



Agenda item 7(a) iv: Governance Recommendations

Recommendation

The PIDC Regular Annual Meeting is invited to:

1. **endorse** the host country Samoa having permanent representation on the PIDC Board;
 2. **welcome** the discussions regarding the processes for electing of a “Small Island States’ representative to the PIDC Board; and
 3. **repeal** the 2006 Membership Subscription Fund Rule.
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Purpose

1. To guide discussions for a possible change of governance structure for the PIDC to:
 1. establish a permanent seat on the PIDC Board for Samoa in light of it being host country;
 2. consider amending the process for the election of the small island states (SIS) representative to the PIDC Board; and
 3. consider repealing the 2006 Membership Subscription Fund Rule.

Background

2. To support PIDC’s transition to a legal entity, a number of governance structures and arrangements were established to ensure the proper management of the organisation. Since, 2015 the organisation has progressively transferred its operations to its new governance structure. These governance arrangements are set out in PIDC’s foundation documents which include (a) the PIDC Constitution, (b) Financial Regulations, (c) Employee Regulations and (d) Rules of Procedure.

3. The endorsement of these foundation documents from 2014, consequently required the Secretariat to begin implementing its operations under these governance structures and testing their effectiveness and relevance. Consequently, the Board has had to progressively review specific details of the foundation documents to ensure that they support the overall governance objectives and allow the organisation to operate seamlessly in its transition and growth. In its latest review, the Board agreed at its Palau meeting that there was a need for Members to review three specific areas of the organisations governance mechanisms with specific recommendation for Members to consider.

Proposal 1: Host Country government representation on the Board

4. It is recommended that the PIDC host country is given an enduring seat on the Board. The PIDC Board is a permanent subsidiary body of the PIDC and acts on behalf of the PIDC to provide oversight and strategic direction to the organisation. The PIDC Board currently

consists of annually elected representatives of the Small Islands States, Polynesia, Micronesia, Melanesia, including Australia and New Zealand as Donors. Since 2009, the Regular Annual Meeting has consecutively appointed representatives to the Board based on the above representation, as provided under the PIDC Constitution.

5. The need to maintain ownership and understanding of PIDC values is a fundamental ingredient to the future growth of the organisation. The inclusion of the Host country government through the provision of an enduring seat on the Board establishes a close sustainable working relationship with the PIDC Host Country allowing for direct communication and significant benefits to be obtained by the organisation.

Strengths:

- Provides a strong relationship between the Board and Host Country government to retain an open direct dialogue and assist PIDC on any issues with being located in the Host Country;
- Strengthens the relationship between the Secretariat and Host Country government and assists the Secretariat with any operational issues; and
- Enables PIDC to retain an excellent working relationship with the host country especially related to strengthening the Secretariat's capacity to host domestic activities;

Weakness:

- The absence of the host country from the Board exposes the risk of the Host country becoming disconnected from the organisation and overtime losing its connection to the organisation; and
- This means that the relationship between PIDC and the Host Country could potentially depend solely on the Secretariat.

Proposal 2: Review the PIDC Constitution categorization of Small Island States Members' definition for election of Board Representative.

6. In recognition of the special vulnerabilities faced by the smallest PIDC administrations, the Constitution provides that SIS shall be represented on the PIDC Board. SIS in the PIDC Constitution is defined as:

a developmental categorisation and should not be used as if it is a new grouping of the Pacific Islands. Certain Pacific island states might fall under the SIS according to development needs and for PIDC purposes this includes Kiribati, Nauru, Niue, Norfolk Island and Tuvalu.

7. The only privileges that is provided under the Constitution for SIS is that they are provided the opportunity to have a specific representative on the PIDC Board to better communicate and raise awareness regarding their unique needs. This form of special and differential treatment for the more vulnerable groupings within international organisations is a recognised international legal principle that is applied to most of the PIDC Membership in larger regional and international fora.

8. During the 2016 Regular Annual Meeting, issues were raised regarding SIS in effect having two votes when it comes to the election of a Board representative. SIS Members can vote for a SIS representative and then can also vote for their regional sub-representatives. As there

are no Melanesian SIS, this second vote for the election of Board Members was raised as an issue at the 2016 Regular Annual Meeting. In reviewing the possible options to resolve this issue, it is recommended that the Members discuss what an appropriate solution would be.

9. A possible solution discussed by the Board would be to discuss a possible amendment to the PIDC Constitution for SIS Members to select in advance (for a certain time period) which Board representative (either SIS or sub-regional) they would vote for. If this was agreed then further consideration would be given to how long SIS Members would in essence be locked into voting for that specific Board representative.

Strengths:

- Provides less confusion on the groupings of Members and strengthens focus on Members' needs based on the specific sub-region they are categorized under;
- Cancels any concerns on why special preferences are given to Members moving between sub-regions for the election of their representative; and
- There is no additional budgetary cost to this.

Weakness:

- Strict application of this possible change may see Members under this category lose the flexibility of representing their views in other sub-regions they would fall under.

Proposal 3: Repeal the Membership Contribution Fund 2006

10. Members are recommended to repeal the Membership contribution fund Rule 2006 to ensure the membership contribution fund is managed under the PIDC Financial Regulations.

11. The Membership Subscription fund rule was established to assist the Secretariat to administer the fund in 2005 under its previous organizational arrangements. However, following the transition to its legal entity status in 2016 the PIDC Financial Regulations were endorsed to guide the Secretariat's administration of all PIDC funds from donors and Members. The financial regulations subsequently aligned the Secretariat's administrative role of the membership funds under one regulation and ensured that there would not be any confusion of administrative rules operating parallel to each other.

Strengths

- Provides consistency to the administration of PIDC funding streams.

Strategic Implications

12. The proposed recommendations support the implementation of PIDC's strategic objectives contained in the PIDC Constitution, the 2016 – 2018 Strategic Plan and the Results Management Suite.

Costs and Risks

13. Proposal 1 (*enduring seat for the host country in the Board*) will result in extra costs for an additional Board Member to travel when the Board meeting is not held in Apia. However, this extra cost has been included in the draft 2017/ 18 budget. Members will note that the Host Country has been participating in Board meetings as an Observer as part of the 'relocation and transition' process since 2015 and has provided significant support in this role.

14. For proposals 2 and 3 there are no budget implications.

Conclusion

15. The governance arrangements of the PIDC is central to the effective and transparent delivery of PIDC activities. Since 2014 there has been changes and ongoing variations which have been trialled as the organisation continues to streamline its processes and refine its priorities. Governance arrangements will continue to be a central part of the organisation's activities to ensure the Secretariat continues to function successfully without compromising its accountability to Members and Donors. These proposed changes are in line with the Board's role in providing oversight and strategic direction.