – ranging from mild inquisitiveness to a more official submission on the issue.

The substantive views expressed relate to three areas:

1. The point has been made that the distinction between 'self-determining' and some other form of territorial sovereignty in defining eligibility for full membership is flawed in terms of the contemporary requirements and parameters of regionalism.

   The argument is that the original agendas of the Forum – for example of supporting decolonisation and advocating for a nuclear-free Pacific, which were clearly, intrinsically, a part of the expression of self-determination – have either been resolved or moved to other platforms for debate and determination.[99] The contemporary debate about regionalism has rather less intrinsic association with self-determination. Most of the issues being debated in contemporary Pacific regionalism (trade and transport, for example) are entirely within the mandate of even the non-self-determining territories to resolve, and regionalism would be better served by fully including, not excluding, such territories in the debate and in its implementation.

[98] *This recommendation deliberately appears twice in the report: once as Recommendation 8 in the discussion of the governance of regionalism, and once as Recommendation 22 in the discussion of the financing of regionalism.*

[99] *For example, through referendums on independence.*

2. The question was raised many times about the basis of the two metropolitan members' participation in the Forum. Most of those interviewed – particularly Leaders – supported their full participation. The arguments of those who were opposed to it were for the most part jingoistic or poorly informed. The consensus among the most sagacious of the Review's interviewees was that the metropolitan countries have a uniquely important role to play in the Forum. Their participation in any substantive future form of economic integration is critical.

   At the very least there appears to be a strong prima facie case for the continued participation of the metropolitan members: they have substantial populations of Pacific islanders and remitting diasporas; they are integrated into the region's political, commercial and transport networks; and they are the countries that this vulnerable region turns to in humanitarian and environmental crises, security hiatuses and other emergencies. They are also dependent on the Pacific Ocean, its resources and rights of passage across it, and they are affected by its trans-boundary threats.

   However, the point raised under 'Financing the Plan' above is relevant here: of there being benefits in distinguishing more clearly the conversations a 'donor member' country may wish to have as a member (see paragraph above), from the conversations it may wish to have as a donor (see 'Financing the Plan'). The need to establish appropriate – more clearly disaggregated – platforms for each of those two different dialogues seems important to the Review, on both political and aid-effectiveness grounds.

   This is not – at all – a commentary on membership, but on being clear that there are two different types of conversation to be had, at different times and places.

3. While beyond the Review's remit to discuss, many stakeholders put to the Review their concern over Fiji not currently being an active participant in Forum debates and programmes. The Review cannot comment on the political dimensions of this, but certainly notes some of the complex questions that arise about how political values and differences are expressed and dealt with, supra-nationally, in the Pacific. However, the importance for many stakeholders, the Review learned, is not in fact about contemporary political issues or governance, but relates to deeper societal values about 'one ocean', and to the vulnerabilities that emerge from a country – on whom several PICs depend absolutely – not being part of the regional dialogue.

WHAT NEEDS TO BE ADDRESSED?

From the discussion of our findings, outlined in Part 2 of the report above, the Review concludes that the following would need to be addressed for Pacific regionalism to progress with the necessary scope, pace and scale:

- The Pacific Plan needs to be seen much more explicitly as a political, rather than technical, process in which game-changing agreements are reached and subsequently prosecuted such that the Forum island countries can better leverage voice, influence and competitiveness, and overcome their inherent geographical and demographic disadvantages;
- The Pacific Plan thus becomes a framework for, specifically, advancing Pacific Regionalism, rather than any form of 'regional development plan';
- Pacific regionalism needs to be seen as a long-term (decades-long), but nonetheless actively managed, project, with different countries (or perhaps different sub-regions) entering into different forms of cooperation and integration in different places at different times;[100]
- The institutions and processes supporting the prosecution of this Pacific regionalism project need to be overhauled:
    - to support better a political, as opposed to technical, conversation;
    - to identify, advise on and implement game-changing political initiatives that bring about significantly enhanced levels of regional cooperation and integration;
    - to operate and collaborate more efficiently, through more predictable and sustainable, and less distortionary, forms of financing; and
    - to be governed in such a way that the totality of effort constitutes 'the strategically right thing in the right place at the right time' to achieve the aspirations of the Pacific leadership as regards regionalism (as opposed to being merely 'in line with' a regional agenda);
- In particular, the arrangements for the Pacific Plan's governance and accountability – notably the construction and remit of Pacific Plan Action Committee – need to be revisited;

[100] *Note that this is not the same as sub-regionalism, since there needn't be a requirement that progress take place only within a geographic region; two or more countries from any part of the Pacific can agree to move forward on a shared initiative.*

- The reform and reconfiguration of these processes and institutions would be a substantial undertaking, and would need to be managed as a project in itself – with appropriate political and senior management oversight and with the necessary technical advice and inputs; and
- While much of the reform and reconfiguration will be internal to the Forum and PIFS, and to some extent to the wider regional institutional architecture, there are also important issues to be considered by the region's donors and financiers – about the security and predictability of the core funding that allows Pacific regional organisations to deliver on their (evolving) mandates, and about the characteristics and wider implications of the Pacific's development requirements identified in this review.

These issues are discussed in Part 3 of this report, following.

PART 3: A NEW FRAMEWORK FOR PACIFIC REGIONALISM

OVERVIEW

The case for change uncovered in our consultations is a compelling one. The project to increase regional co-operation and integration ('the regional project') has stalled. Confidence in the Pacific Plan and the institutions around it has fallen to the point where the survival of the Plan itself is in doubt. Unless it, and the institutions and processes that support it, can be made much more effective, it will fade into irrelevance.

Rescuing the regional project is not simply a matter of improving the implementation of initiatives under the current Plan. While this would be welcome, above all else the Plan needs to be reimagined as a journey towards deeper regional integration. It is not simply a set of initiatives aimed at delivering more efficient and effective services. It needs to be recast as a project, grounded in a shared culture and approach to life, aimed at constructing a common polity. This is a political project that must be driven by Forum Leaders, and it is this that the current Plan and processes associated with it have lost sight of.

Incremental change to the Plan is not an option. There is a need for an overhaul that will address not just the formal documents, but also the system and incentives that surround them. There is need to go back to the original vision of the Pacific leaders who launched the Plan: a plan that advances the political and institutional aspects of regionalism (as opposed to being a 'coordinating mechanism' for region-wide activities); a plan that covers only regional initiatives (services that are more efficiently or effectively delivered at the regional rather than the national level) and is supported by processes that ensure the initiatives being pursued at any one time are manageable in number, of the highest priority and drive increased integration; a plan that gives political voice to the vision of a united Pacific as articulated by successive generations of Pacific leaders.

While there is a need to reassert the leaders' original vision of a future Pacific, there is also a need to expand on it to ensure that it:

- Recognises sub-regional differences and the different needs of SISs;
- Has stronger political and societal ownership;
- Is inclusive and reflective of Pacific values and the uniquely Pacific way of life; and
- Is based on an understanding of where regionalism may take the Pacific as a whole.

Perhaps the key challenge to resurrecting the Plan lies in the clear need for it to begin to deliver concrete improvement to the lives of those it covers. If it cannot do this, it is of no value. While much regional activity goes on in the Pacific, this mostly relates to delivery of services by CROP agencies; little of note in recent years has been achieved by the Plan. If it is to survive, the Plan needs to make a difference to the lives of Pacific islanders.

The Review believes that the following is essential to achieving this: political ownership of an improved process for selecting and implementing initiatives under the Plan that delivers a limited number of high-priority initiatives for the consideration of Leaders at their annual meeting.

One of the most common messages from our trip around the region was variations on the maxim that 'if everything is a priority, then nothing is'. While the Pacific Plan Action Committee and Pacific Islands Forum Secretariat have tried hard to reduce the number of priorities, the reality is that they still number 37. This is still far too many: nothing is a priority under the Plan and it is not surprising therefore that only limited progress has been made on implementation of the Plan's initiatives. It is far better to focus on a small number and achieve real progress, than to try and advance on all fronts at once and achieve nothing. The number of initiatives being advanced through the Plan must therefore be reduced dramatically if it is to be saved.

A key attribute of the Plan is its link to the Forum: no other document has this clear link to the key political decision-makers of the region. Initiatives under the Plan must reflect this opportunity: they should be about regional integration and regional cooperation at the highest level, and they should require the attention of Leaders. If they do not, they should be sent to other forums for decision-making. And the initiatives should be new: there is no need to clog up the Plan or the Leaders Forum with initiatives that cover ongoing service delivery by CROP agencies – these issues do not generally require the attention of Leaders at their annual meeting on regionalism, and can be dealt with at other meetings and via other governance arrangements.

Regional initiatives under the rubric of the Plan should therefore be concerned only with important regional issues for the Pacific that, if they are to advance, require political attention at the highest level. They should be about bold new initiatives that advance regionalism or address significant regional problems. They will, for example, include major new initiatives in terms of regional service delivery, or be about resolving a crisis in existing service delivery (one that cannot be dealt with through other mechanisms), or the need for the Pacific to endorse a position on an issue.

The new Plan also needs to articulate a vision and strategic direction for the Pacific. This direction should reflect the concerns of the people of the Pacific as expressed in their national development plans. However, it should not be seen as an overarching guide to which national plans need to conform; instead, it should summarise what they have already identified as important. The issues it focuses on will have already been set out in numerous national plans, Forum communiqués and in the current Pacific Plan (with its pillars of climate change, poverty reduction, sustainable development, etc.).

The reality is that most of the important initiatives in the areas of strategic concern are at the national level. It is only rarely that action in these areas is best undertaken at a regional level. And from this set, it is only rarely that the possible initiatives require the attention

and imprimatur of the collective leadership of the Pacific at the annual Forum meeting. Once this is accepted, it becomes possible to reduce the number of initiatives dramatically. This is appropriate and is also critical to improving implementation.

Realistically, there can be no more than three or four of these big initiatives (e.g. reforming the management of the southern albacore fishery) in any one year. Given their number, there will not be an initiative addressing each of the key strategic concerns of Pacific islanders (the pillars of the existing Plan) each year. Some will be disappointed by this, particularly stakeholders who believe that the Pacific Plan is, or should become, a regional development plan for the Pacific. One of the key findings of the Review, as set out in Review Note 4,[101] is that the Pacific Plan is not a regional development plan for the Pacific[102] and could not become one until the Pacific moves much further along the path to regional integration and pooled sovereignty than it has (or than it has expressed a desire to move).

The above elements need to be seen as a complete package: unless they are all implemented together they will not have the necessary impact. Thus, for example, increased political interest and ownership in the Plan will come to naught if the supporting processes continue to deliver a large number of initiatives of varying degrees of importance. And nor will there be change if an improved system delivers a manageable number of initiatives each year but there is no confidence in, and political ownership of, the system of selecting the initiatives.

Key to this process of transformation is a move away from the idea that the Pacific Plan is best seen as a plan – either a regional development plan or a more conventional one – and towards what the Review is calling a New Framework for Pacific Regionalism ('the Framework'). The key difference is that, unlike a plan, a framework does not require an agreed end point – say, a fully integrated Pacific (since this has yet to be agreed) – or a comprehensive set of initiatives that all need to be implemented if the goal is to be achieved. Rather, a framework sets out a path to integration that the Pacific as a whole may move along, and a set of processes that help it move forward at a pace and direction of its choosing.

The new Framework needs to:

- Be more politically led, relevant, inclusive and value-adding;
- Articulate a path towards increased regional integration that is owned by leaders and understood and supported by the people of the Pacific;
- Be flexible enough to cope with diversity;

[101] *Available at: http://www.pacificplanreview.org/resources/uploads/embeds/files/ReviewNote4_DefiningRegionalism.pdf*
[102] *The manner in which these terms have been defined was set out in Review Note 4 and summarised above.*

- Accept differing pathways to development;
- Recognise vulnerabilities and resilience in dealing with modernity;
- Contain a robust public policy process rather than a plan;
- Be manageable and managed; and
- Consider (complex) governance and financing issues.

