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## **A Permanent Economic and Statistical Technical Assistance Body for the Pacific Island Countries**

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# Preface

This report was prepared for the Pacific Islands Forum Secretariat (PFIS) in Suva, Fiji Islands. The report is one output of an Asian Development Bank (ADB) technical assistance project (TA 6226 REG): “Developing and Implementing the Pacific Plan for Strengthening Regional Cooperation and Integration.” The Commonwealth Secretariat provided funding to the project.

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The report is published in three volumes. Volume 1 is the Executive Summary. Volume 2 is the main report. Volume 3 contains the working papers commissioned for the report—a series of independent studies assessing potential benefits and costs of implementing a variety of possible regional initiatives. Volume 3 has been printed in hard copy in only limited numbers. However, it is available on the websites of ADB ([www.adb.org](http://www.adb.org)) and at [www.pacificplan.org](http://www.pacificplan.org)

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## I. INTRODUCTION

A considerable amount of short- and long-term economic and statistical technical assistance has been given over the past decade or so to the Pacific islands countries by international financial agencies and bilateral donors for the purpose of improving economic and financial management, and the provision of economic and financial statistics. However, improvements in performance as the result of this sometimes coordinated and sometimes uncoordinated assistance are difficult to discern. For example, the United Nation Development Program (UNDP) Pacific Human Development Reports of 1994 and 1999 register a similar level of disappointment at the extent and quality of the available statistics.

Some of the forms of technical assistance provided are: (i) the Pacific Financial Technical Assistance Centre (PFTAC), established in 1993 with funding from UNDP, International Monetary Fund (IMF), Asian Development Bank (ADB), Australia, New Zealand and Japan; (ii) the economic services in the Pacific Islands Forum Secretariat (PIFS); (iii) the economic and statistical services provided via the Pacific Community (SPC) in Noumea and Suva, the Forum Fisheries Agency (FFA) in Honiara, and the South Pacific Regional Environmental Program (SPREP) in Apia; (iv) the advice on legislation relating to investment provided by the World Bank Group's Foreign Investment Advisory Service's Asia Pacific Regional Office in Sydney; (v) ad hoc technical assistance provided by donors such as the AusAID, NZAID, and DFID; and (vi) ad hoc technical assistance provided by the IMF (mainly during their Article IV consultations), the ADB and the World Bank.

It is disappointing that there are no indicators available to measure the outcome from this assistance. Ideally, it would be desirable to have performance indicators measuring the availability and quality of useful statistical series, the frequency and timeliness of the publication of national accounts, the quality and availability of budget documents, the adoption of improved budgetary procedures, and the performance of financial institutions.

Because of the apparent lack of response to this wide variety of technical assistance, the question arises whether a significantly larger, and more coordinated technical assistance effort would lead to a substantially different result. The formation of PFTAC is an effort to provide a coordinated set of technical assistance covering public financial management, financial sector supervision, tax administration, and economic and financial statistics. However, with only one staff member covering each of these areas and with 15 Pacific islands countries to advise, each country can receive only a very limited amount of attention. It is physically possible for each staff member to visit each country only about once every two years on average, and therefore the technical assistance cannot be immediate and constant in terms of monitoring and mentoring.

It is necessary to recognise the obstacles from the individual country's side of things. The required technical skills and physical and financial resources are limited (often extremely so). As well, the high level of mobility of staff makes the maintenance of the required level of technical expertise very difficult. These difficulties show up frequently in the lack of effective implementation of reforms. As far as the provision of appropriate statistics is concerned, there is even a suspicion that governments are unwilling to provide resources for these activities because doing so will only advertise their weaknesses.

Given these difficulties, it cannot be assured that a substantially larger and perhaps different form of economic and statistical technical assistance will make a difference. However, the idea of the various donors that are providing such technical assistance to the Pacific Island countries

pooling these resources to establish a single, large organisation appears to have merit. If such an organisation were to be considered, what size and form should it take?

