Working Group Briefing #1

9 July 2014

This is the first *Working Group Briefing* on the review of SPC governance arrangements. It will be supplemented by face-to-face and telephone meetings with group members.

Context

Members of the Pacific Community, SPC management and staff recognise that the Pacific is evolving and that SPC must evolve with it. Now is an important time to consider improvements to SPC's governance to help create the most relevant, effective, financially sound and dynamic organisation possible. Governance arrangements that support the delivery of leading edge results for all peoples of the Pacific: high performing governance systems for a high performing and highly respected SPC.

The review

Following the last Conference's debate on how SPC's governance might be improved, the Director General was directed to commission a short external review of the organisation's governance arrangements. The review will analyse SPC's current governance arrangements and likely future requirements and make recommendations for streamlining them. More specifically the review is to:

- Clarify the role and purpose of governance in organisations like SPC;

- Assess the strengths and weaknesses of SPC's current governance arrangements;

- Propose options for streamlined, improved, governance structures and processes; and

- Offer practical ways forward to implement governance reform.

Consultants Peter Bazeley and Tony Liston were appointed on 27 June 2014 to undertake the review. They started work at SPC headquarters on 4 July 2014.

The *Working Group* [1] will provide oversight and ultimately agree a recommendation to the November 2014 CRGA on future governance arrangements.

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[1] Confirmed members to date include: Australia, Fiji, FSM, France, French Polynesia, New Caledonia, New Zealand, RMI, Solomon Islands and the United States complemented by SPC's Director-General, Deputy Director General (Operations & Management) and the Director of the Strategic Engagement, Policy and Planning Facility.

This briefing note

Following some preliminary reading and briefings, this briefing note sets out:

- The review team's initial understanding of what 'governance' has to deliver for SPC;

- Some early issues and questions to be addressed;

- A proposed process for the review.

The purpose of this early briefing note is to:

- Solicit the Working Group's comments on, and endorsement of, the review team's understanding of the issues and its proposed approach; and to

- Prepare those whom the review team will be consulting for the sort of questions likely to be raised.

The review team's initial understanding of what 'governance' has to deliver for SPC

'Governance' is understood in various ways. For the purposes of this review we are using a definition by Cornforth (2005) [2]: *"the systems and processes concerned with ensuring the overall direction, effectiveness and accountability of an organisation".*

The 2013 review of the Pacific Plan talked a lot about governance in the context of Pacific regional organisations and described[3] it as the *"process of translating the wishes of [the] organisation's owners into a performance that efficiently and effectively yields desired outcomes and impacts."*

So for SPC, governance is probably going to be about ensuring that the organisation as a whole:

- Sets clear and relevant objectives;

- Is doing the 'right things in the right places' to achieve those objectives;

- Remains 'fit for purpose', despite changing contexts (political, social and economic, as well as institutional and financial);

- Provides its various stakeholders (members and financers) with the assurances and guarantees they need that their interests in it are being stewarded efficiently and with propriety.

For the purposes of its own analysis, the review team has broken down SPC's assumed governance requirements into five 'Governance Areas', each of which probably implies different considerations, systems and processes:

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[2]   Cornforth, C., (2005): The Governance of Public and Non-Profit Organisations: What do Boards Do? Routledge, London.

[3]   Pacific Plan Review (2013): *Report to Pacific Leaders*, page 68. Suva: Pacific Islands Forum Secretariat.

Governance Area I - Accountability

> Accountability across all parts of the operation: performance, effectiveness, monitoring and evaluation; audit (including systems and processes that deliver efficiency), stewardship of human and financial resources, risk management and reporting.

Governance Area II – Technical, scientific and developmental excellence.

> Ensuring that SPC's technical and scientific work and advice is always relevant, doesn't duplicate, is timely and is of the highest quality and ultimately contributes to advancing development outcomes.

Governance Area III – Strategy and allocative choices

> Policy and expenditure choices about *what* SPC does and where; the totality of the 'how' in achieving the organisation's higher-level objectives (whatever those are). This needs to be based on clarity over the continuing '*why*' of the organisation and its comparative advantage (see also *Governance Area IV* below).

Governance Area IV – Institutional fitness for purpose

> Ensuring that SPC as an institution remains relevant and central to the needs of its collective of members. Managing and delivering continuous institutional improvement.