For the Framework to deliver in a way that the current Plan has not, it needs to be embedded in a new system that includes the following:

- Forum meetings in which Leaders have the space to:
    - debate how best to progress regionalism;
    - identify policy priorities for the following year's Forum;
    - decide on a few critical regional initiatives; and
    - focus on how to improve progress in terms of implementation of agreed initiatives;
- An open, transparent, robust prioritisation process that delivers a few critical initiatives for Leaders' consideration; and
- Efficient and effective donor support for regionalism.

Recommendation 9: Leaders endorse the recasting of the Plan as the New Framework for Pacific Regionalism:

- That is founded in a shared culture and approach to life, aimed at constructing a common polity;
- That is supported by processes around it which are focused on advancing the political and institutional aspects of regional integration;
- That articulates a vision, a shared set of values and a strategic direction for the Pacific; and
- That gives rise to only a small number of significant regional initiatives that address significant regional issues and require the backing of Leaders.

Recommendation 10: Leaders agree to the consequent need for extensive change to the Plan, the way it is perceived and the way it is managed, including overhaul of the processes and institutions that support it.

The rest of Part 3 sets out the Review's conclusions on a new direction for the Plan and for the Pacific. It includes sections covering the Review's thinking on:

- The systemic change that needs to accompany the new Framework;
- Possible paths to deeper integration;

- How to build momentum and ownership, and improve communications;
- A proposal for the New Framework for Pacific Regionalism, covering both the outline of the new document and the processes surrounding it, including a process for prioritising initiatives;
- The need for a new process for selecting Framework initiatives;
- Improving the governance arrangements for the Pacific Plan;
- Details on the proposed new process for selecting and implementing initiatives under the Framework;
- Improved criteria for prioritising initiatives;
- Proposals for improving implementation and regional service delivery;
- Improving reporting and accountability;
- Improving the financing of the Plan;
- The membership of the Forum and the Plan;
- Improving development effectiveness;
- An improved response to the needs of SISs;
- How to implement the outcomes of the Review;
- Proposals on relaunching the regional project;
- The implications of the Review for PIFS;
- Resourcing implementation;
- Ownership, influence and alignment of the Plan with the global development agenda; and
- Improving engagement with non-state actors.

CHANGING THE SYSTEM

If the new Plan is to deliver results, it needs to be embedded in a system that facilitates this. In short, there is a need for comprehensive reform to the processes, institutions and meetings that support the Plan. Key elements of this change include:

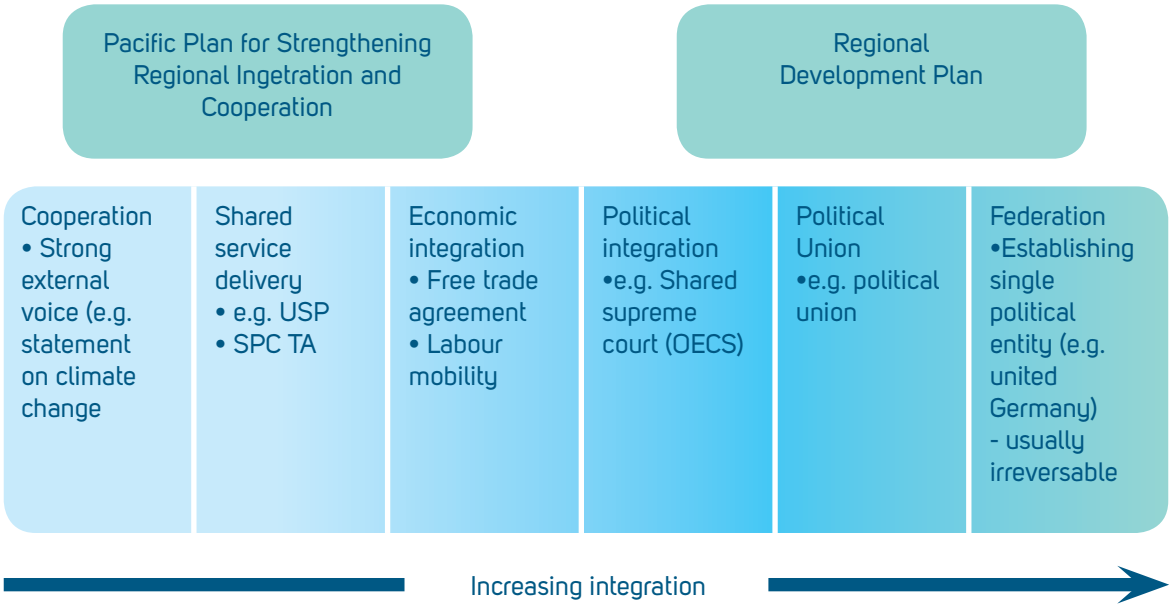
- Forum meetings in which Leaders have the space to debate how best to progress regional integration, discuss proposed initiatives, identify priorities and direct further policy work be undertaken. Critically, the Leaders need to be able to think about the bigger picture – about the process of regional integration (where it might lead and what they collectively want to do to progress it).
- An open, transparent prioritisation process. This needs to distinguish the regional from the national and deliver proposals on a few high-priority initiatives for Leaders' consideration at their annual Forum.
- A PIFS that acts as an effective guardian of Forum processes and secretariat to the Forum, and is capable of providing quality policy advice. At the moment there are multiple paths for placing something on the Forum agenda, with no single body having overall responsibility for ensuring that the agenda is manageable and significant.
- Further empowerment of regional organisations and regional meetings. Part of ensuring the success of the prioritisation process involves recognising that other regional meetings, processes, organisations and forums have a critical part to play in the regional project and should be empowered to discharge their roles. Run-of-the-mill service delivery by CROP agencies is critically important to the well-being of Pacific islanders. However, ensuring that this continues does not require the attention of Leaders. CROP agencies have their own governing bodies, which can and should do this.
- A robust public policy process. This needs to be developed to deliver high-quality, impartial advice to Leaders (independent from existing regional organisations and not skewed by stakeholders, bureaucratic and otherwise).
- Efficient and effective donor support for regionalism. At the moment, trust and enthusiasm for regionalism by donors is patchy. The reasons for this are complex, but include a loss of momentum and a lack of trust that regional organisations and processes will deliver effectively. All of this needs to change if regionalism is to be effective.
- Changed incentives. At the moment, the incentives that individuals and organisations face do not always align with the best interests of the Plan and the regional project. Thus, for example, one major reason for the crowded – and ineffective – regional agenda is the insistence by regional organisations in having their issue/cause reflected in it. This arises out of an understandable zeal for their mission, but also as a result of a widespread belief that an initiative must be in the Pacific Plan to receive funding from donors. It must be made clear that this is not the case.

Recommendation 11: Leaders note the need for systemic change and endorse the above aspects of it.

PATHS TO DEEPER INTEGRATION

While regional cooperation in service delivery has increased, the reality is that regional integration has stalled: progress on economic integration has been limited and progress towards political integration through things like shared regulation has not happened. A critical part of regionalism is articulating and agreeing a path that sets out possible further steps on the journey to a more economically and politically integrated region. The new Plan should include this path. The vision for regional integration that it embodies should be understood and owned by Pacific islanders and their leaders. The sort of path the Review has in mind is set out diagrammatically below.

A Path for Pacific Integration



It is important to acknowledge that, while Leaders have expressed an interest in discussing further integration, no agreement has yet been made to go down this path. It is likely that countries and sub-regions will proceed at their own pace down this path, and so regional processes must be flexible enough to cope with differing speeds and approaches to integration.

Moves towards market integration usually require some pooling of sovereignty. While there is a continuum between this and full federalism, there are many way-stations along this path: determining how far the Pacific wishes to go along this path is the prerogative of the people of the Pacific and their leaders. The 'Examples of Regional Integration and Federation' table on the next page sets out steps that have been taken elsewhere along such a path to integration. It is arranged so that sovereignty is, by and large, increasingly pooled going down the table.

In addition to articulating a general path for integration, the path the region could take for key parts of the regional project needs to be articulated. Too often integration is presented as a great leap forward, requiring huge amounts of trust, whereas incremental approaches are more likely to succeed. Thus, for example, while it is clearly not politically possible at the moment to have complete labour mobility across the Pacific, a number of confidence-building steps in this direction are possible, including regional recognition of national qualifications, and expansion of the regional seasonal worker schemes in Australia and New Zealand. The path to regional integration in terms of key regional initiatives should be set out in more detail, and some sort of timetable for implementing them could and should be agreed.

Recommendation 12: Leaders endorse the above path for regional integration as a guide for the region and note the initiatives in the table on page 90.

Recommendation 13: Leaders direct PIFS to develop paths for increased regional integration in key areas.

[103] *That said, there is no reason to follow the path set out in the table on page 90; many regional groupings have followed different paths. It is possible to move from, say, a free trade agreement to having a shared supreme court without taking any of the intervening steps such as labour mobility or a customs union. As such, the table is indicative rather than prescriptive.*

Examples of Regional Integration and Federation

Area	Examples	Comments
Free trade agreement	*Pacific Island Countries Trade Agreement (PICTA)*	
Harmonised business regulation and business law	*Closer economic relations Organisation of Eastern Caribbean States (OECS)*	*The OECS has not moved very far in doing this: it has established the Eastern Caribbean Civil Aviation Authority and Eastern Caribbean Telecommunications Authority, but these do not yet provide regulation that covers all of the OECS*
Labour mobility	*Trans-Tasman Travel Arrangement (TTTA)*	
Investment liberalisation	*North American Free Trade Agreement (NAFTA)*	
Customs union	*Mercado Común del Sur (MERCOSUR)* *East African Community (EAC)*	
Shared supreme court	*European Court of Human Rights* *Caribbean Court of Justice*	
Common currency	*Eurozone* *Organisation of Eastern Caribbean States (OECS)*	*It is unlikely that the Pacific as a whole would ever satisfy what economists have identified as the optimal conditions for a currency union – although it is possible that some regions within it might*
Central government body to manage the region	*European Commission (EC)*	
Shared defence force	*European Rapid Reaction Force*	
Transfers between countries	*Budget of the European Union (EU)*	*In the EU this occurs in the areas of agriculture, assistance to poorer regions, trans-European networks, research and some overseas development aid*
Supra-national law-making	*European Commission (EC) and European Parliament*	*The European Parliament does not have the power to begin the legislative process. This is done by the EC; the Parliament can amend bills and approves final law*
Taxation powers	*USA, Germany, Australia*	*This is usually only found where federation has occurred. Recently, however, the EC proposed the introduction of a financial transactions tax for 2014*

BUILDING MOMENTUM AND OWNERSHIP, AND IMPROVING COMMUNICATIONS

Another key aspect of resurrecting regional integration in the Pacific is building momentum, understanding and ownership of the project. Key steps in doing so are:

- *Improving communications by:*
    - developing and presenting the case for regionalism: if the regional project is to gain traction it needs to be explained to the people of the Pacific how and why this journey is worth taking in ways that are relevant to them;
    - better communications about the Plan, including its aims and what it has achieved; and
    - increased transparency on the part of PIFS: it should be easier to access material from PIFS.
- *Addressing barriers to regionalism*. Political and economic integration is challenging: as well as being intrinsically complicated, it requires a great deal of trust, goodwill and political leadership if it is to succeed. There are a number of natural barriers to integration (e.g. the fact that politicians naturally focus on what is happening within their nation rather than looking to advance regionalism), which means it will not happen on its own. For it to occur, the barriers need to be actively addressed and overcome.
- *Building trust and goodwill*. One of the lessons from elsewhere has been the importance of building cultural and sporting links in the process of building a common polity. There has been a tendency to dismiss this, the 'softer' side of integration, as being peripheral and unimportant. It is neither.[104]
- *Ensuring flexibility*. The regional project needs to be flexible enough to respond to a changing environment, including threats to integration and to values, changing external influences and partnerships.
- *Embracing sub-regionalism*. As was discussed above, rather than seeing sub-regionalism as a threat, these groups should be seen as contributing to the success of regionalism.
- *Identifying some quick wins*. The quick delivery of positive results is critical to building the credibility and momentum of the regional project (see Recommendation 33.)