## **II. RELEVANT AREAS OF TECHNICAL ASSISTANCE**

The areas of economic and statistical technical assistance provided by PFTAC—public financial management, financial sector supervision, tax administration, and economic and financial statistics—are clearly very important and should be included. If the Organisation for Economic Co-operation and Development (OECD) Secretariat is taken as a guide, economic and other technical assistance is also provided in areas such as trade and investment policy, environmental policy, infrastructure, education, labour markets, science policy, and governance. The OECD Secretariat also devotes considerable resources to the compilation and publication of statistical databases. Some of these more micro-economic areas covered by the OECD Secretariat, such as trade, infrastructure, and governance, are covered by the PIFS. Other areas such as the environment and natural resources are covered in other regional organisations such as SPREP, Forum Fisheries Agency, and SOPAC. Statistical assistance is also provided through the SPC. Technical assistance in areas such as trade and investment is also being provided by other organisations supported by the international agencies and bilateral donors. However, it is questionable whether the level of staff resources in each of these areas provides the necessary breadth and depth of assistance needed. Moreover, the wide dispersion of the resources does not appear to lead to the degree of contestability of ideas needed to result in the formulation of good policies and effective assistance with implementation of any needed changes.

Given their current and likely future interests, trade and investment will remain important areas in which the Pacific Islands countries will need technical assistance. Environmental policy and natural resources management policy are also areas in which strong technical assistance is necessary. Education and labour markets are other critical areas. As noted above, implementation of policies is a frequent area of poor performance. The shortage of skills and the high demand for the few available resources within countries mean that changes that are difficult to implement are not carried through. A system of mentoring of public officials in charge of putting new policies in place could possibly assist in improving implementation.

## **III. STRUCTURE, SIZE, AND LOCATION OF THE TECHNICAL ASSISTANCE FACILITY**

If most of these dispersed economic and statistical technical assistance resources were to be brought together, they could be placed in a structure of four divisions: Macroeconomics and Tax; Financial Sector Supervision; Microeconomics; and Statistics. The Macroeconomics and Tax division could cover public financial management (budgeting, accounting and financial management systems), taxation, and macro-economic policy analysis. The Financial Supervision division could assist with supervision and regulation of the banking and other financial institutions, insurance, provident funds and pensions, and money laundering. The Micro-economy division should cover at least trade, investment, and competition policy, management of natural resources, environmental policy, and education and labour market policy. Finally, the Statistics division would provide assistance in the collection and compilation of financial statistics, national accounts, balance of payments information, and labour market statistics. It would also provide assistance in the construction of price indices, the development of questionnaires for surveys such as household expenditure, employment and investment surveys, as well as population census. It would also assist in the management of databases. The four divisions would provide technical assistance to the relevant government departments as well as provide training and assist in the development and implementation of policy.

One possible arrangement for this facility would be to merge most of the existing economic and statistical technical assistance resources from the various regional and other bodies presently being supported by international agencies and bilateral donors. It would appear that the best location for such a body would be in the PIFS, where it would also consolidate existing resources in the PIFS devoted to these areas. The facility could be under a Deputy Secretary-General, with Directors at the head of each division. Divisional staff could comprise one Adviser, three Project Officers, and four Technical/Support staff. However, it may be desirable to establish the statistical division within the SPC, given the statistical services resources already in place in that organisation.

In order to provide more direct assistance to the Pacific Islands countries, local offices of the facility could be set up in several of the countries. These local offices would have a representative from each of the divisions under the supervision of a Director. For example, the head office in Suva could service Vanuatu and New Caledonia as well as Fiji Islands. Sub-regional offices could be set up in Port Moresby, Apia, and Majuro.

This arrangement would involve the following personnel: Deputy Secretary-General, seven Directors (four in the main office and three in the three sub-regional offices), four Advisers, 24 Project Officers (12 in the main office and 12 in the sub-regional offices), and 22 Technical/Support staff. The total salary bill (including on-costs) would be in the region of Fiji dollars (F\$)6 million (assuming tax-free status). With travel costs in the order of F\$500,000 annually, in-country training costs of F\$500,000, and costs of facilities and administrative support of F\$1 million, the total annual cost of the facility would be around F\$8 million annually.

An alternative arrangement to the establishment of the facility within PIFS would be to consolidate the various economic and statistical resources from the regional organisations and other bodies into the existing PFTAC along the same lines as outlined above. However, it would still be desirable to establish local offices in several of the Pacific countries in order to provide the needed breadth and intensity of interaction with government departments.