Governance Area V – Delivering credibility and demonstrating value in the wider public domain

> Earning the respect and support of members, funders and the development community.

Observations on current governance arrangements

The principal governing bodies – Conference and the CRGA – are large, whole-of-membership, committees of representatives, not executive 'boards'[4]. These organs are therefore good for ensuring members' voices are heard (which is important), but probably less good for the analysis of strategic issues and efficient, timely, directive decision-making.

SPC's Articles, and other adopted instruments, provide for a number of sub-committees of Conference (of which the CRGA is formally one) to provide for specific areas of the organisation's governance:

- A 'Research Council' and a 'Planning and Evaluation Committee' are also prescribed … but neither of these meets anymore;

- An 'Audit and Risk' committee has more recently been established with oversight of internal and external audit functions;

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[4] 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 is responsible for delivering a result on behalf of a wider ownership or membership. (2013 Pacific Plan Review.)

- A number of ad hoc advisory and working groups have also been formed to support specific initiatives and change processes. (Post-IER change-management; membership; funding, etc.)

Ministerial / sector meetings also have a direct influence on the organisation's priorities and programme of work at Divisional level.

Aid financing also often brings with it a degree of 'parallel governance' in the form of externally-configured design, management and monitoring of *projects*, where such aid projects form a significant component of operations. (With both positive and negative connotations.)

But 'governance' and the achievement of objectives is not <u>all</u> about boards and committees. It is also about effective leadership and management. SPC's governing texts provide the Director General with considerable delegated authority – as they should – and SPC has traditionally enjoyed strong and effective leadership at a number of levels. What governance systems and processes support leadership at SPC, and how is effective leadership championed while at the same time constructively contested?

Early questions

i. Where – among all the facets of SPC's governance above – is the problem, and how does it manifest in terms of organisational outcomes?

ii. Where and how is the balance to be struck between 'one-country-one-vote' representation (with consequently huge committees[5]) and efficient and effective executive decision-making? What is the most appropriate representation and at what point would 'ownership' be compromised in the name of delegation? Cultural, political and historical factors all play a role.

iii. Is the appetite for, and affordability of, frequent large-scale meetings diminishing? (This in the context of a plethora of regional meetings across all the Pacific regional organisations, with often less than full representation at the intended level.)

iv. Where and how is the balance to be struck between where a board decision is needed and where the organisation's leadership and management can act under delegation?

v. To what extent can existing governance structures be made to work more effectively? (Skills, procedures, information management, communication technology, etc.)

vi. Is the appetite for redefining, and better supporting, the roles and mandates of existing governing bodies; or is it for adding more – perhaps temporary – instruments to address more specifically-identified issues?

vii. Where does the Council of Regional Organisations in the Pacific (CROP) play a role in shaping or delineating SPC's role and mandate? Indeed, what of *the elephant in the room*: the more fundamental question about how best to provide effective governance (including multi-institutional efficiencies) across the whole Pacific regional institutional architecture?

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[5] And there is good evidence form elsewhere that the optimum size of a committee for decision-making is relatively small.

viii.   Is there any potential to make cost savings in SPC's governance processes? (What are the approximate costs of the current and possible new governance arrangements?)

Review process

- This briefing note is intended to start a conversation. We need that conversation to understand where the anxieties and perhaps the solutions lie.

- We will pursue that conversation through face-to-face meetings with the Working Group and others where faced-to-face meetings are practical. Elsewhere we will take forward the conversation by telephone.

  *** The Working Group may wish to elect a chair to lead the group's deliberations?

- In the meantime we will consider how modern-day governance has been addressed in other comparable contexts (through literature reviews and through direct contact) and bring such examples – with a commentary on their pros, cons and relevance to SPC – to the table.

- Part of our work will be to understand the legal basis for both current SPC governance structures and for any new or revised structures and processes.

- We will circulate further *Briefing Notes* on particular issues as we progress.

- Our terms of reference are to provide a draft report to the Working Group by early September. To this end we would like to convene a face-to-face Working Group meeting in mid/late August 2014 to go through our findings and reach consensus on the options to be put forward.

- One key question is to what extent a *set of reforms* should be prescribed in a submission to November's CRGA, as opposed to the definition of a *recommended process* of reaching an informed consensus among members, based on the issues and evidence emerging from this review.

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