[104] *See Elise Huffer, 2005, 'Regionalism and Cultural Identity: Putting the Pacific Back into the Plan' in Globalisation and Governance in the Islands, collected papers from October 2005 conference, accessible at: http://epress.anu.edu.au/ssgm/global_gov/mobile_devices/ch03s02.html*

Improving Communication About Regionalism

Explaining the Benefits

As noted by the 2005 Asian Development Bank/Commonwealth Secretariat report Towards a New Pacific Regionalism, an appropriate type of regionalism could bring substantial benefits to the region.[105] Regional economic integration involves lowering barriers for trade in goods and services (including non-tariff barriers), removing restrictions on foreign investment and allowing the free movement of people between countries. The benefits from this include a larger market for Pacific firms, with more production at a lower cost, more choice for Pacific consumers and more economic opportunities for Pacific workers. It is important to acknowledge that there are also costs to increased regional economic integration. These include the following: the adjustment costs for Pacific companies subject to increased competitive pressures; pressure on wages in some areas; and exacerbation of capacity weaknesses in both public sector bodies and private companies, as skilled workers move to more lucrative employment opportunities.[106]

Much work has been done modelling the net benefits of possible regional initiatives, with the largest gains coming from increasing labour market access between Forum members.

> *"The analysis found that increasing the temporary movement of both skilled and unskilled labour from FICs to ANZ would yield very large total welfare benefits (about US$1.6 billion over 3 years) and large benefits for the temporary FIC migrants (US$1.3 billion) and ANZ residents (US$300 million). There would, however, be considerable cost in welfare lost by FIC citizens at home (almost US$490 million) due to losses in skilled labour."* [107]

[105] *Asian Development Bank and Commonwealth Secretariat, 2005, Towards a New Pacific Regionalism, joint report to the Pacific Islands Forum Secretariat, Asian Development Bank, p. 8: "In the Pacific and elsewhere, the largest benefits have come from focusing on the type of regionalism that addresses their fundamental challenges. For countries in West Africa and South America facing challenges to democratic traditions, for example, strong and binding regional cooperation has brought big benefits. For Caribbean countries facing constraints on their capacity, increased regional provision of goods and services brings big benefits. For countries in Europe facing high barriers between their markets, regional market integration has brought big benefits. A Pacific regionalism that speaks to Pacific needs must focus on easing capacity constraints for governments through increased regional provision of services, and on creating economic opportunity for Pacific citizens through increased regional market integration."*

[106] *In the case of SIDs, it is possible that full labour mobility would bring in its wake an existential threat to their culture as it is likely that most of their labour force – particularly younger workers – would move to more developed markets, leaving an ageing population behind and possibly setting off a spiral in which reduced opportunities encourage increased migration, further reducing opportunities, etc. This in turn may result in a situation in which key economic, political and cultural institutions cannot be sustained.*

[107] *In order to reap the benefits of temporary labour migration while avoiding welfare losses, the ADB study proposed that labour flows from FICs to Australia and New Zealand (ANZ) be both additional – this requires adequate FIC capacity to train and replace migrating labour – and temporary. This is particularly critical if labour mobility includes skilled labour. Liberalising unskilled labour yields only a slight gain for FIC citizens at home (US$22 million) at a cost of a slightly reduced overall benefit for FIC migrants (US$775 million), as compared to a scenario where skilled labour mobility is also included. The impact is modelled on ANZ increasing their quotas for temporary movement of persons by an amount equal to 1% of their respective labour forces. See Asian Development Bank and Commonwealth Secretariat, Towards a New Pacific Regionalism, p. xxi.*

Another area where the benefits were estimated to be large was the liberalisation of the telecommunications market (US$286 million over a five-year period).[108]

This analysis is now a little dated.[109] It should be updated and communicated more clearly to the citizens of Forum countries, particularly to citizens of Australia and New Zealand, where regionalism has a lower profile and who, as a result, may struggle to see the case for increasing access to their labour and product markets and may, at some point, baulk at funding development projects in the region. If regional integration is to succeed, then the benefits of it need to be more clearly modelled and persuasively spelled out to the citizens of all Forum countries.[110]

Recommendation 14: PIFS work with multi-laterals to update the case for regional integration.

Better Communications About the Plan

As was noted above, few Pacific islanders outside of the regional bureaucracy have heard of the Plan. The length of the current Plan makes it hard to explain simply. This is even truer of the reporting on progress against it, which weighs in at 200-plus pages. A simpler, clearer plan and simpler reporting against it will make communications much easier. There is also a need to increase the level, quality and relevance of reporting on, and communications about, the new Plan.

Finally, there is need for realism about how much awareness of the new Plan is possible. The reality is that it is peripheral to the daily concerns of many people in the Pacific. It is always less likely to be well known at the grassroots level than national development plans. This may be unavoidable and may not be undesirable.

Recommendation 15: Leaders note the need to improve reporting on, and communication about, the Plan and request PIFS to do the following:

- Relaunch the Plan with a series of meetings and events in member countries (details on this are set out further below);
- Ensure senior executives make annual visits to all member and associate member countries to meet with key stakeholders to discuss the Framework, progress against it and any concerns they have;

[108] *Other areas with a positive net present value include a regional nurse training facility, both for domestic and export purposes, a regional sports institute, a regional statistical office, a regional body to protect intellectual property rights, a regional facility training civilian police for international peacekeeping, a regional economic and statistical technical assistance programme for such areas as macroeconomics, regional capacity to assist customs officials in collecting revenue, a regional ombudsman and a regional panel of auditors. See Asian Development Bank and Commonwealth Secretariat, Towards a New Pacific Regionalism, p. xxii.*

[109] *See Asian Development Bank and Commonwealth Secretariat, Towards a New Pacific Regionalism.*

[110] *Some recent research has asserted that, perhaps counterintuitively, increased low-skill migration actually creates additional employment. See, for example, http://www.nationaljournal.com/congress/left-and-right-agree-immigrants-don-t-take-american-jobs-20130322*

- Develop a new communications strategy with clear, simple supporting materials (while much has already been done in this area, all materials will need to be redrafted in light of the new Framework); a premium should be placed on simplicity, clarity and improved stakeholder analysis, and tailoring messages to individual countries and groups within them;
- Determine the level of awareness of the Framework that it should be aiming for within particular groups (i.e. how would we measure success in this area?); and
- Determine how to measure the success of this in a cost-effective way.

Increased Transparency on the Part of PIFS

As was noted above, it should be easier to access material from PIFS; documents that are currently not available – e.g. the minutes to PPAC and FOC meetings – should be readily accessible. PIFS should examine its current practices to determine how to increase openness and transparency, including developing a formal policy in this area, based on the presumption that all Pacific Plan material (including meeting minutes), if not wider PIFS papers, be made freely available (including being published on the Internet) unless there are clear reasons otherwise (as stated in the formal policy).

Recommendation 16: PIFS develops and implements a formal policy on increasing public access to documents, minutes and policies based on the presumption that all papers and minutes should be freely available to the public.

Barriers to Regional Integration

Deeper forms of regionalism require a high level of trust and confidence among members. They also often require joint funding by the national governments that will receive these services. It is often difficult to agree on who should pay for what and who should receive what benefits in return. Some of the more successful examples of regional integration have resolved these issues in a clear and transparent way that has proved to be sustainable. Other initiatives have been unable to sustain themselves as differences have arisen over who should bear the costs and who should receive the benefits. In addition, the constant tension between staying with lower-cost regional delivery versus opting for higher-cost, but higher-quality, national delivery – as was the case with both the Pacific regional shipping and air transport initiatives – has undermined initiatives and contributed to their demise. The design of new initiatives therefore needs to be informed by these potential difficulties.

Ensuring Flexibility

The regional project needs to be flexible enough to respond to a changing environment. It should:

- Be able to respond effectively to threats to integration, to its values, and to changing external influences and partnerships;
- Be regularly reviewed;

- Recognise when progress on a matter is impossible and have mechanisms in place for removing the associated initiatives from the Plan until such time as progress becomes possible; and
- As was noted above, allow different countries and sub-regions to move at differing paces – not all countries need to sign up to a particular initiative for it to be advanced through the Plan.

Embracing Sub-regionalism

The recent establishment of new sub-regional groups in Polynesia and Micronesia, along with the success of the Melanesian Spearhead Group (MSG) in making progress on issues where it has eluded the larger Forum grouping, has been construed by some as a threat to the Pacific Plan and the Forum. This is a mistake. None of the Leaders interviewed had this view. Without exception, they saw these groupings as benefiting the regional project by illuminating both the challenges of regionalism and ways to overcome them successfully. None saw the sub-regional groups as competitors to the larger Forum grouping.

The Review agrees with this analysis. The reality is that while the results are impressive (particularly the progress made by the MSG on economic integration within Melanesia), the benefits from true regional economic integration dwarf those from sub-regional integration. The same goes for the difficulties of integration in this area: bringing together a handful of similar countries is much easier than building agreement across a very diverse group of 18 countries. In some cases, successful sub-regional projects can be used as building blocks for regional solutions to the same challenges. In others, the challenges and the manner in which they have been overcome can inform regional attempts to do likewise.

A NEW FRAMEWORK FOR PACIFIC REGIONALISM

Above, the Review has called for a paradigm shift in how the quest for regional integration and cooperation is perceived and presented. As part of this, it believes there is a need to reconceptualise and rename the Pacific Plan itself.

During our consultation a number of stakeholders made the point that it is not really a Plan at all. It has none of the conventional attributes of a plan: there are no clear timelines, no funding, no agreement on where it wants to get to and no implementation schedule for the initiatives it contains. Continuing to cast it as a plan is misleading, as it encourages stakeholders to think of it as a list of initiatives and contributes to the idea that unless one's work is reflected in the Plan it is not important and will not get either attention or funding.

A more accurate view is to see the Plan as something that articulates a regional vision/ strategic direction for the Pacific plus a set of processes that enable Leaders to identify

annually and implement initiatives they believe are best able to move the regional project forward. The new Plan should be nothing more than this: a strategic superstructure that covers the vision, values and strategic direction articulated by Leaders, plus some processes that prioritise initiatives. It should not contain a set of initiatives; instead, a small number of initiatives will be determined each year at the Leaders Forum. Each year, an assessment will also be made of whether the initiatives have delivered what was expected. Where they have been successfully implemented, they will be removed from the Plan. Where progress has not been satisfactory, a decision will be made whether to continue attempting to implement the initiative or to remove it from the agenda and wait for a more propitious time to try again. This, in turn, should result in a manageable number of initiatives being actively driven in any one year, improving both implementation and accountability.

Given this fundamental reimagining of the Plan as a framework through which the Pacific can act collectively to increase cooperation and move towards further integration, the Review favours renaming it a New Framework for Pacific Regionalism.

Recommendation 17: The new Pacific Plan be called a New Framework for Pacific Regionalism.

The Review was asked to draft a 'refreshed' Pacific Plan. Because it believed that a more radical break with the past was required, it felt that it was unable to do this. It considered, instead, whether, given its call for the development of a new Framework, it should draft this document. It concluded that it should not because it had not been mandated to do this; nor, given that this would require substantial consultation with the governments and peoples of the Pacific, did it believe that it had time to do this properly.

It did, however, believe that, in the interests of clarity, it should set out its ideas on what the key elements of the Framework should be. The Review's thoughts on the new Framework are that it should be in two parts with supporting annexes.

Part 1: A New Framework for Pacific Regionalism would have four sections:

1. Vision. During our consultations with the region, a great deal of support for the current vision was expressed. Leaders are invited to reflect on it and make such changes as they see fit.
2. A Statement of the Region's Values. These have already been articulated to some extent in various documents drafted as part of the Forum processes, including through Leaders' declarations at the Forum. These should be summarised and included in the Framework.
3. A Statement on a Strategic Direction for the Pacific, covering the situation facing the Pacific, the challenges, its many strengths and the compelling arguments for working together and moving towards a closer union. This should cover the strategic pillars in the existing Plan, but, as was suggested above, it should be seen

as a summary of existing strategic thinking, as articulated in national development plans (NDPs), rather than as a guide that sets a new direction for the Pacific and requires revisions to NDPs.

4. Paths to Deeper Integration. The Framework should include material illuminating the possible forms of deeper sorts of integration. This is a critically important part of bringing the region together, and has been done to some extent earlier in this report.

Part 2: Prioritising Initiatives would have two sections:

1. A Process for Prioritising Initiatives (not a list of priorities). This process needs to result in a manageable number of the highest-priority regional initiatives being chosen by Leaders annually. The Review's thoughts on this are further elaborated in the next section. Annex 15 below consist of a list of possible candidates as suggested to the Review in our regional consultations.
2. Monitoring and Evaluation. The Framework should include a monitoring and evaluation framework including information on how progress will be measured covering.

Annexes should cover detailed processes and criteria for selecting initiatives as set out at page 106 onwards. It is important that, if the selection process for initiatives is to be open, transparent and inclusive, the criteria for success are easily available and that standard templates and timelines are used. These templates and timelines should be included as annexes to the Framework.

Further details on the Review's thinking about the form and content of the new Framework can be found in Annex 3.

Recommendation 18: Leaders endorse the key elements of the New Framework for Pacific Regionalism set out above and direct PIFS to oversee an inclusive drafting process for the Framework.

A NEW FRAMEWORK FOR PACIFIC REGIONALISM

One of the key themes to emerge from our consultations was that despite recent, successful efforts to reduce their number, the Pacific Plan still contained too many priorities. This dilutes management attention and diminishes accountability. It also reduces focus – if everything is a priority then nothing is – and retards progress across all initiatives as effort is spread too thinly to achieve significant progress. This appears to be the result of flaws in the current process for selecting (and deselecting) priorities for the Plan, which involves a number of stakeholders and a variety of possible routes. It is described more fully in Annex 16. The following criticisms have been made of the prioritisation process:

- It is overly complicated – the variety of routes through which a Forum agenda item can be added make it difficult to control the size of the agenda;
- It is not transparent – it is not clear why some things make it onto the agenda and others don't;
- It appears that formal assessments of proposed Forum Pacific Plan agenda items – including whether they meet the criteria above – are rare;
- Leaders feel they have only limited input to the Forum agenda – they feel that the process and agenda are dominated by others, including regional agencies, donor agencies and regional bureaucrats;
- The process does not act as an effective check on the number of proposals for inclusion in the Pacific Plan and, as a result, too many priorities are being pursued at once;[111] and
- The agenda for the Leaders Forum is too full to allow for meaningful discussion of either the Pacific Plan priorities or how to move forward on regional integration.

There is a clear need to redesign the prioritisation process so that fewer, higher-priority issues are added to the agenda for the Leaders Forum, enabling these to be properly discussed. This will create the necessary space for Leaders to have a discussion about regional integration and set a forward agenda for regional policy development. This, in turn, will give a clearer focus to PIFS and should enable management to pay more attention to implementing and supporting a smaller number of key regional initiatives. This is a key part of improving the delivery of results.

In addition, there does not appear to be an effective mechanism for removing priorities from the Pacific Plan – some, e.g. bulk procurement of petroleum, remained priorities for the Plan despite the fact that minimal progress had been made in a decade of trying. Having

[111] *This is partly a consequence of the Plan's genesis. It started out its life with 44 initiatives. None has been added in the last four years (the last list was set in 2009) and attempts have been made to reduce the number.*

an annual review of the merits of continuing to implement an initiative in the absence of meaningful progress is a key part of keeping the number of initiatives manageable.

The Review team believes that the new process should display the following features:

- It should be transparent. If the process is to have and maintain the confidence of stakeholders, it needs to be grounded in a set of clear, relevant criteria (see below), which need to be applied consistently and objectively. This in turn will give stakeholders confidence in the prioritisation process and its outcomes.
- It should be inclusive. All stakeholders need to feel that they can access the process and propose initiatives they believe will meet the criteria.
- It should give rise to a manageable number of regional priorities. Ensuring that the number of priorities is such that the Leaders are able to consider and debate them effectively is critical to achieving anything.
- It should be timely. The best advice is worthless if those who receive it do not have the time to consider it properly. The agenda and supporting analysis need to be provided to Leaders sufficiently prior to their annual meeting for the information to be 'digested' and assessed.
- It should be simple. There should be a single route along which all proposed initiatives pass and a single guardian who has ultimate responsibility for determining the initiatives that go forward to be considered by Leaders.
- It should be independent. The process needs to be insulated from intervention by stakeholders who have an interest in seeing their particular initiative making it onto the Plan or onto the Leaders' agenda.
- It should be supported by proper analysis. Decisions need to be informed by analysis that shows how a proposal meets the criteria established to determine whether something should be a regional initiative or not.[112]
- It should be overseen by Leaders. Leaders need to feel they are in charge of the process and need to be confident that the initiatives that make it onto the agenda reflect their interests, the nature of the Forum and the regional integration project.

Recommendation 19: Leaders endorse the key elements of the prioritisation process set out above.

[112] *All proposals should have an implementation plan attached and, where possible, should include cost-benefit analyses.*

ADDRESSING THE PACIFIC PLAN'S GOVERNANCE

As noted, many and diverse activities are draped in the flag of the Pacific Plan and regionalism, but relatively few can be said to be part of a considered, driven strategy to achieve the aspirations of the region's political leadership, or the expression of the region's evolving political and social values.

One of the Review's primary conclusions is that the configuration, roles and accountabilities of the Pacific Plan's governance arrangements are not fit for the purpose of driving the strategically managed, long-term, game-changing initiative the Pacific regionalism project represents. Current arrangements result in confused and compromised principal–agent relationships, the agenda is established principally through bureaucratic and technical imperatives rather than political choice, and decision-making is ultimately reactive rather than proactive.

The Pacific Plan Action Committee

At the heart of this passivity is, in the Review's opinion, the Pacific Plan Action Committee (PPAC).

PPAC is too large,[114] too part-time and too cumbersome to discharge its role of identifying and advising Leaders on policy options in progressing regionalism, and of directing the development and implementation of the Pacific Plan. It can neither drive nor be accountable for its results.

As a 'house of representatives' rather than an executive board, PPAC is bound to find itself agreeing on the lowest common denominator of any collective agreement. It is posited – including by Leaders – that the processes it oversees are overly distorted by the interests of stakeholders (regional organisations, donors and individual countries.

> *"I just wasn't confident that my contribution would be welcome. There were so many other people with so much to say."*
>
> *An SIS delegate at PPAC in August 2013, explaining to the Review, afterwards, why they had not raised a key point relevant to the discussion.*

The Review cannot see how the scope, pace and scale of what is needed to progress meaningful, game-changing regional integration can be achieved in the absence of more dynamic and proactive governance arrangements.

[113] *In other words, a calculated, evidence-based decision of what would be best to do, where and when.*

[114] *A results-based examination of the efficiency and effectiveness of boards in the corporate sector suggested that a much smaller number of members is optimum – notwithstanding the size of these organisations and the number of different stakeholders – principally on the grounds of manageability and the ability of individuals to contribute. See David Walker, 2009, A Review of Corporate Governance in UK Banks and Other Financial Industry Entities, Walker Review Secretariat, HM Treasury, accessible at http://www.ecgi.org/codes/documents/walker_review_consultation_16july2009.pdf*

A More Effective 'Board'

A key aspect of the new direction that the Review believes is necessary if the Plan is to retain its relevance, is for it to be recast so that it is primarily about driving a political process of regional economic and political integration. This represents a fundamental change in the nature of the Plan, which needs to be reflected in the processes and institutions that support it.

In particular, PPAC needs to change to reflect a new role which is about implementing the Leaders' vision for the Pacific rather than representing national and organisational interests in regional programming. So this is not the work of a committee of representatives; rather, what is needed is a small group of active executive directors who represent the collective will of Leaders and who are charged by them with directing the regionalism project – and who are accountable back to Leaders for its results.

The Review proposes therefore that PPAC be re-established as a much smaller board – which this report will now refer to as the **Board for Pacific Regionalism**[115],[116] ('the Board') – to direct the reinvigorated process of progressing regionalism.

The Board will have a clearer role, improved governance arrangements and fewer members than PPAC. The Board – supported by a more potent Forum Secretariat (see below) – will:

- Be proactive in identifying and advising the Forum on regional policy options;
- Ensure the effectiveness and integrity of prioritisation; and
- Provide the necessary independence, and make sure that political rather than organisational imperatives occupy the Leaders' agenda.

We propose that the Board for Pacific Regionalism is:

- Small and nimble, with perhaps seven to nine members;
- Well qualified – with Leaders appointing members to the Board on merit and for the skills, experience and perspectives they can bring to progressing the regionalism project; and
- Nonetheless able to understand and represent the interests of key outcome-level stakeholders,[117] which we see as comprising:
    - government across the three cultural divides of the Pacific (Melanesia, Micronesia, Polynesia);

[115] *A working title for the purpose of this report only: no doubt Forum members will have alternative suggestions for its name.*

[116] *To be clear, as there has been some confusion, the Board is to replace PPAC only. It is not a new governing body for the work of the Forum Secretariat as whole. The Review was not asked to consider wider governance questions.*

[117] *As opposed to activity-level stakeholders such as implementing agencies.*

- civil society;
- the private sector; and
- the financiers of Pacific regionalism.

As the executive directors of the regionalism project, the Board for Pacific Regionalism should be chaired by the chief executive of the principal agency involved: the Secretary-General of PIFS.

The Board for Pacific Regionalism will need to meet more frequently, and get through more business, than the current PPAC. However, the cost savings of not having to provide for universal (all-country) representation will offset any additional resourcing requirements.

Recommendation 20: Subject to further professional analysis per Recommendation 8, a new, more business-like Board for Pacific Regionalism replaces PPAC. This new Board will have a clearer role, a wider skill-set, improved governance arrangements and fewer members than PPAC, and its members will be appointed by Leaders on the basis of merit and relevant experience (and should include members with private sector and civil society experience). The Secretary-General of PIFS should be its chair.

Refining the Recommendation

Further work will need to be carried out after the conclusion of this Review to reach consensus on the final form of the Board for Pacific Regionalism (and many more details and logistical issues resolved).

The Review recognises anxieties over the loss of universal (all-country) representation on such a board and members' fears that this might reduce 'ownership'.[118] Given this nervousness, the discussion of the constitution and accountability of the Board for Pacific Regionalism should include, in particular, its relationship to the Forum Officials Committee. FOC – as far as this Review is concerned – remains as, effectively, the 'executive committee' of the Forum, and it provides for universal (all-country) representation. Thus, given the absolute need not to duplicate FOC (as PPAC does to a large extent at present), it should surely be possible to constitute a structural relationship between the Board for Pacific Regionalism and FOC. Such a structural relationship might require an accountability to FOC that would effectively provide the opportunity (at FOC) for the universal (all-country) representation that would be inappropriate in a board charged with directing a project such as the regionalism project.

[118] *This, in part, may reflect a wider sense that members are not yet ready to delegate decision-making. However, such delegation would be a necessary first small step towards the sharing of sovereignty, on agreed issues, that deeper forms of regional integration might imply.*

One option is that the Board for Pacific Regionalism is constituted as a sub-committee of FOC. This may be appropriate, but the interpretation of 'sub-committee' should not infer that the Board is made up only of FOC members. As set out above, the Review's deeply held view is that the Board must be populated on the basis of a wider set of skills, experience and interests.

It will be noted that we have not included representation of the CROP agencies (apart from PIFS) in the proposed Board. This is not to suggest that the CROP agencies don't have an important role to play in the regionalism project: they play a vital role. However, their interests need to be more clinically separated from the political direction that the Forum is supposed to be providing to the process of regionalism. Our suggestion is that the CROP agencies' interests – both in informing the agenda and delivering on the agenda – are more appropriately channelled through a strengthened and more decisive CROP council, the permanent chair of which (the Secretary-General of PIFS) would also be (we suggest) the permanent chair of the Board for Pacific Regionalism.

Professionalising Governing Bodies

Whatever the final configuration of the new governance arrangements for Pacific regionalism, boards need to be more proactive, more decisive and more accountable.

Recommendation 21: PIFS should invest in upskilling and professionalising the capabilities, accountabilities and responsiveness of the new Board (and the Review suggests other regional organisations should do likewise for boards governing regional initiatives). (As noted earlier, the University of the South Pacific has introduced exemplary reforms in this regard.)

The Implications for PIFS Capabilities

While this review was not asked to consider the wider functions and capabilities of PIFS as a whole, clearly our recommendations do suggest an upping of the game in terms of the Forum Secretariat's ability to support more independent, evidence-based policy choices in Pacific regionalism. PIFS needs to be able to identify[119] more proactively the big-picture political, social and economic determinants of progressing regionalism, and advise Leaders accordingly. It then needs to have the authority and capability to harness support for, and champion, such reforms, and to account for progress at the level of outcomes and impacts.

While the Secretariat is proactive in this way in some areas, it is probably true to say that it is often a more passive observer and reporter of regionalism and regional initiatives in other areas.

[119] *With, of course, the CROP agencies as a resource.*

The (unpublished) May 2012 review of the Forum Secretariat may or may not have captured quite such an ambitious vision for the Secretariat's role, under which a number of cultural and governance issues would now need also to be considered. It was not for this Review to revisit that work. However, it should certainly be reconsidered in light of the Review.

Whatever the substance, PIFS does need to be able to develop its capabilities, accountabilities and responsiveness, and this requires a mature conversation with its financiers about how this is best achieved. The Review's comments on the financing of regionalism are relevant here.

The Wider Governance of Regionalism

The Review was not mandated to consider the regional institutional architecture nor, by inference, the governance of the nine autonomous Pacific regional organisations that, under the non-mandatory 'coordination' of the CROP, play an important role in the implementation of the Pacific Plan.

However, it was clear to the Review that many questions remain about the efficiency of the wider regional institutional architecture and the effective governance of such a network of regional organisations. Many would say that wider reform of the regional institutional architecture, and its governance, represents unfinished business.

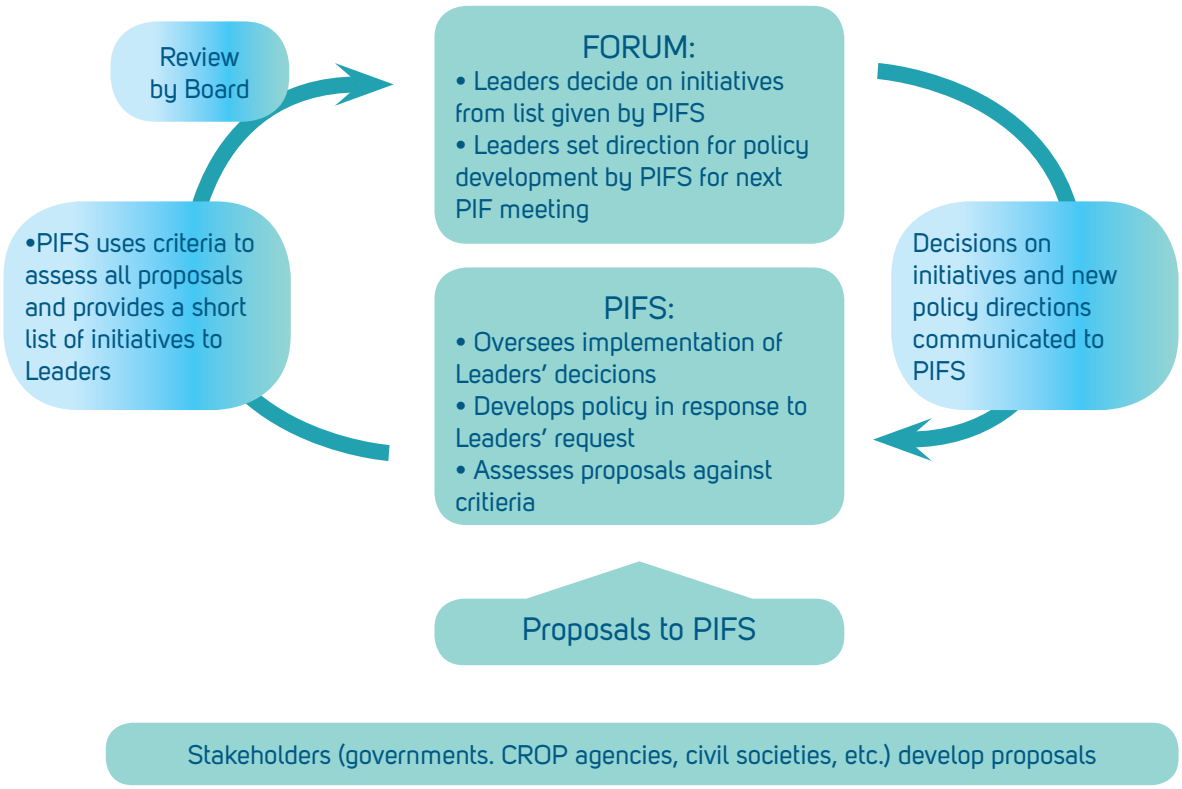
Our recommendation is that a process of further reflection on these difficult issues of the governance of regional networks, and the financing of regionalism, is commissioned. This reflection on the governance and financing of regionalism would start with refining the governance arrangements of the Pacific Plan and its Board, as above, would look more broadly at the context of governance in PIFS, and then extend to re-establishing a discussion about the governance (in the context of the progressing regionalism) of the wider network of regional organisations.

Recommendation 22 (as per Recommendation 8) : Develop, in consultation with the CROP agencies, their members and their other major financers, terms of reference for furthering the analysis of options for the more effective governance and financing of collective action in pursuit of regionalism (including of the network of Pacific regional organisations), and subsequently recruit specialist short-term advisory inputs for that.

OVERVIEW OF THE NEW PROCESS

In light of the problems with the current prioritisation process and the general issues with governance of the Plan, the Review believes that there is a need to design a new process. It views on this are set out in the following diagram.

Schematic of the Proposed New Process



Key elements of this process include:

- A clearer role for PIFS, including a mandate to act as the guardian of Forum processes. PIFS will assess the initiatives proposed to it (and may, with the blessing[122] of the Board, propose initiatives itself). It will also be mandated to ensure that no initiative goes to the Forum without first having been assessed by it itself against the criteria for whether something should be a regional initiative (see below) and go on the agenda for the Leaders Forum; it will oversee implementation but will not implement initiatives itself; and it will develop policy proposals in response to the Leaders' requests.

[122] *The Board for Pacific Regionalism.*

- All stakeholders will be able to propose initiatives they believe meet the criteria established by PIFS and approved by Leaders. Leaders will also be asked at the end of each Forum to decide what initiatives they wish to see analysed for consideration at the following year's Forum. PIFS will provide advice on this, but the Leaders may also receive advice from other quarters.
- Regional ministerial meetings should be further empowered to take decisions without referring to Leaders. In general, the results from these meetings should be provided to the Leaders for information only, unless the Ministerial meeting wishes to put forward an initiative that it believes it does not have the authority to decide on. This sort of initiative will, in line with the thinking above, go through the normal screening process before being considered for the agenda for the Leaders' Forum.
- Progress on all initiatives will be reported on annually. Where significant progress has not been made, PIFS – through and with the agreement of the Board for Pacific Regionalism – will make a recommendation to the Leaders as to whether the initiative should be discontinued.

Recommendation 23: Leaders endorse the key details of the prioritisation process as set out above.

IMPROVED CRITERIA FOR PRIORITISING INITIATIVES

The November 2007. revision of the original Pacific Plan included three tests for regional approaches:

- *"Market Test: Is the market providing a service well?*
- *Subsidiarity Test: Can national or local governments provide the service well? If so, involvement by regional bodies should be minimal.*
- *Sovereignty Test: Does the proposed regional initiative maintain the degree of effective sovereignty held by national governments?"*

Unfortunately, it is not clear how and when these criteria are presently applied. The Review endorses these tests, but believes they need to be clarified if they are to be more effective. They also need to be supplemented with some additional measures if they are to effectively reduce the number of initiatives going forward to the Forum.

The Subsidiarity Test

Increased clarity about the sort of reasons for believing a good, norm or service should be delivered at a regional rather than a national level will assist in prioritising initiatives.

The Review has identified the following as being better done at a regional level. As part of the prioritisation process, proposed initiatives, if they are to be taken forward as regional initiatives, will need to fit into one or more of these categories:

1. It establishes a regional norm or standard. Countries often want to set out basic norms or standards (e.g. adherence to democratic norms, human rights, gender equality) that they agree are important and wish to live up to.
2. It establishes a common position on an issue. Similarly, communities of countries often wish to set out their position to a global audience on an issue like climate change.
3. It delivers a public good in the classic economic sense of the term (meaning a good or service that is non-excludable and non-rival), which is regional in its scope (definitions of regional public goods can be found in Annex 17). These are things like sustainable management of regional migratory fish stocks. Because the fish move across the Pacific, even if a country decides that it does not wish to take part in the management programme it will still enjoy the benefits of it – i.e. it is non-excludable.[123] Equally, a country's enjoyment of the benefits of this scheme does not reduce the amount enjoyed by another country – i.e. it is non-rival.[124]
4. It delivers a regional quasi-public good. These are regional goods or services that are not naturally public goods (they are either excludable but non-rival, or non-excludable but rival) but are made into regional public goods through deliberate policy decisions.[125]

[123] *This is the classic free-rider problem in which someone benefits from resources, goods or services without paying for the cost of the benefit – because someone cannot be prevented from benefiting and cannot be excluded from using the service, there is a strong incentive not to pay for it.*

[124] *Note, however, that the fish themselves are not a non-rival good: if a country catches some fish, this reduces the amount for others. Because it is not possible to stop someone using public goods, the private sector cannot charge for them and as a result they will not be spontaneously provided by the private sector. They can only be delivered and managed at the regional level. The fish are a pool or common good (i.e. they are non-excludable and rival). It is difficult to exclude someone from fishing. Pool goods are plagued by what is known as the tragedy of the commons, in which in it is in the short-term interest of individuals or countries to take as much of a resource as they can, despite their understanding that depleting the common resource is contrary to the group's long-term best interests.*

[125] *Quasi-public goods are things like a park or a beach or road that are:*

- *Semi-non-rival – up to a point, extra consumers using a park, beach or road do not reduce the amount of the product available to other consumers. Eventually, additional consumers reduce the benefits to other users and the facility becomes congested.*
- *Semi-non-excludable – it is possible but often difficult or expensive to exclude non-paying consumers, e.g. fencing a park and charging an entrance fee; charging a toll on congested roads.*

5. It realises economies of scale. The cost of producing a service (or good) sometimes falls as more of it is produced. Where this is the case, the production of the service is described as having economies of scale. In the Pacific context, because many countries are small, it can be prohibitively expensive for them to produce goods or services that are taken for granted elsewhere. If they join together to deliver these, in situations where there are economies of scale they can sometimes do so at a cost that enables all of them to afford to utilise these services.[126] Sometimes there are positive externalities associated with these services,[127] which may be either national or regional. They may justify subsidising the service to make it more accessible to citizens.

6. It overcomes national capacity constraints. Many PICs face capacity constraints where they are unable to attract highly specialised personnel to work in their country. Such services may be most efficiently delivered at a regional level either because there are economies of scale (see above) or because countries need only part-time assistance (e.g. an actuary to estimate the liabilities of a pension scheme). Centralised provision of these services may be the only way to make them available.[128]

7. It compensates for the failure of national governments to provide national public goods like security or the rule of law. The failure of national governments to provide national public goods can generate spill-overs. Thus, for example, the failure of a government to provide basic security for the citizens of a country can generate refugee flows and increased flows of weapons and drugs into neighbouring countries. Compensating for this failure can take the form of a sub-regional public good.[129]

8. It facilitates economic or political integration. In its initial incarnation, the Pacific Plan had a strong focus on economic integration, including moving towards a common market. Clearly, this remains a central part of the regional integration process, as do moves to increase political integration.

[126] *This was part of the original rationale for the pan-Pacific provision of air and shipping services. In arguing that an initiative displays this characteristic and is justified on these grounds, it is important to recognise that these services are things that the private sector could provide and a case therefore needs to be made for why public provision of them is preferable.*

[127] *Actions generate benefits or impose costs over and above the benefits that individuals receive. These benefits or costs are called positive and negative externalities, respectively. The classic example of a negative externality is pollution, which imposes a cost on other people. There are positive externalities associated with education: society benefits from things like increased productivity associated with education, and for this reason most countries subsidise the provision of universal primary education.*

[128] *An example of this is the provision of specialised medical services. Some countries cannot attract an eye surgeon to work in their health systems, and as a result they have no capacity to perform eye surgery. Engaging an eye surgeon at the regional level to spend time delivering services in each country makes the delivery of services in this area possible. Sometimes there are economies of scale in delivering these services, while at other times there are not. Once again, because these services are excludable, they can usually be provided by the private sector. Given this, those arguing for public provision need to demonstrate why it is superior.*

[129] *Note, however, that where there are minimal spill-overs, assisting the government of a country to restore order can simply be an altruistic act by the country's neighbours.*

[130] *The above eight categories are not intended to be exclusive. Initiatives may fall into more than one category. Thus, the University of the South Pacific (USP) was established on the grounds that there are economies of scale in providing tertiary education. Many of the countries that access its services do not have the capacity to set up a national university and there are regional (and national) externalities that warrant the provision of subsidies.*

Recommendation 24: Leaders endorse the market and sovereignty tests and the expanded subsidiarity test, including the eight categories set out above.

Annex 16 provides further explanation of these concepts and how they can assist PIFS and the Forum in its analysis of policy option.[130]

Additional Tests

Much of the significance of the Pacific Plan stems from its connection to the Forum and the ownership and political direction given through it by the leaders of Pacific countries in their annual meeting. In proposing additional tests for what should be in the Plan and, by implication, what should be on the agenda for the Leaders Forum, the Review team is mindful of the importance both of keeping the agenda manageable and ensuring that items on it are those that really do need the attention of Leaders – the Leaders Forum is the only meeting at which big political issues can be discussed and major political decisions made.

Given that time is sharply limited, it is important that the meeting focuses on 'big-ticket items' (ones with substantial net benefits) that really do require the attention of Leaders because they have major political implications. Where the proposed initiative does not have this political dimension, it can safely be sent to another forum (e.g. a regional ministerial meeting) for a decision.

The Pacific is a large and complex area. Many of the countries have limited capacity to assess proposals and implement them. This is particularly the case where the proposed initiative is complicated. Given this, part of the assessment of initiatives should involve how likely they are to succeed. If they are overly complicated, expensive (or if there is a funding gap) and have no clear implementation plan, they should not go onto the agenda for the Forum meeting. Also, given the risk of overlap between the various pan-Pacific bodies, bilateral and multilateral donor programmes, and CROP agencies, including the Secretariat of the Pacific Community (SPC) and PIFS, those proposing an initiative should be required to attest that they have investigated the possibility of duplication and found none.

Recommendation 25: Leaders adopt the following additional criteria:

1. The net benefit test. Will the proposed initiative bring substantial net benefits: has some estimate of the costs and benefits been made? Is it a 'big-ticket' item?
2. The political test. Does it really require the Leaders' attention/input or can it be sent to another forum (e.g. regional ministerial meeting)?
3. The success test. Is the proposed initiative likely to succeed? Is there an implementation plan? Is funding available for it? In light of available capacity to implement it, is it too complicated?
4. The duplication test. Is the initiative being done elsewhere by another organisation or process (i.e. no duplication of effort)?

IMPROVING IMPLEMENTATION

The Review's ToR (Annex 1) asked it to "consider the effectiveness of implementation arrangements for delivery of initiatives and priorities under the Pacific Plan, including the role of key actors (members, CROP agencies, etc.) as outlined above".

One of the most common criticisms of the Plan the Review encountered during its consultation visits was that it has not achieved much. This is not for lack of trying: the initiatives identified by successive Forums for action under the Plan have been comprehensive. While there have been some significant achievements of the Plan (see Annex 21 for a summary of these), in general progress on implementing initiatives – particularly those that involved regional service delivery – has been mixed.

The reasons for the limited progress are complex and in some cases are probably related to the unique history of each project, making it difficult to generalise. The Review believes that despite this it is possible to identify a variety of common factors that should be addressed going forward if implementation is to be improved. In putting forward these hypotheses, the Review team acknowledges that they are speculative: while much work has been done on reviewing the causes of failure, as yet no comprehensive and compelling study has been made of systemic failures that are likely to contribute to poor implementation. Unfortunately, the Review did not have time to rectify this absence.

Through its largely desk-based review of the implementation of initiatives under the Plan and in its discussions with stakeholders on the causes of poor execution, the Review has identified the following as likely to have contributed to poor implementation:

- Failure to secure (or provide) sufficient political oversight to enable the sorts of difficult decisions that some projects required. Decisions to establish pooled service delivery in an area (e.g. bulk procurement of petroleum products) often require further political decisions (e.g. agreement on a common fuel standard and adoption of it by all interested countries). If political engagement in implementation is not sufficient to ensure that key political decisions are taken in a timely fashion, implementation will be slow. The Review has identified a set of new processes that are designed in part to increase political ownership and engagement;
- The basic framework of project management for Plan initiatives was not always in place. Having a clear implementation plan, with timelines, responsibilities and a risk management strategy is likely to improve implementation;
- Not all PIFS staff have had project management training. All staff who are likely to be involved in implementation or overseeing the efforts of others to implement should receive training of this sort;
- Complex and politically difficult project implementation was not always supported by a comprehensive analysis of risk and the development of risk management strategies;
- Projects were begun without an understanding of their cost – a realistic

understanding of the likely budget for implementation is an important part of any implementation and enables funding shortfalls to be identified;

- Projects were begun prior to securing adequate funding and support. In an uncertain world it is sometimes necessary to embark on a project prior to receiving full funding. Clearly, however, if the shortfall is substantial, this can translate into a high risk that funds will be wasted when subsequent funding does not appear;
- Failure to recognise properly the incentives at play and to take action to change or mediate them. One of the critical challenges when working across a region as diverse and complex as the Pacific is that for most initiatives there will be varying levels of benefit and different incentives at play. Recognising this and managing it is an important part of smoothing implementation; and
- Failure to secure the support of donors and other key stakeholders. The difference between a bright idea and a successful project is often securing the buy-in and support of relevant stakeholders. For complex projects, a stakeholder mapping exercise should form part of the project management process.

Recommendation 26: It is recommended that:

- All Pacific Plan initiatives be accompanied by a formal implementation plan.
- The implementation plan for complex projects should include (i) risk management matrices and associated risk reduction strategies and (ii) stakeholder mapping and analysis.
- PIFS staff who are likely to implement or oversee the implementation of projects should be given project management training.

The processes set out above should also result in improved implementation. Having a smaller number of initiatives, with increased political attention to them, should enable political impediments to implementation to be more readily dealt with. Clearer and simpler reporting, including a framework for monitoring and evaluation, should also improve both accountability and implementation – see below for further details.

Multi-year Expenditure Frameworks

One of the key impediments to improved implementation is that there is a great deal of uncertainty about whether funds are available for a project even after it has been signed off at a Forum meeting by PIF heads of state, including the key donor countries – Australia and New Zealand. Improving funding certainty would help enable prompt implementation of decisions.

Moving towards a situation in which resourcing is not an afterthought – and there is a multi-year expenditure framework of the sort that the European Union operates – requires decisions on pooling sovereignty and an agreement to transfer revenue between members, which are a long way from being made. That said, it is clear that if progress on regional

integration is to be rapid there is a need to contemplate these issues and move towards establishing a medium-term expenditure framework and associated budget.

Pooled Service Delivery

Perhaps the key challenge in terms of improving implementation is improving the delivery of pooled services, both in terms of their establishment and ensuring their ongoing viability. It has long been recognised that there are economies of scale in the delivery of services; Pacific states can realise these by pooling delivery, enabling them to overcome the constraints imposed by their small size and lack of capacity. There have been a number of successful attempts to do this, including higher education (the University of the South Pacific, established 1968) and fisheries management (Forum fisheries agencies, established 1979, and Parties to the Nauru Agreement, established 1982), and also some failures, most notably aviation (Air Pacific) and shipping (the Pacific Forum Line).

The case for continuing to support this approach is strong – the Asian Development Bank/ Commonwealth Secretariat study, Towards a New Pacific Regionalism, commissioned by the Pacific Islands Forum Secretariat in 2005, estimated the costs and benefits to the Pacific of a variety of pooling initiatives.[131] It found that all of these proposed initiatives had a positive net present value.

Subsequently, the 2007 Pacific Plan included proposals on a range of regional service delivery initiatives: intensified development of proposals or strategies for regional bulk purchasing, storage and distribution of petroleum; development of the Pacific Aviation Safety Office (PASO); enhancing shipping services for SISs; intensified implementation of a regional digital strategy; expanding regional technical and vocational education training (TVET) programmes; enhancement of regional sporting networks to support the developmental role of sport; and implementation of the regional tourism marketing and investment plan.

It also called for further analysis of proposals or strategies for regional bulk purchasing, storage and distribution of key import commodities, such as pharmaceuticals; creation of a regional sporting institute; creation of an institution to advocate for, and protect, traditional knowledge and intellectual property rights; establishment of an accountable and independent macroeconomic and microeconomic technical assistance mechanism (including statistics); establishment of a regional customs revenue service; establishment of a regional ombudsman and human rights mechanisms; and establishment of a regional audit service.

[131] *Including a regional nurse training facility, a regional sports institute, a regional statistical office, a regional body to protect intellectual property rights, a regional facility to train civilian police for international peacekeeping, a regional economic and statistical technical assistance programme to assist customs officials in collecting revenue, a regional ombudsman and a regional panel of auditors.*

Unfortunately, progress on implementing these initiatives has been mixed: some initiatives (e.g. PASO) have got off the ground, while others such as the bulk procurement of petroleum products have not and still others (e.g. the regional shipping line) have gone backwards.

The Review remains convinced that it is worth continuing to pursue shared service delivery across the Pacific. However, in order to improve the likelihood that these initiatives will be implemented and will deliver real benefits to the people of the Pacific, there is a need to analyse the critical success factors and likely impediments to improved implementation and sustained service delivery. In short, there is a need to work out why some initiatives have been very successful and why others have failed, and to use these lessons to improve implementation.

While many of the shared service projects have been reviewed, there has been only one recent attempt to generalise from the Pacific's experience of regional pooling of service delivery across all projects.[132] This Review's thoughts on how to improve the implementation of pooled service delivery initiatives are set out in Annex 18. The annex draws on the above paper, the studies that have been made of regional service delivery, and the Review's discussions with stakeholders (including regional service deliverers) into what works and does not work in this area. Given the breadth of this topic and the limited time available, the conclusions drawn by the Review are speculative and need to be confirmed (or not) through more detailed work. Its key recommendation in this area is that more work be done on analysing past success and failure before further attempts at pooling service delivery are made.

Recommendation 27: PIFS oversees a comprehensive review of pooled service initiatives to identify why some initiatives have been very successful and why others have failed, and uses these lessons to improve implementation.

[132] *Matthew Dornan and Tess Newton Cain, 2013, Regional Service Delivery Among Small Island Developing States of the Pacific: An Assessment, draft paper provided to the Review; final version accessible at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2343451*

IMPROVING ACCOUNTABILITY AND REPORTING

One of the challenges that the Review faces is providing advice on how to improve accountability. This in turn implies a prior agreement on the sorts of results that are to be expected. At the level of outputs, it is clear what results are expected: the implementation of agreed regional initiatives. At the level of outcomes, it is a lot less clear. As was noted above, many, if not most, of the outcomes that people wish to track – such as the Millennium Development Goals (MDGs) – relate to the activities of nations. Regional activities contribute to them, but it is difficult to quantify how they do this and, in any case, any impact is likely to be swamped by the contribution made by a national action. Given this, it does not make much sense to track these outcome measures through the Plan.

At the highest level, the Plan is, or should present, a path for regional integration. The extent to which the region as a whole will travel this path is a function of the collective decisions of national leaders to take a step towards integration and the success or failure of regional organisations to implement the decisions needed to move forward on this journey. A possible path was set out on page 88. Tracking progress against it has two dimensions:

1. Tracking implementation of agreed regional initiatives in terms of both the implementation plan (as agreed when the initiative was approved) and against the areas of benefit that were indicated when the proposal for the initiative was put forward; and
2. Making an assessment of how much progress has been made in terms of increased integration – a sort of 'state of the prospective union' assessment. This could be done annually as part of an assessment of the extent to which the regional project is on track, or if no path has been set, at the very least it could be a statement on whether the region as a whole is moving forward towards greater integration.

Having a much smaller number of initiatives will enable increased political and managerial attention to be paid to them. This should lead to improved implementation as it will be much easier to monitor progress and bring difficulties to the attention of senior bureaucrats and political leaders. In addition, initiatives, prior to being considered by Forum Leaders, will have clear implementation plans and will have been assessed for their likelihood of success. And, of course, there should be a much greater degree of ownership on the part of political leaders and a consequent desire to see initiatives succeed.

Resourcing will, hopefully, not be an afterthought. Initiatives that go forward will have resourcing proposals attached and, once the new processes gain credibility and momentum, it should be much easier for donors to commit to funding the outcomes of the Forum as a

genuine expression of collective will prior to seeing which initiatives are selected as being of the highest priority. It is even possible that donors would be prepared to commit to a medium-term expenditure framework for regional initiatives, which would provide funding certainty.

Reporting will be clearer and simpler. This, in turn, will result in increased transparency and greater accountability for progress. It is proposed that reporting be only on the following:

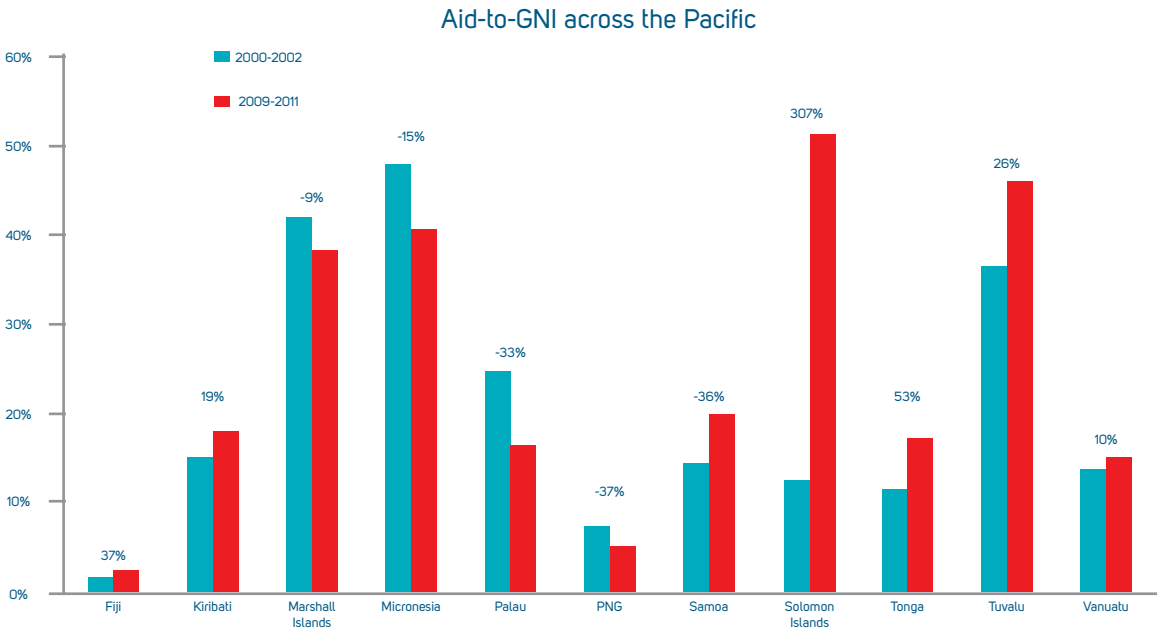
- Proposed initiatives and decisions made on them at the Leaders Forum;
- Leaders' priorities for development and consideration at the following year's Forum;
- Progress on implementation of approved initiatives – this will be done quarterly by PIFS and will cover progress against the implementation plan (as agreed when the initiative was approved) and against the areas of benefit that were indicated when the proposal for the initiative was put forward; and
- Progress on regional integration. Making an assessment of how much progress has been made in terms of increased integration will not be easy, since, as was noted above, no agreement has been reached as to how far along the path described above Pacific leaders and the countries they represent wish to go. The Review's proposal is that the Board of Pacific Integration describes progress on integration and makes an annual assessment of the extent to which the regional integration project is 'on track'. While this will inevitably be subjective, it should be sufficient both to celebrate achievements and alert leaders to areas where greater effort is required.

Recommendation 28: Leaders approve the reporting arrangements set out above.

IMPROVING PACIFIC-WIDE DEVELOPMENT EFFECTIVENESS

Many of the PICs will remain heavily dependent on aid flows and foreign assistance for a long period of time yet. Their economies and tax bases are too small to support the level and quality of public services and investment that is needed and warranted in a modern Pacific.

Aid as a percentage of GNP – a measure of aid dependency – has risen over the last decade across the whole Pacific, with the exception of the United States Compact countries and PNG.



Source: Jonathan Pryke, 2013, 'Rising Aid Dependency in the Pacific', DevPolicyBlog [online blog], Development Policy Centre, Australian National University, http://devpolicy.org/rising-aid-dependency-in-the-pacific-20130917

This places four PICs (Solomon Islands, Tuvalu, FSM and Republic of the Marshall Islands) in the top six most heavily aid-dependent countries in the world.[133]

At the same time there, has been an increase in the number and diversity of donors investing in the Pacific, including several non-traditional donors and – now –transfers from other PICs.

[133] *Jonathan Pryke, 2013, 'Rising Aid Dependency in the Pacific', DevPolicyBlog [online blog], Development Policy Centre, Australian National University, http://devpolicy.org/rising-aid-dependency-in-the-pacific-20130917*

The importance of this aid in terms of being effective and being provided in a way that reflects the unique challenges of sustainability in the PICs – and the longevity with which aid flows – is absolutely paramount. This is true not only in terms of efficiency and effectiveness of delivering social and economic outcomes, but also in terms of the influence of the aid on the expression of social and political values, and priorities and sensitivities over sovereignty.

But the quid pro quo for more efficient and effective forms of aid flows and transfers is, of course, improved governance and accountability in the institutions that translate aid flows into development outcomes.

For these reasons we see a major role for the region's peak political agency – PIFS – in more robustly championing with the donor community improved coordination, alignment, ownership and harmonisation, and a greater results focus, on behalf of its whole membership.

The Forum has done some exemplary work on this with the Forum Compact, not just in terms of the substance of the work, but also in the process: a unique and highly valued peer-review regime that has attracted much praise. Furthermore, one or two of the PICs have been at the vanguard of improving development effectiveness through world-class work on aid coordination and policy.

The Forum should build on its gains from the Forum Compact to become an engine of debate, a champion of good practice, an advocate of reform, a setter of norms and standards, and a source of practical advice and support to its members, in the field of improved development effectiveness in the Pacific.

Recommendation 29: Recognising the enduring nature of much of the region's dependency on aid flows, PIFS should build on the advances made in implementing the Forum Compact/peer-review process and deepen and expand its role in advocating for, and supporting, development effectiveness in the Pacific.

RESPONDING TO THE NEEDS OF SMALLER ISLAND STATES

Addressing the particular needs of the region's Smaller Island States was an explicit objective of the Pacific Plan. With their typically very small economies, small tax bases, extreme isolation and often limited land-based natural resources, SISs will struggle more than most to achieve a satisfactory pace and quality of development. Unsurprisingly, some SISs exhibit the most acute vulnerabilities and dependencies of any, and it is here that we are seeing new – and wholly unacceptable – forms of Pacific poverty (see photo below.)

The benefits of being truly more integrated with the region and its metropolitan neighbours, of significantly improved movement of people, capital, goods and services within and beyond the region, and of increasingly "sharing resources, governance and aligning policies" (the aspiration of the 2004 Pacific Plan) will likely be of greatest impact in the SISs. This would be particularly so for the 'lonely' SISs in the central Pacific that are not de facto already integrated to some degree with either New Zealand (for those in the south) or the USA (for those in north, although that relationship is changing).

Unacceptable new forms of poverty in the Pacific. Source: Review Team, 2013

The Review was asked to reflect on the merits of an SIS 'strategy' under the Pacific Plan. However, although we attach particular importance and urgency to addressing the long-term social and economic sustainability of the Pacific's SISs through meaningful regional integration, we do not in fact see a place for a separate 'SIS strategy' under the Plan (or future Framework), for two interrelated reasons:

1. While transactional assistance targeted at the SISs under the Plan has been valuable, it does not constitute the kind of 'game-changing' shift in the way SISs do business or integrate more robustly with their Pacific and metropolitan neighbours. Such transformational adjustments, which represent the crux of regionalism, will be achieved not through a list of project interventions (or an 'SIS strategy'), no matter how well prioritised, but through political dialogue and new political settlements about their dependencies on others, and their practical

– tangible – integration with bigger economies. (Including, probably, settlements on the scope and form of foreign assistance in the medium to long term.)

2. The central thrust of the Review's recommendations is that taking regionalism forward is a matter of putting in place a better priority-setting process, rather than prescribing – in a 'plan' – a revised set of priorities. And, furthermore, that this process must better reflect the expression of political values and priorities.

One of the explicit criteria we are recommending for such an improved, more politically driven, priority-setting process is that the special requirements of the SISs are addressed, and that there is an accountability to the Forum for doing so.

These two observations thus fold together. First, the recognition that the medium- to long-term future of the SISs depends on regional/international political settlements around their particular dependencies and vulnerabilities. And second, the recognition that there is a need for a better process for bringing to the table and resolving those political issues and choices, including through robust policy analysis and advice, and with an explicit requirement that the special context and needs of SISs in prosecuting regionalism is given its own space in that process.

We propose therefore that SIS initiatives be dealt with through the same PIFS-managed processes as those initiatives that are to be considered at the Leaders Forum: they will be nominated by members or other stakeholders, and PIFS and the new Board for Pacific Regionalism will assess proposals against the above criteria and generate an agenda for the SIS meeting.

Recommendation 30: Leaders endorse the use of PIFS and the Board for Pacific Regionalism as the conduit to the SIS meeting and charge them with ensuring that initiatives proposed by stakeholders are relevant to SIS and meet the criteria developed for identifying SIS and other initiatives under the new Framework.

Having said that, there is a need to recognise and deal more comprehensively with the fact that some SISs lack clear pathways to moderate levels of income and have struggled to apply sustainable development approaches. The most effective way of doing this is to give a high priority to investigating the set of issues outlined above on different developmental paths and growth strategies for SISs.

PIFS has instigated a number of organisational changes better to support the Pacific Plan's focus on the SISs, including the establishment of an SIS unit at the Secretariat and embedding SIS officers in the governments of the SISs. The Review supports such emphasis and additional staff resources being afforded to the needs of the Smaller Islands States. However, the Review was also made aware that much of this resource has become preoccupied with compliance (principally reporting) activities, rather than with the proactive development of SIS positions and initiatives. If the Review's recommendations are accepted, these resources (both in the Secretariat and at country level) will need to refocus their attention much more on the development of policy options and priority SIS initiatives.

IMPLEMENTING AGREED RECOMMENDATIONS AND CHANGE

This was a long and complex review covering a wide range of areas and suggesting a significant change in direction. Given the level and complexity of change recommended, it is important to establish appropriate arrangements for the implementation of the Review's recommendations and implied reforms, and to ensure that the process is appropriately resourced.

Political Leadership of Change

A key theme of the Review has been the need for greater political direction of regionalism – it is the political leadership of the region that must decide and drive the reforms to PIFS (and elsewhere) that are explicit or implicit in the Review's findings. These reforms may not be comfortable to all, and may run counter to other organisational and institutional interests.

For these reasons the Review recommends that the organisational and governance reforms deriving from the Review are overseen and directed by a leadership-level council ('the Council'; a sub-committee of the Leaders Forum). The Council should have the Leaders' mandate to decide, as opposed to simply advise, on change within agreed bounds, and will ensure that the scope, scale and pace of reform is as the Leaders would wish.

Recommendation 31: Leaders establish a temporary decision-making (as opposed to advisory) council, comprised of a triumvirate of the immediate past, current and next identified Forum chairs to oversee the implementation of the Review's recommendations.

(Note: this is a temporary high-level oversight council to be established for the purposes of seeing through the organisational and governance reforms that derive from the Review's recommendations. It is not the same as, or in any way duplicating the function of, the permanent Board for Pacific Regionalism to replace PPAC that was recommended earlier in this report.)

Managing the Process of Change

The Review has major implications for PIFS, including a much more proactive role in regional policy analysis, as the primary adviser to the Forum meetings and the conduit to the Leaders Forum in terms of progressing regionalism. The Secretariat was not designed for, and is not currently equipped to play, this role.

Importantly, PIFS needs to take ownership of the new arrangements and processes. To this end, it needs to be intimately involved in the implementation of the Review and the changes it brings. In order to do this well, it is critical that the Secretary-General of the Forum is able to access professional assistance to manage what is a major process of change.

[134] *We suggest this timeline should exhibit considerable, if not ambitious, pace.*

To this end, the Review believes that the Secretary-General of the Forum needs to instigate the following (according to a timeline[134] established at the acceptance or otherwise of this report):

- Personally oversee and account for the implementation of agreed recommendations. The Secretary-General should report to the Council (above) quarterly on the process of implementing the Review's recommendations;
- Develop (per Recommendations 8 and 22), in consultation with the CROP agencies, their members and their other major financers, terms of reference for furthering the analysis of options for the more effective governance and financing of collective action in pursuit of regionalism, and subsequently recruit specialist short-term advisory inputs for that purpose;
- Subject to such early professional analysis, establish (per Recommendation 8) the new Board for Pacific Regionalism,[135] replacing PPAC;
- Engage professional organisational development specialists to redesign the structure of PIFS, draft job descriptions, assist with organisational reform and assist with the implementation of the Review's recommendations;
- Engage two people with cabinet office experience to assist with design, implementation and operation (including mentoring of, and support to, PIFS staff) of new internal processes;
- Complete the drafting of the new Framework through necessary consultation and dialogue with, and between, Leaders; and
- Noting the current low level of understanding in the region of the objects and intents of the Pacific Plan, develop a robust communications strategy for progressing Pacific regionalism. This should include explaining (through visits by PIFS senior executives' to member countries) the outcomes of the Review and bringing clarity to stakeholders over the fundamental concepts and notions of regionalism, and the utility of the New Framework for Pacific Regionalism as opposed to a 'plan for regional development'.

Recommendation 32: Leaders endorse the above critical steps and associated timetable and request the Secretary-General of the Forum to provide them with a more detailed implementation plan for the approved recommendations of the Review within one month of the Review's recommendations being accepted.

[135] *Membership, governance arrangements, etc., would then need to be confirmed at the subsequent Leaders Forum.*

RELAUNCHING THE REGIONAL PROJECT

As was noted above, the Review will not be recommending priority initiatives; rather, it has recommended a process through which candidates need to be put. It has, however, compiled a list of possible regional initiatives (or candidates) as suggested to it by stakeholders during its consultation (see Annex 15).

The regional project has stalled in recent years. Progress has been very limited – partly because some of the key economic integration issues have proved much more difficult to resolve than anticipated. A critical post-review challenge will be to reverse this trend and build momentum and confidence in the new Framework. To this end, the Review believes that there is a need to identify some quick wins in areas that are valued by all Pacific islanders as a signal that regional integration is alive and well. It has identified the following as possible candidates for this:

- Looking to speed up the expansion of the seasonal workers' schemes to Australia and New Zealand. The success of these schemes in bringing benefits to all involved augurs well for their expansion. Expanding them would require some political courage on the part of the leaders of Australia and New Zealand, but would be a welcome fillip to the regional project;
- Moving quickly to establish the feasibility, costs and benefits of sub-regional action to improve critical transport and communication services for groups of SISs through things like common regulation, pooled negotiation of service contracts and improved infrastructure; and
- Helping PICs negotiate more lucrative deals on seabed mining through the establishment of something like the self-funding secretariat that supports the Parties to the Nauru Agreement on fishing. This body would provide the same sort of commercially focused advice on maximising revenue to the country concerned.

Recommendation 33: Leaders request PIFS to develop policy proposals on:

- Establishing the feasibility, costs and benefits of sub-regional action to improve critical transport and communication services for groups of SISs;
- Establishing a body to provide commercially focused advice on maximising revenue from seabed mining modelled on the self-funding secretariat that supports the Parties to the Nauru Agreement on fishing; and
- Putting the possibility of expediting the expansion of the seasonal employment schemes in Australia and New Zealand on the agenda for the next Forum meeting.

As was noted above, the Review sees a great deal of value in formally relaunching the Plan as the New Framework for Pacific Regionalism. This, in turn, should involve a series of events and visits to all member countries and associate member countries.

THE IMPLICATIONS FOR PIFS

The new processes outlined above have a number of implications for PIFS in terms of the role it will need to fulfil. It will be required to manage a public policy process and develop high-quality policy advice, and it will be mandated to be the guardian of Forum processes. Given this, PIFS needs to be reorganised to enable it to do these things, and its staff need to be trained and/or new staff with experience in this area recruited.

The recommendations of the recent review of PIFS should be revisited to ensure that they are compatible with this new role. Where this is not the case, they should be rejected. Further suggestions on both a new structure and implementation of the recent review – most of the recommendations of which have already been implemented – should be developed as part of the implementation of the review of the Pacific Plan, including proposals on roles, processes, capacity development and reporting arrangements.

PIFS will also need to accustom itself to its new role as a guardian. Organisations that fulfil this sort of role are rarely popular and this may take some getting used to. As part of the process of change management, it is suggested that PIFS look to recruit or second an experienced cabinet officer (or officers) to help design the new system and provide insight into how it should operate.

Recommendation 35:

- PIFS be reorganised to enable it to discharge its new role effectively; and
- Those unimplemented recommendations of the review of PIFS that are compatible with its new role be implemented immediately.

RESOURCING IMPLEMENTATION

The resource implications for PIFS of the Review are not substantial: the ongoing recurrent costs of operating PIFS should not change as a result of this Review. There are some possible areas where additional costs will be incurred:

- Operation of the new Board (ongoing, but this can probably funded from within the existing resource envelope);
- The cost of organisational change technical assistance for 6–12 months (a one-off cost);
- Training and capacity development of staff to enable them to provide high-quality policy advice and understand project management; and
- The cost of relaunching the Plan as a Framework, including communications around this and developing policy associated with:
    - establishing the feasibility, costs and benefits of sub-regional action to improve critical transport and communication services for groups of SISs;
    - establishing a body to provide commercially focused advice on maximising revenue from seabed mining modelled on the self-funding secretariat that supports the Parties to the Nauru Agreement on fishing; and
    - putting the possibility of expediting the expansion of the seasonal employment schemes in Australia and New Zealand on the agenda for the next Forum meeting.

Resourcing of change is critical. Given this, and the tightness of the PIFS budget, it is suggested that PIFS requests member countries to help it with one-off costs associated with changing its structure and increasing capacity to fulfil its new role.

Recommendation 36: Forum member countries collectively undertake funding of the above one-off costs associated with implementing the Review.

OWNERSHIP, INFLUENCE AND ALIGNMENT

Alignment with Global Development Agenda

The current Millennium Development Goals (e.g. improving maternal health, achieving universal primary education, reducing child mortality), while critically important for tracking global progress in a number of important areas of deprivation, are not that useful for tracking progress on regional integration and regional cooperation. This is for two reasons:

1. They represent a minimum set of global targets; much else that is valued regionally and nationally is not tracked by them. The MDGs focus, reasonably enough, on areas of deprivation – poverty, hunger, discrimination against women, poor health – that prevent the poor from fully participating in life. They are designed to track and encourage the movement of people out of poverty, to get them to a point at which they have genuine opportunities to participate in employment, education and life.
2. The achievement of the MDGs largely relates to the efforts of nation states and for that reason it is nation states that report against them. The role of the Pacific Plan in achieving the MDGs has probably been minor and difficult to quantify. As a result, there is probably little point in trying to get the Framework to report on progress against them, or to attempt to align reporting on the Framework with them, which is not to say that PIFS or PPAC should not have a role in collating national reports (as they do now).

It looks likely that the post-2015 Sustainable Development Goals will, similarly, be primarily the responsibility of nation states, and for the reasons outlined above, reporting on them should occur at the country level rather than through the Pacific Plan.

Where the SDGs might be expected to impact on the Pacific Plan (e.g. through setting a broad strategic direction), it looks as if the Pacific has already got there first: the Waiheke Declaration on Sustainable Economic Development already encompasses much of the thinking emerging from the development of SDGs and was, in fact, provided as a submission by the Pacific Forum to the Rio+20 UN Conference on Sustainable Development.

Not surprisingly, the MDGs and similar global measures, such as per capita income, are not that useful to the Pacific in tracking its effort to reduce poverty and improve the quality of life of the people of the Pacific (both at a country and a regional level). That said, every attempt should be made to reduce the reporting burden on countries by ensuring that if one of the SDGs is a reasonable proxy for things that matter in terms of progress under the new Framework, it should be used instead of a more bespoke indicator.

Extent to Which the Plan Influences Strategic Direction and Budgeting by Stakeholders

The Review was also asked to consider:

- *"The extent to which the Pacific Plan influences strategic direction setting and budgeting by CROP agencies.*
- *"The extent to which the Pacific Plan has influenced programming decision by development partners and supported more effective and targeted funding to the region."*

While both donors and CROP agencies often cite the Pacific Plan in their strategies and budgeting processes, the reality is that because its pillars are so broad, just about any conceivable activity will align with the Pacific Plan. As a result, in general, it does not influence the strategic direction and budgeting of either CROP agencies or donors.

During the Review's consultations, stakeholders repeatedly suggested that having an initiative in the Plan could be important in terms of being able to persuade donors to provide funding. While, at the margins, this may be true, the reality is that when it comes to funding decisions, donors do not start by refreshing their memory of what is in the Plan. Rather, they take decisions – often in conjunction with PICs – that are then fitted back into the Plan.

The Review was also asked to consider the extent of ownership of the Pacific Plan by members and regional organisations. It found a great deal of variation across different stakeholders in terms of their ownership and interest in the Plan. Clearly, in the past the level of ownership was greater and it is fair to say that this has fallen away largely as a consequence of the failure of Plan initiatives to deliver concrete benefits to the people of the Pacific.

ENGAGING WITH NON-STATE ACTORS

The Review's proposal to open up the process for nominating initiatives to all stakeholders will, if adopted, provide non-state actors with a clear route through which they can seek to progress matters that are important to them through the new Framework – provided that they meet the requirements for submissions (the initiative is genuinely regional, important, etc.).

The Review also believes that civil society and the private sector should be jointly represented on the proposed Board for Pacific Regionalism (page 101).

PACIFIC ISLANDS FORUM SECRETARIAT

Excelling together for the people of the Pacific

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